Board Regular Meeting

Schedule Wednesday, July 21, 2021 9:00 AM

Venue Credit Union House, 631 E. Hill Street, Oklahoma City

Agenda

1. Roll Call for Quorum
   Presented by Brandon Meyer

2. Discussion and Possible Action to Recognize Service of Tom Spencer
   Presented by Brandon Meyer and Sarah Green
   - 2-TomSpencerResolution.docx 1

3. Discussion and Possible Action on Approval of Minutes:
   a. June 2, 2021 Board Special Meeting
   b. July 9, 2021 Board Special Meeting
   Presented by Brandon Meyer
   - 3.a-2021-June-2-Bd.Special.Mtg.Mins.final.docx 2
   - 2021-July9-BdSpecialMtg-Minutes-DRAFT.docx 8

4. Announcement of Board Committee Assignments
   a. Investment Committee
   b. Audit Committee
   c. Governance Committee
   Presented by Brandon Meyer
   - 4-CommitteeAssignments-Policy.docx 10

5. Discussion and Possible Action on Investment Department Report
   Presented by Joseph Cappello and Kirk Stebbins
   - 5-July2021-InvestmentDeptRpt.pdf 18

6. Discussion and Possible Action on TRS Investment Objectives and Projects

for FY 2022 and Capital Market Update
Presented by Kirk Stebbins

6-Aon-TRS.Bd.Presentation-07.2021-Final.pdf 26

7. Discussion and Possible Action to Approve Appraisal Report for Harvey Parkway Building
Presented by Sarah Green

7-HarveyParkwayReport-2021.pdf 43

8. Discussion and Possible Action on FY 2022 Budget for Harvey Parkway Building
Presented by Sarah Green

8.a-HP.Budget.FY22.pdf 145

8.b-Memo.Re.HP.Budget.FY22.docx 146

9. Discussion and Possible Action on Committee Reports:

9.1. Audit

9.2. Governance

10. Discussion and Possible Action to Resolve into Executive Session Pursuant to 25 O.S. Section 307(B)(1) for the Purpose of Discussing the Employment, Evaluation, Compensation, Hiring, Appointment, Promotion, Demotion, Disciplining, Termination or Resignation of the General Counsel
a. Vote to Resolve into Executive Session
b. Vote to Return to Open Session
Presented by Brandon Meyer

11-GC Evaluation Overview.docx 148

11. Discussion and Possible Action on Items Discussed in Executive Session
Presented by Brandon Meyer

12. Discussion and Possible Action on Approval of General Counsel Job

Description
Presented by Sarah Green

13-GeneralCounselJobDescription-7.21.21.docx 149

13. Discussion and Possible Action to Amend October 2021 Meeting Dates (Including Adding a Special Meeting and Canceling the Investment Committee Meeting) and Location for Purposes of Hosting a Strategic Planning Retreat for the Board of Trustees
Presented by Sarah Green

14-Memo.Re.Retreat.docx 151

14. Discussion and Possible Action on Agency Reports

14.1. Member Services
Presented by Dixie Moody

15.1.a-MonthlyRetirementStatus 6-21.pdf 153

15.1.b-MonthlyRetirementStatus 7-21.pdf 155

14.2. Human Resources
Presented by Sarah Green

15.2-HR.Status.Report.2021-07-21.docx 157

14.3. Finance
Presented by Lisa Van Liew

15.3-Finance 1.pdf 158

15.3-Finance 2.pdf 159

15.3-Finance 3.pdf 160

15.3-Finance 4.pdf 161

15.3-Finance 5.pdf 162

15.3-Finance 6.pdf 163

14.4. Deputy Executive Director of Operations
Presented by John Santos and Dixie Moody

15.4-July2021DepDirBoardReport.docx 165

14.5. General Counsel
Presented by Sarah Green

15.5-GC.Report-July21.docx 166

14.6. Executive Director
Presented by Sarah Green

Executive Director's Report July 2021.docx 167

15. Questions and Comments from Trustees
Presented by Brandon Meyer

16. New Business (Any matter not known about or which could not have been reasonably foreseen prior to the time of posting [25 O.S. 2011, Section 311])
Presented by Brandon Meyer

