Real Estate Recommendation
February 14–15, 2019

Presenters: Tom Masthay, Eddie Schultz, Yvonne Huang, Tom Hester (Stepstone)
Names used in this presentation are a shortened version that is used for ease of communication purposes throughout this document. The formal recommendation to the Board on the last page of this presentation reflects the full legal name of the investment.
Section I

EXECUTIVE SUMMARY
Portfolio Management Initiatives

Becoming a Strategic Partner

- More Expensive
- More Specialized Expertise

Direct Investor
- Asset Managers
- Sophisticated Institutions

Strategic Capital
- Sophisticated Institutions
- Separate Accounts, Co-Invest, etc.

Direct Fund
- Sophisticated Institutions
- TMRS

Fund of Funds
- Resourced Institutions
- Resource Constrained Institutions
Manager Recommendation

Executive Summary

<table>
<thead>
<tr>
<th>Recommended Manager/Fund</th>
<th>Strategy Classification</th>
<th>Target Return</th>
<th>Recommended Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>H/2 CP L.P.</td>
<td>Value-Add Real Estate</td>
<td>7-11%+ Net IRR</td>
<td>Reallocation of TMRS’ existing $200 million of subscriptions to H/2 Capital Partners.</td>
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This recommendation does not increase commitment levels to H/2 and therefore is not contemplated to deduct from the $400 million of 2019 real estate pacing model approved search activities.
Section II

MANAGER SELECTION
H/2 Capital Partners provides access to liquid private commercial real estate debt markets by participating in the origination and structuring process of securities and loans, utilizing their market reputation as a conservative and strong underwriter of credit and proven ability to execute in timeline sensitive and complex situations. H/2 supports this business model by also being a rated special servicer. H/2 is a Stamford, CT / NYC based asset manager that has completed over $22B of CRE transactions since its inception.

TMRS has been invested with H/2 Capital Partners across two product lines since initial approvals for mandates during 2015. The proposed recommendation does not represent a recommendation to deploy new capital with H/2, rather only to reallocate existing holdings differently within the H/2 platform.

H/2 Capital Partners
($200mm – restructure of existing investments)

Dates Subsequent Meetings*
1/14/16, 3/15/16,
3/10/17, 7/20/17,
10/17/17, 7/31/18,
11/13/18

*Only includes meetings since commencement of relationship

Dates of Diligence Advancement
‘A’ Rating – reaffirmed 1/14/19

Date of Consultant Report
February, 2019

Legal Negotiation Initiated
TBD

Comparable Strategies Reviewed
Real Estate Debt Managers (74)
Section III

REQUESTED BOARD ACTION
Approval of Recommendation

- TMRS Staff and Courtland, a StepStone Company, recommend that the Board of Trustees approve the following action:

**Recommendation:**

- Approve H/2 Capital Partners Relationship Restructure
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