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CONTRACT

THIS CONTRACT, made and entered into by and between CONTRACTOR LLC, a limited liability company (hereinafter referred to as “the Contractor”) and the BOARD OF ADMINISTRATION OF THE LOS ANGELES CITY EMPLOYEES’ RETIREMENT SYSTEM (hereinafter referred to as “LACERS” or the “BOARD”), constitutes an agreement between the Contractor and LACERS with respect to the following:

LACERS hereby retains the Contractor for REAL ESTATE CONSULTING SERVICES with regard to the City Employees’ Retirement Fund (Retirement Fund) and the Contractor hereby accepts its retention as such upon the terms and conditions hereinafter set forth.

I. SERVICES

The Contractor shall be retained to provide the Board with the following consulting services:

A. Strategic and Investment Plans

The Contractor shall assist the Board in the development and/or revision of a Real Estate Policy for the asset class of real estate. The Real Estate Policy shall set forth the long-term objectives for the real estate portfolio (the “Portfolio”) and policies and procedures for risk management and investment and asset management, including the following:

Objectives

1. Asset allocation to real estate
2. Investment objectives
3. Benchmark returns and measurement standards
4. Risk management objectives
5. Prudent investment standards

B. Policies

1. Eligible property types and related criteria
2. Investment size and limitations
3. Investment vehicle policies, including commingled and separate account investment strategy
4. Investment risk parameters, life cycle and other relevant portfolio level risk attributes (development, redevelopment, renovation, fully leased, opportunistic, etc.)
5. Diversification objectives and policies
6. Eligible investment type or form
7. Eligible investment managers and manager criteria
8. Financial reporting and accounting controls

C. Procedures

1. Delegation/retention of investment and asset management discretion
2. Roles of Board, staff and Contractor
3. Roles and responsibilities of managers and advisors

The Contractor shall prepare an Investment Plan, or revise the existing Investment Plan, for the Portfolio outlining the steps by which the Board may prudently and reasonably implement a real estate portfolio consistent with the Real Estate Policy. Recommended actions in the Investment Plan may include: a) manager searches; b) disposition analyses; c) workout analyses; d) development of investment criteria; and e) establishment of asset management guidelines.

Contractor will review the Real Estate Policy and Investment Plans annually and recommend changes necessary or appropriate in light of changes in the market or the Portfolio.

The terms “advisor” and “manager” are used interchangeably herein and are not intended to convey any particular meaning as to the advisor’s or manager’s level of authority over assets, it being understood that such level of authority and the identity of assets affected shall be the subject of an agreement to be entered into by and between Board and each such advisor or manager.

D. Manager Searches

The Contractor shall identify investment opportunities consistent with the Real Estate Policy and Investment Plans. Subject to available funds for investment (whether from uncommitted capital, the reinvestment of proceeds from the sale or liquidation of existing investments, or other available sources of capital), and if the Investment Plan identifies the need for a manager search, the Contractor shall identify investment managers consistent with the Real Estate Policy and Investment Plans. Contractor will utilize the manager search procedures approved in the Real Estate Policy.

Contractor shall review, evaluate and recommend retention or removal of managers, but shall have no authority to engage or terminate any manager. The Board shall retain the exclusive right to engage or terminate managers.

Following the Board’s selection of a manager for a separate account, the Contractor shall assist the Board and/or the Board’s legal counsel in negotiating appropriate investment management agreements and fees for the account. The Board acknowledges that Contractor is not providing any legal advice or consultation in providing services hereunder. The Board shall look solely to its legal counsel for such advice or consultation.

E. Manager Investment Criteria

For each separate account, the Contractor shall assist the Board in developing "Manager Investment Criteria" as described herein. The Manager Investment Criteria shall set forth guidelines to be followed for real estate acquisitions by investment type, including but not limited to criteria for the following matters: allocation amount, investment strategy, target markets, diversification, property age and life cycle, acquisition price, ownership structure, property profiles, return guidelines, holding period, appraisal procedure, compliance with environmental regulations, use of leverage, property management, conflicts of interest, lease structures, and manager obligations.