17. Adjournment
Presented by Brandon Meyer

Next meetings:
August 24, Investment Committee Meeting
August 25, Board Regular Meeting

OKLAHOMA
Teachers' Retirement System

RESOLUTION HONORING THE SERVICE OF

THOMAS L. SPENCER

WHEREAS, Tom Spencer served as the Executive Director of the Teachers' Retirement System of Oklahoma from April 2014 through June 2021; and

WHEREAS, Tom Spencer served the people of Oklahoma and the Teachers' Retirement System with great expertise during his tenure; and

WHEREAS, Tom Spencer was instrumental in improving the Teachers' Retirement System by restoring the position of Chief Investment Officer to the agency, purchasing the Harvey Parkway Building - the first System-owned headquarters, and protecting and growing the assets of the System for exclusive benefit of the System's members and beneficiaries; and

WHEREAS, through the guidance and knowledge of Tom Spencer and his countless contributions to the System, the general welfare of all was advanced.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA:

THAT the Board of Trustees extends its appreciation to Tom Spencer for his many excellent contributions made for the people of Oklahoma and for the advancement and growth of the Teachers' Retirement System and vital management of its funds;

THAT a copy of this Resolution be forwarded to Tom Spencer, and that this Resolution be placed in the official files of the Board of Trustees as a permanent public record of the great State of Oklahoma, as a tribute to this distinguished public servant.

ADOPTED BY THE BOARD OF TRUSTEES OF THE TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA, THIS 21st DAY OF JULY 2021.

_____

Brandon Meyer, Board Chair

MEETING MINUTES
June 2, 2021
BOARD OF TRUSTEES SPECIAL MEETING
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

A special meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma was called to order by Vernon Florence, Chairman, at 8:31 a.m. June 2, 2021. This meeting was a Zoom videoconference meeting, held in compliance with the Open Meetings Act as amended by SB1031. Public Access Link: https://www.facebook.com/OkTRS/Live/. The meeting notice and agenda were posted in accordance with 25 O.S. Section 311(A)(9).

TRUSTEES PRESENT:
Vernon Florence, *Chairman*
Tim Allen
Rod Boles
Lisa Henderson
Mike Kellogg*
Steve Massey
Brandon Meyer
Mathangi Shankar
Marla Tharp
Drew Williamson*
Greg Winters

TRUSTEES ABSENT:
Roger Gaddis
Brandy Manek
Chris Rector
Stephen Streeter

TRS STAFF PRESENT:
Tom Spencer, *Executive Director*
Sarah Green, *General Counsel*
John Santos, *Deputy Exec. Director of Operations*
John Reasor, *Application Developer Specialist*
Phyllis Bennett, *Executive Assistant*

OTHERS PRESENT:
None

* Denotes late arrival or early departure

ITEM 1 – CALL TO ORDER: Chairman Florence called the virtual meeting order at 8:31 a.m.

ITEM 1 – ROLL CALL FOR QUORUM: Chairman Florence asked the recording secretary to call roll to determine if a quorum was present. Trustees responding as present were Mr. Massey, Mr. Florence, Mr. Allen, Mr. Boles, Ms. Henderson, Mr. Meyer, Ms. Shankar, Ms. Tharp and Dr. Winters. A quorum was present.

Michael Kellogg arrived at 8:33 a.m.
Drew Williamson arrived at 8:33 a.m.

Chairman Florence and TRS General Counsel Ms. Green explained that this Special meeting was called to validate two meetings that had been posted incorrectly on the Secretary of State's website. If a meeting is not accurately posted, it is not valid, so this Special meeting will validate the prior meetings by having the voting items on the agenda. Ms. Green said there were no complaints, but she thought it was best practice to vote on the voting items.

ITEM 3 – DISCUSSION AND POSSIBLE ACTION TO RECOGNIZE SERVICE OF TRUSTEE JUDIE HARRIS: Chairman Florence reminded Trustees of the Board Resolution shared May 26.

A motion made by Ms. Henderson with a second made by Dr. Winters to approve the Resolution recognizing former Trustee Ms. Harris carried by a unanimous roll call vote. Trustees responding were Mr. Florence, Mr. Allen, Mr. Boles, Ms. Henderson, Mr. Kellogg, Mr. Meyer, Ms. Shankar, Ms. Tharp, Mr. Williamson and Dr. Winters.

ITEM 4 – DISCUSSION AND POSSIBLE ACTION ON APPROVAL OF MINUTES:

a. **March 31, 2021, Board Special Meeting**
b. **April 27, 2021, Board Special Meeting**

Chairman Florence asked for approval of the minutes from the March 31, 2021, Board Special meeting and the April 27, 2021, Board Special meeting.

A motion made by Mr. Meyer with a second made by Mr. Boles to approve the minutes of the May 31, 2021, 2021, Board Special Meeting and the April 27, 2021, Board Special Meeting carried by a unanimous roll call vote. Trustees responding were Mr. Florence, Mr. Allen, Mr. Boles, Ms. Henderson, Mr. Kellogg, Mr. Meyer, Ms. Shankar, Mr. Williamson and Dr. Winters. Ms. Tharp abstained as she joined the Board May 26.

ITEM 5 – DISCUSSION AND POSSIBLE ACTION ON ANNUAL REVIEW AND ADOPTION OF INVESTMENT PLAN PURSUANT TO 70 O.S. 17-106.1(G): Ms. Green presented the Investment Policy Statement as the proposed Investment Plan for FY22 pursuant to 70 O.S. Section 106.1(G) and reviewed the only amendment which was on the fixed income asset class. The amendment established a core plus fixed income benchmark composed of 70% of the Bloomberg Barclays U.S. Aggregate Index and 30% of the ICE BofA US High Yield Constrained Index.

A motion from Mr. Meyer with a second by Dr. Winters to approve the amendment to the Benchmark Index of the Investment Policy Statement as presented and to adopt the Investment Policy Statement as the Investment Plan carried by a unanimous roll call vote. Trustees responding were Mr. Florence, Mr. Allen, Mr. Boles, Ms. Henderson, Mr. Kellogg, Mr. Meyer, Ms. Shankar, Ms. Tharp, Mr. Williamson and Dr. Winters.

ITEM 6 – DISCUSSION AND POSSIBLE ACTION ON COMMITMENT OF $100 MILLION TO FCP FUND V: Ms. Green referred to the information about FCP Fund V on page 44 of the agenda packet. She said the fund meets the requirements in the Investment Policy Statement as a follow-on fund so there is no need to issue an RFP. She added that this commitment will accomplish an increase in allocation to TRS' private real estate portfolio.

A motion made by Mr. Meyer with a second made by Dr. Winters to approve a commitment of $100M to FCP Fund V carried by a unanimous roll call vote. Trustees responding were Mr. Florence, Mr. Allen, Mr. Boles, Ms. Henderson, Mr. Kellogg, Mr. Meyer, Ms. Shankar, Ms. Tharp, Mr. Williamson and Dr. Winters.

ITEM 7 - GOVERNANCE COMMITTEE:

Discussion and Possible Action on Review of Chapter 10 – Travel Expense Policy: Ms. Green said the policy is on page 48 of the agenda packet. Having reviewed the travel policy, she recommended only a few minor changes for consistency and clarification.

A motion made by Mr. Allen with a second made by Ms. Shankar to accept the changes to the Travel Expense Policy in the Board of Trustees Policy Manual as presented carried by a unanimous roll call vote. Trustees responding were Mr. Florence, Mr. Allen, Mr. Boles, Ms. Henderson, Mr. Kellogg, Mr. Meyer, Ms. Shankar, Ms. Tharp, Mr. Williamson and Dr. Winters.