F. Review of Manager Investment Plans

The Contractor shall review the annual Manager Investment Plan ("MIP") prepared and submitted by each manager of a separate account, which MIP shall set forth the general and specific criteria for that manager's investment allocation and approach. The purpose of the review shall be to ensure that the MIP is consistent with the Strategic and Investment Plans. Based upon the review, the Contractor shall recommend the approval of each MIP or recommend other appropriate action with respect to each MIP. Each MIP shall be updated annually to account for the dynamics of the real estate and capital markets and the Board's real estate investments. MIPs will not be required after a manager has fully invested its allocation.

G. Review of Budget and Management Plans

The Contractor shall review and approve the Budget and Management Plan prepared and submitted by each manager of a separate account, which plan must be submitted by each manager not less than sixty (60) days prior to the end of the calendar year. Not less than thirty (30) days prior to the end of the calendar year, the Contractor shall meet with the manager's personnel directly responsible for portfolio and asset management for a review and evaluation of the reasonableness of the Budget and Management Plan.

The Budget and Management Plan shall include a narrative strategy for the ensuing year (including leasing, operations and capital programs) and an estimated income and cash flow statement for the ensuing year (including gross revenues, expenses, percentage rent, additional rent, property management fees, net operating income, tenant improvements, leasing commissions, capital expenditures, cash flow before and after debt, and asset management fees with quarterly distribution projections). The Budget and Management Plan shall include an annual disposition review.

H. Manager Oversight Reviews

The Contractor shall review the Annual Report prepared and submitted by each manager of a separate account. The Board shall cause each manager to submit such report to the Board and the Contractor not less than sixty (60) days after the close of the calendar year. The Board shall cause each manager to report as follows:

1. For each property within the portfolio and for the portfolio as a whole, the Annual Report shall contain the following information: a current performance summary, investment summary (including an investment description, date of acquisition and acquisition cost), income summary, summary of performance yields, appreciation analyses, leasing summary (including summary of lease expirations for the current year), appreciation analyses, and performance comparisons to previous year and to projections going forward;
2. The Annual Report shall also address any significant changes in the manager's organization, key personnel, investment strategy and philosophy, clients or managed assets from the previous Annual Report; and
3. The Annual Report shall also include audited financial statements for each property for the calendar year, prepared by a nationally recognized certified public accounting firm selected by the Board.

Not more than ninety (90) days subsequent to the end of the calendar year, the Contractor shall meet with each manager of a separate account to review the Annual Report and, specifically, to review the actual performance of each asset for the prior year and compare it to the budget for that period and the budget for the current year. Contractor's Annual Manager Review shall provide the following: (1) organizational analysis including ownership structure, employee turnovers, new and lost clients, capital under management and an assessment of the financial stability of the firm; (2) investment analysis including a variance analysis comparing prior year's budget with actual performance (any significant line-item variance shall be noted and explained); and (3) Contractor shall summarize areas of strength and weaknesses for each manager.

I. Review of Proposed Investments or Dispositions

So long as funds are available for new investment, Contractor will review each proposed investment using the following steps: (1) evaluate the consistency of the investment with the Strategic and Investment Plans, the Investment Guidelines, the Manager Investment Criteria and Manager Investment Plan; (2) evaluate the qualifications of the manager to acquire and manage the investment; (3) identify any potential conflicts of interest; and (4) identify material issues relevant to the investment.

Contractor shall coordinate its review with outside legal counsel selected by the Board to address any business issues relating to the investment structure, investment vehicle or other material issues involving legal advice (e.g., any environmental, land use planning, zoning or legal title issues). The Board acknowledges that Contractor is not providing any legal advice or consultation in providing the acquisition services hereunder and shall look solely to its outside legal counsel for such advice or consultation.