ITEM 8 – NOMINATING COMMITTEE:

Discussion and Possible Action to Elect Board Officers: Nominating Committee Chair Rod Boles presented nominees for Board Officers for FY 2022.

a. Chair – Brandon Meyer

Chairman Florence asked if there were other nominations for the position of Chairman. There were none. Mr. Boles' motion to elect Mr. Meyer as Chairman to TRS' Board of Trustees for FY 2022 was seconded by Mr. Allen and carried by a unanimous roll call vote. Trustees responding were Mr. Florence, Mr. Allen, Mr. Boles, Ms. Henderson, Mr. Kellogg, Ms. Shankar, Ms. Tharp, Mr. Williamson and Dr. Winters. Mr. Meyer abstained.

b. Vice Chair – Stephen Streeter

Chairman Florence asked if there were other nominations for the position of Vice Chairman. There were none. Mr. Boles' motion to elect Mr. Streeter as Vice Chairman to TRS' Board of Trustees for FY 2022 was seconded by Mr. Allen and carried by a unanimous roll call vote. Trustees responding were Mr. Florence, Mr. Allen, Mr. Boles, Ms. Henderson, Mr. Kellogg, Mr. Meyer, Ms. Shankar, Ms. Tharp, Mr. Williamson and Dr. Winters.

c. Secretary – Michael Kellogg

Chairman Florence asked if there were other nominations for the position of Secretary. There were none. Mr. Boles' motion to elect Mr. Kellogg as Secretary to TRS' Board of Trustees for FY 2022 was seconded by Mr. Allen and carried by a unanimous roll call vote. Trustees responding were Mr. Florence, Mr. Allen, Mr. Boles, Ms. Henderson, Mr. Meyer, Ms. Shankar, Ms. Tharp, Mr. Williamson and Dr. Winters. Mr. Kellogg abstained.

ITEM 9 – EXECUTIVE SEARCH COMMITTEE:

Discussion and Possible Action to Adopt Job Description for Executive Director: TRS Executive Director Tom Spencer shared the document created by the Executive Search firm, EFL Associates with a few changes that had been made to it.

A motion made by Mr. Meyer with a second made by Dr. Winters to accept the Position Specifications for the Executive Director as amended and presented carried by a unanimous roll call vote. Trustees responding were Mr. Florence, Mr. Allen, Mr. Boles, Ms. Henderson, Mr. Kellogg, Mr. Meyer, Ms. Shankar, Ms. Tharp, Mr. Williamson and Dr. Winters.

ITEM 10 – DISCUSSION AND POSSIBLE ACTION ON FY 2022 BUDGET WORK PROGRAM:

Mr. Spencer said the proposed FY 2022 budget of $9,001,769 is a decrease of $470,775 over the FY 2021 budget. He said the biggest contributor to the decrease is the savings from paying lower Investment Consultant fees on that one contract.

A motion made by Mr. Williamson with a second made by Ms. Shankar to accept the FY 2022 Budget Work Program as presented carried by a unanimous roll call vote. Trustees responding were Mr. Florence, Mr. Allen, Mr. Boles, Ms. Henderson, Mr. Kellogg, Mr. Meyer, Ms. Shankar, Ms. Tharp, Mr. Williamson and Dr. Winters.

ITEM 11 – AUDIT COMMITTEE:

Discussion and Possible Action on Stinnett & Associates Reports

a. FY 2021 Audit Plan Status and Budget Update Including Possible Addition to Budget for Added Audit Work
b. Retirement Benefit Payments Review

Ms. Green said these reports could be found on page 67 of the agenda packet. She reminded Trustees that the extra 27.25 hours worked were for an unplanned audit of the Investment Consultant RFP. She said the internal auditors had also submitted their report on the Retirement Benefit Payments Review.

A motion made by Dr. Winters with a second made by Mr. Boles to approve 27.25 additional hours requested by internal auditor Stinnett & Associates, and to accept the Retirement Benefit Payments Review report from Stinnett & Associates carried by a unanimous roll call vote. Trustees responding were Mr. Florence, Mr. Allen, Mr. Boles, Ms. Henderson, Mr. Kellogg, Mr. Meyer, Ms. Shankar, Ms. Tharp, Mr. Williamson and Dr. Winters.

ITEM 12 – DISCUSSION AND POSSIBLE ACTION TO APPOINT AN ACTING EXECUTIVE DIRECTOR EFFECTIVE JULY 1, 2021, AND SET SALARY FOR POSITION: Mr. Spencer said there might not be a new director selected before he retires June 30. He recommended TRS Deputy Executive Director of Operations John Santos to serve as Interim Director effective July 1, with a temporary salary of $142,800, the minimum salary for Executive Director.

A motion made by Mr. Meyer with a second made by Dr. Winters to appoint John Santos as acting Executive Director effective July 1, 2021, with a temporary salary of $142,800, carried by a unanimous roll call vote. Trustees responding were Mr. Florence, Mr. Allen, Mr. Boles, Ms. Henderson, Mr. Kellogg, Mr. Meyer, Ms. Shankar, Ms. Tharp, Mr. Williamson and Dr. Winters.

ITEM 13 – DISCUSSION AND POSSIBLE ACTION ON RENEWAL OF INVESTMENT MANAGER CONTRACTS FOR FY 2022:

a. AEW – Core Real Estate
b. Allianz Global Investors U.S. LLC – International Equity
c. Causeway Capital Management LLC – International Equity
d. Frontier Capital – Domestic Small Cap Equity
e. Geneva Capital – Domestic Small Cap
f. Heitman America Real Estate Trust, LP – Core Real Estate
g. Hoisington Investment Management Company – Domestic Fixed Income
h. Hotchkis & Wiley – Domestic Mid Cap
i. L&B Realty – Core Real Estate and Non-Core Real Estate – Golden Driller
j. Loomis Sayles – Core Plus Extended Fixed Income
k. Lord Abbett – Core Plus Extended Fixed Income
l. MacKay Shields – Core Plus Extended Fixed Income
m. Neumeier Poma – Domestic Small Cap Equity
n. Northern Trust – Index - Russell 1000, Sci-Beta Multi-Factor & Mid Cap Equity Indices
o. Shapiro Capital Management – Domestic Small Cap Equity
p. State Street Global Advisors – Emerging Markets Small Cap Equity
q. Wasatch – Domestic Small Cap & International Small Cap
r. Wellington Management Company, LLP – Domestic Mid Cap, International Small Cap & International Large Cap

Ms. Green recommended approval to renew the current Investment Manager contracts listed and offered to review any of them if needed.

A motion made by Mr. Meyer with a second made by Ms. Shankar to approve renewal of each of the Investment Manager Contracts listed for FY 2022 carried by a unanimous roll call vote. Trustees responding were Mr. Florence, Mr. Allen, Mr. Boles, Ms. Henderson, Mr. Kellogg, Mr. Meyer, Ms. Shankar, Ms. Tharp, Mr. Williamson and Dr. Winters.

ITEM 14 – DISCUSSION AND POSSIBLE ACTION ON RENEWAL OF CONTRACTS FOR FY 2022:

a. Attorney General's Office - Legal Services
b. Eide Bailly - External Auditing Services
c. Gabriel Roeder Smith - Actuarial Services
d. Gay Tudor - Administrative Law Judge Services
e. Ice Miller - Legal Services
f. Phillips Murrah - Legal Services
g. MY Consulting Group - Statement of Work for Software Development & Support
h. Northern Trust - Custody, Security Lending, Commission Recapture, Valuation, Transition Management Services
i. Price Edwards & Company - Real Estate Management
j. Schmook Appraisal - Real Estate Appraisal Services
k. Stinnett & Associates, LLC - Internal Auditing of Business Processes
l. Drs. Jay, Osborne and Livingston - Medical Board Member Service

Ms. Green said each of the Board contracts listed is for one year with a 30-day out clause.

A motion made by Dr. Winters with a second made by Mr. Williamson to approve renewal of each Board services contract listed for FY 2022 carried by a unanimous roll call vote. Trustees responding were Mr. Florence, Mr. Allen, Mr. Boles, Ms. Henderson, Mr. Kellogg, Mr. Meyer, Ms. Shankar, Ms. Tharp, Mr. Williamson and Dr. Winters.

ITEM 15 – DISCUSSION AND POSSIBLE ACTION ON RECOMMENDATION ON EMERGENCY RULES 715:10-1-4 [AMENDED]; 715:10-5-9 [AMENDED]; 715:10-5-38 [NEW]; 715:10-11-2 [AMENDED]; 715:10-11-4 [AMENDED]; [AMENDED]; 715:10-13-8 [AMENDED]; 715:10-17-15 [AMENDED]

a. Open rulemaking record and adopt rule drafts
b. Issue Rule Impact Statement
c. Affirm finding of emergency and adopt final rules

Ms. Green said the Emergency Rulemaking documents could be found on page 74 of the agenda packet. She said all of these emergency rules were drafted in response to SB 683, legislation removing the one year waiting period for optional personnel to join the system, and SB 267, the retiree return-to-work bill which allows educators who have been retired for one year as of July 1, 2020, and remained retired for 12 months, to return to work in public education and not be subject to earning limits they would typically be subject to for the first 36 months post retirement.