J. Portfolio Management and Performance Measurement

The Contractor shall measure the performance of the Board's real estate Portfolio on a quarterly basis against established investment objectives and policies and institutional real estate performance benchmarks.

Within thirty (30) days of the close of each calendar quarter and the close of each calendar year, Contractor shall provide each manager with a questionnaire. Within ninety (90) days of the close of each calendar quarter, Contractor shall prepare and present to the Board a quarterly report. The report shall measure performance of the Board's real estate assets against investment objectives and performance benchmarks adopted by the Board as part of its Strategic Plan.

The Contractor will advise the Board as to the performance of each real estate investment relative to its anticipated performance, current market conditions, and competitive environment. The Contractor shall notify the Board of any identified material issues that may impact investment performance and recommend a course of action to enhance returns or mitigate risk.

K. Commingled Investment Vehicle Searches

Subject to the availability of funds for new investment, Contractor may recommend investment in one or more commingled investment vehicles ("CIVs") with investment and return strategies consistent with the Board's Real Estate Policy and Investment Plans. Contractor shall continuously monitor the availability of open and closed-end real estate investment funds. The Contractor will review such available funds to determine whether they meet any adopted investment criteria and whether they complement and are consistent with the recommended portfolio investment strategies. The review preceding any CIV investment recommended by Contractor shall include the following: (1) ongoing data gathering concerning CIVs open to new investors, consisting primarily of questionnaires directed to and meetings with CIV managers, (2) Contractor's internal analysis and reporting concerning fund strategy, management, fees, and Contractor's observations, (3) an analysis to determine that the CIVs risk profile and strategy are consistent with the Board's investment goals, and (4) review and approval of any CIV investment recommendation by Contractor's Investment Committee. In connection with any CIV investment recommendation, Contractor shall

provide the Board with a report of the findings of its review and evaluation of proposed fund investments.

L. General Informational/Educational Services

Upon the request of the Board, the Contractor shall provide the Board with information reasonably accessible to the Contractor, which would assist the Board in understanding the asset class of real estate. It is the understanding of the parties to this Agreement that the services set forth in this paragraph are secondary to the other services set forth in this Agreement and will not place upon the Contractor substantial and material demands.

M. Contractor Personnel and Additional Services

Jane Doe and John Doe, among others as necessary will comprise the team responsible for completing the services described herein. Ms. Doe and Mr. Doe will be the primary contacts, unless otherwise requested by staff. Contractor reserves the right to replace team members with the reasonable approval of the staff.

Contractor will perform all services attendant to maintaining an institutional real estate portfolio on behalf of the Board and analyze and identify material issues arising from the portfolio holdings, recommend appropriate alternatives, and act on behalf of the Board, if requested, consistent with its role as real estate consultant.

II. FIDUCIARY STATUS OF CONTRACTOR; STANDARD OF CARE

The Contractor acknowledges and agrees that this Contract places it in a fiduciary relationship with the Board on behalf of LACERS with respect to the performance of services under this Contract. As a fiduciary, Contractor shall discharge each of its duties and exercise each of its powers under this Contract in the interest of the participants and beneficiaries of LACERS with the competence, care, skill, prudence and diligence under the circumstances then prevailing and that a prudent person who is acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims, in conformance with the California Constitution, Article XVI, Section 17 and with the customary standard of care of a professional investment manager providing services for a U.S. public pension system ("Standard of Care"). The Contractor shall cause any and all of its employees, agents and representatives providing services in connection with this Contract ("Agents") to exercise the same Standard of Care. The Contractor shall be liable to the Board and LACERS for any Claim ((as defined in Section V.A. ("Indemnification"))) hereof which arises from or relates to any failure by the Contractor or any of its Agents to exercise such Standard of Care. As used herein, "Agents" does not include independent service providers, including but not limited to broker-dealers and securities pricing services unless their appointment was the result of active negligence or willful misconduct of the Contractor.