A motion made by Mr. Meyer with a second made by Dr. Winters to approve opening the Emergency Rulemaking record, adopting the emergency rule drafts as presented, issuing the Rule Impact Statement as

presented, and affirming the finding of emergency and adopting the final rules carried by a unanimous roll call vote. Trustees responding were Mr. Florence, Mr. Allen, Mr. Boles, Ms. Henderson, Mr. Kellogg, Mr. Meyer, Ms. Shankar, Ms. Tharp, Mr. Williamson and Dr. Winters.

ITEM 16 – QUESTIONS AND COMMENTS FROM TRUSTEES: Dr. Winters said he would be unavailable between June 20 and 26 if the Executive Search Committee needs to meet. Chairman Florence said they would work around those dates.

Chairman Florence thanked Trustees for helping get through this meeting.

ITEM 17 – ADJOURNMENT: Chairman Florence declared the meeting adjourned at 8:55 a.m.

By:

_____

Vernon Florence, Chairman

Attest:

_____

Brandon Meyer, Trustee, Incoming Chairman

MEETING MINUTES
BOARD OF TRUSTEES SPECIAL MEETING
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
JULY 9, 2021

A Special meeting of the Board of Trustees of the Teachers' Retirement System of Oklahoma was called to order by Brandon Meyer, Chairman, at 9:02 a.m. July 9, 2021. This meeting was held at the Credit Union House, 631 E. Hill Street, Oklahoma City, Oklahoma. The meeting notice and agenda were posted in accordance with 25 O.S. Section 311(A)(9).

TRUSTEES PRESENT:
Brandon Meyer, *Chairman*
Stephen Streeter, *Vice-Chairman*
Michael Kellogg, *Secretary*
Tim Allen
Vernon Florence
Lisa Henderson
Brandy Manek
Kelsey Newman
Mathangi Shankar
Marla Tharp
Greg Winters

TRUSTEES ABSENT:
Rod Boles
Steve Massey
Drew Williamson

TRS STAFF PRESENT:
John Santos, *Interim Executive Director*

OTHERS PRESENT:
Dan Cummings, *EFL Associates*

* Denotes late arrival or early departure

ITEM 1 - ROLL CALL FOR QUORUM: Chairman Meyer asked the recording secretary to call roll to determine if a quorum was present. Trustees responding as present were Mr. Allen, Mr. Florence, Ms. Henderson, Mr. Kellogg, Ms. Manek, Mr. Meyer, Ms. Newman, Mr. Rector, Ms. Shankar, Mr. Streeter, Ms. Tharp, and Dr. Winters. A quorum was present. Chairman Meyer welcomed Tom Spencer, retired TRS Executive Director; John Santos, Interim TRS Executive Director; and Dan Cummings of EFL Associates.

ITEM 2 – SWEAR IN NEW TRUSTEE KELSEY NEWMAN: Ms. Newman read the Oath of Office/Loyalty Oath and shared some information about herself. Mr. Meyer thanked Trustee Vernon Florence for his service.

ITEM 3 – DISCUSSION AND POSSIBLE ACTION TO RESOLVE INTO EXECUTIVE SESSION PURSUANT TO 25 O.S. SECTION 307(B)(1) FOR THE PURPOSE OF DISCUSSING THE EMPLOYMENT, EVALUATION COMPENSATION, HIRING (INCLUDING INTERVIEWING CANDIDATES FOR THE POSITION), APPOINTMENT, PROMOTION, DEMOTION, DISCIPLINING, TERMINATION OR RESIGNATION OF THE EXECUTIVE DIRECTOR:

a. Vote to Resolve into Executive Session:

A motion made by Dr. Winters with a second made by Mr. Florence to resolve into Executive Session carried by a unanimous voice vote. Trustees responding were Mr. Allen, Mr. Florence, Ms. Henderson, Mr. Kellogg, Ms. Manek, Mr. Meyer, Ms. Newman, Mr. Rector, Ms. Shankar, Mr. Streeter, Ms. Tharp, and Dr. Winters.

a. Vote to Return to Open Session

A motion made by Dr. Winters with a second made by Mr. Kellogg to return to Open Session carried by a unanimous voice vote. Trustees responding were Mr. Allen, Mr. Florence, Ms. Henderson, Mr. Kellogg, Ms. Manek, Mr. Meyer, Ms. Newman, Mr. Rector, Ms. Shankar, Mr. Streeter, Ms. Tharp, and Dr. Winters.

ITEM 4 – DISCUSSION AND POSSIBLE ACTION ON ITEMS DISCUSSED IN EXECUTIVE SESSION:

A motion made by Mr. Streeter with a second made by Mr. Florence to authorize the Chairman to offer the Executive Director position to the person discussed in Executive Session at a salary within the pay band authorized for the position in statute carried by a unanimous voice vote. Trustees responding were Mr. Allen, Mr. Florence, Ms. Henderson, Mr. Kellogg, Ms. Manek, Mr. Meyer, Ms. Newman, Mr. Rector, Ms. Shankar, Mr. Streeter, Ms. Tharp, and Dr. Winters.

ITEM 5 – DISCUSSION AND POSSIBLE ACTION ON THE ADOPTION OF PROPOSED FINANCIAL INCENTIVE PLANS TO HELP IN THE HIRING OF AN EXECUTIVE DIRECTOR:

This item was not discussed.

ITEM 6 – ADJOURNMENT: Chairman Meyer adjourned the meeting at 1:50 p.m.

By:

_____

Brandon Meyer, Chairman

ATTEST:

By:

_____

Michael Kellogg, Secretary

Committees

1. Committee assignments and chairs shall be appointed by the Board Chair annually at the July Board meeting and at such other times as vacancies occur. The Chair's appointments shall be set forth on the agenda as a separate item. Alternate members may be appointed on an as-needed basis by the Chair.

2. All Trustees are encouraged to attend Committee meetings, but only Committee members may vote.

Charters

The following charters are attached:

1. Audit Committee

2. Investment Committee

3. Governance Committee

Audit Committee Charter

Purpose

The Audit and Risk Management Committee has been established to assist the Teachers' Retirement System Board in fulfilling its fiduciary oversight responsibilities for the:

1. Internal Audit Process,

2. System of Internal Control,

3. Financial Reporting Process,

4. System of Risk Management,

5. External Audit of the Financial Statements, and

6. Engagements with Other External Firms.

Authority

The Audit Committee shall have the authority to recommend to the Board for action:

1. The appointment of and provision for the compensation of and oversee the work of the independent certified public accounting firm employed by the Teachers' Retirement System to audit the financial statements.

2. The retention of consultants, experts, independent counsel, and accountants to advise the Committee on any of its responsibilities or to assist in the conduct of an investigation.

3. Requests to provide oversight of audit and investigation activities of financial, ethical, and/or fraud matters.

4. All Committee actions must be ratified or adopted by the Board to be effective.

Composition

The Committee shall be composed of a minimum of three (3) members, appointed by the Chair of the Board.

Meetings

The Committee will meet at least once a year, with authority to convene additional meetings as determined by the Committee Chair in consultation with the Board Chair.

Responsibilities

The Audit Committee shall have responsibility for the following:

1. Designating at least one member as the "audit committee financial expert," as defined by the Securities and Exchange Commission. The member's knowledge should include an understanding of generally accepted accounting principles for public pension funds issued by the Governmental Accounting Standards Board. Per the SEC, The designated person should have characteristics that are particularly relevant to the functions of the audit committee, such as: a thorough understanding of the audit committee's oversight role, expertise in accounting matters as well as understanding of financial statements, and the ability to ask the right questions to determine whether the agency's financial statements are complete and accurate. If a financial expert is not available on the Committee, an experienced professional will be selected to a non-voting position possessing the aforementioned qualities. Candidates for this non-voting position will be recommended by TRS Executive Staff and approved by the Board Chair.