III. INDEMNITY AND INSURANCE

- A. Indemnification: Except for the active negligence or willful misconduct of the City of Los Angeles (City), the Contractor undertakes and agrees to defend, indemnify, and hold harmless City and any and all of City's Boards, Officers, Agents, Employees, Assigns, and Successors in Interest from and against all suits and causes of action, claims, losses, demands, and expenses, including, but not limited to, attorney's fees and costs of litigation, damage or liability of any nature whatsoever, for death or injury to any person, including the Contractor's employees and agents, or damage or destruction of any property of either party hereto or of third parties, arising in any manner by reason of the negligent acts, errors or omissions, or willful misconduct incident to the performance of this Contract on the part of the Contractor or sub-contractor of any tier. The professional liability of the Contractor or subcontractor of any tier shall be in accordance with California law.
- B. Insurance Conditions: The Contractor shall procure and maintain, at its sole cost and expense, the following insurance in force during the term of this Contract with limits no less than:
1. Professional Indemnity (Errors and Omissions) insurance in the amount of \$5 million with a Discovery Period of twelve months after completion/termination of this contract, whichever occurs first.
- C. Workers' Compensation: In compliance with California statute, the Contractor agrees to provide Workers' Compensation coverage for its employees (if any) as applicable throughout the term of this agreement.
- D. Underlying Insurance: The Contractor shall be responsible for requiring indemnification and insurance as it deems appropriate from its employees receiving mileage allowances, agents, and subcontractors, if any, to protect the Contractor's and LACERS', the Board's and the City's interests, and for ensuring that such persons comply with any applicable insurance statutes.

The Indemnification and Insurance Conditions clauses, as herein established, shall supersede references to the same within Appendix A – Standard Provisions for City Contracts.

Contractor shall provide proof of insurance coverage (Certificate of Liability Insurance) to LACERS.

IV. FEES

- A. LACERS shall pay or cause to pay the Contractor a fee, payable in U.S. dollars, for services rendered hereunder calculated and payable quarterly in arrears upon presentation of an invoice therefore, as follows:

\$XXX per year, inclusive of travel, taxes, and other expenses.

- B. In the event of termination of this Contract, the fee payable to the Contractor shall be pro-rated from the last day of the previous calendar quarter to the date of termination.

V. CONTRACTOR COMPLIANCE WITH LACERS INVESTMENT, ETHICAL AND FIDUCIARY POLICIES

The Contractor shall comply with all LACERS policies related to Investment, Ethical and Fiduciary policies, including, but not limited to: Real Estate Investment Policy; Investment Policy; Geopolitical Risk Investment Policy; Proxy Voting Policy; Policy Prohibiting Insider Trading; Brokerage Policy; Conflict of Interest Laws and Governance, including prohibitions and limitations; Marketing Cessation Policy; and, Disclosures Policy. In addition, Contractor's services will be evaluated annually pursuant to the aforementioned Real Estate Investment Policy.

The Board shall take reasonable steps to notify the Contractor promptly of any changes to LACERS investment policies and to maintain the confidence of, to the extent permitted by applicable laws, and use only with respect to LACERS, all advice given by the Contractor.

VI. REGISTERED ADVISER

The Contractor represents and warrants that it is a duly registered investment adviser under the Investment Advisers Acts of 1940, and agrees that it shall maintain registration at all times during the term of this agreement.

VII. SECURITIES AND EXCHANGE COMMISSION FORM ADV (Uniform Application for Investment Adviser Registration)

The Contractor shall maintain on file with LACERS a current copy of Contractor's Form ADV, and shall provide LACERS a copy of any updates without further written request.

VIII. DURATION

Subject to the provisions of Section X hereof, this Contract shall be effective for a period commencing with April 1, XXXX and terminating at the close of March, XXXX.

IX. RATIFICATION

At the request of LACERS, and because of the need therefore, Contractor began performance of the services required hereunder prior to the execution hereof. By its execution hereof, LACERS hereby accepts such service subject to all the terms, covenants, and conditions of this agreement, and ratifies its agreement with Contractor for such services.

X. TERMINATION

Subject to the provisions of Section IV hereof, it is understood and agreed that either the Contractor or the Board, with or without cause, may terminate this Contract effective as of any date by giving the other party at least thirty (30) days notice in writing of such termination. In such event, unless otherwise provided herein, neither party shall be obliged to comply with any of the terms and conditions hereof subsequent to any such designated termination date. It is furthermore agreed that the parties hereto may terminate this Contract at any time by written mutual consent.

Notwithstanding the foregoing, LACERS may also terminate this Contract immediately upon LACERS' oral or written notice to the Contractor that LACERS has determined, in its reasonable discretion, that the Contractor has engaged in negligence, willful misconduct, a lack of good faith, a violation of applicable law, a material breach of this Contract, or a breach of the Contractor's fiduciary duties or standard of care as stated in Section II of this Contract.

XI. NOTICES

Unless otherwise provided herein, all notices, instructions, or directions permitted or required under this Contract will be deemed to have been properly given if couriered or sent by first class, postage prepaid, addressed as follows:

To the Board at:

Los Angeles City Employees' Retirement System (LACERS)
202 W. First Street, Suite 500
Los Angeles, CA 90012-4401

Attention: Tom Jones, General Manager
Telephone: (213) 473-7280
Facsimile: (213) 687-8412

To the Contractor at:

Contractor LLC
1234ABC Lane, Suite 500
Anytown, CA 12345

Attention:
Telephone:
Facsimile:

XII. ASSIGNMENT

In accordance with the Investment Advisers Act of 1940, this Contract shall not be assigned by the Contractor without the prior written consent of LACERS.

XIII. PROXIES AND OTHER LEGAL NOTICES

LACERS will make decisions on and be responsible for all proxy voting.

XIV. INCORPORATION OF DOCUMENTS

This contract and exhibits represent the entire integrated agreement of the parties and supersedes all prior written or oral representations, discussions, and agreements. The following documents are incorporated and made a part hereof by reference. In the event of an inconsistency between any of the provisions of the body of this agreement and its attachment, the order of precedence shall be (1) the provisions in the body of this agreement, (2) Appendix A.

Appendix A: Standard Provisions for City Contracts (Rev. 3/09) - This agreement is subject to all the provisions of the Standard Provisions for City Contracts with exemptions applicable to Investment Contracts for provisions: PSC-31 Living Wage Ordinance; PSC-33 Contractor Responsibility Ordinance; PSC-35 Equal Benefits Ordinance; and, PSC-36 Slavery Disclosure Ordinance.

Exhibits - Required Compliance Documents as part of the contract:

- Exhibit 1: Proof of Insurance (Certificate of Liability Insurance)
- Exhibit 2: Completed Non-Discrimination/Affirmative Action/Equal Employment Opportunity Form
- Exhibit 3: Copy of Los Angeles Business Tax Certificate
- Exhibit 4: Completed IRS W-9 Form

XV. FINAL EXECUTION AND SIGNATORIES OF CONTRACT

Final execution of this Contract shall be the date of the final signatory, subject to warranty by the individuals whose signature appears below that s/he has full authority to execute this Contract on behalf of the party for which their signature has been affixed; and, subject to satisfactory completion of compliance documents pursuant to Sections V and XVI.

CONTRACTOR LLC

By: _____
Name, Title

Date: _____

**BOARD OF ADMINISTRATION
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM**

By: _____
Tom Jones
General Manager

Date: _____

Approved as to form:
PARKER LEWIS,
City Attorney, City of Los Angeles

By: _____
Judy Trudy, Assistant City Attorney,
City of Los Angeles

Date: _____