2. Overseeing the reporting and integrity of all financial information reporting.

3. Providing the policy and framework for an effective system of enterprise-wide risk management and providing the mechanisms for periodic assessment of the system of risk management.

4. Overseeing the assessment of internal administrative and accounting controls by both the external independent financial statement auditor and internal auditors.

5. Ensuring management maintains an effective system of internal controls and provides the mechanisms for periodic assessment of the system of internal controls.

6. Overseeing the appointment and work of the Internal Auditor and the work of the Internal Audit Division.

7. Serving as the primary liaison and providing the appropriate forum for handling all matters related to audits, examinations, compliance, investigations or inquiries of the Oklahoma State Auditor and other appropriate State or Federal agencies.

8. Ensuring the independence of the external auditor and approve all auditing, other attestations services and pre-approve non-audit services performed by an external audit firm.

9. Reporting to the Board on all activities, findings and recommendations of the Committee.

10. Provide an open avenue of communication between internal audit, the external auditors and the Committee and Board.

Internal Audit Charter

Introduction

The internal audit function at Teachers' Retirement System of Oklahoma ("Agency") is performed through the retention of at least one outside firm ("Internal Audit"). Even though it is an out-sourced function, it is considered as a department of the Agency with oversight by the Board of Trustees ("Board"). Internal Audit is an independent and objective assurance and consulting function. It assists the Agency in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Agency's risk management, control, and governance processes. Internal Audit also helps detect errors and vulnerabilities in transactions performed on a regular basis.

Professionalism

Internal Audit will be governed by adherence to The Institute of Internal Auditors' guidance. This guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of Internal Audit's performance.

The Institute of Internal Auditors' guidance will also be adhered to as applicable to guide Internal Audit operations.

Authority

Internal Audit is established by the Board and is overseen by the Audit Committee of the Board ("Audit Committee"). Internal Audit's responsibilities are defined by the Board as part of the Board's and Audit Committee's oversight roles.

In performing their responsibilities, Internal Audit is authorized to have reasonable full, free and unrestricted access to all property, personnel and records relevant to the subject under review.

Internal Audit shall have direct access to the Executive Director and the Audit Committee of the Board of Trustees. Internal Audit shall perform its duties in a manner that is the least disruptive to agency operations as possible, without compromising its access and effectiveness.

Organization

Internal Audit will report functionally to the Audit Committee and administratively (i.e. day to day operations) to the Executive Director.

Independence and Objectivity

Internal Audit will remain independent from the organization and shall be responsible in determining matters of audit selection, scope, procedures, frequency, timing, and report content, subject to the direction of the Board and Audit Committee. This authority is granted by the Board.

Internal Audit has neither direct responsibilities for, nor authority over, any of the activities reviewed. Therefore, the internal audit review and appraisal does not in any way relieve other persons in the organization of the responsibilities assigned to them.

Scope of Responsibilities

It is the responsibility of Internal Audit to provide independent, objective assurance and consulting services designed to:

- Evaluate risk exposure relating to achievement of the Agency's strategic objectives;
- Formulate an audit plan based on a prioritization of the audit universe using a risk-based methodology, including input from senior management and the Board, and provide it to the Audit Committee for approval at least annually;
- Evaluate the means of safeguarding the Agency's assets and, as appropriate, verifying the existence of such assets;
- Develop recommendations which assist in accomplishing Agency objectives by evaluating and improving the effectiveness of risk management, control and governance processes;

- Monitor and follow up on implementation of audit findings and management's plans for remediation;
- Issue reports on a timely basis to appropriate management on the results of work performed by Internal Audit; and
- Periodically report to senior management, the Audit Committee, and the Board on Internal Audit's performance relative to the plan.

Internal Audit will conduct other projects with approval of the Audit Committee such as participating in fraud or hotline investigations, or other process improvement or consultative work.

Quality Assurance and Improvement Program

Internal Audit will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include a combination of ongoing internal assessments and periodic external assessments conducted at least every five years.

Amendment of Charter

Internal Audit is responsible for maintaining the Internal Audit Charter. Amendment of this Charter is subject to the approval of the Audit Committee and Board of Trustees after review by the Executive Director.

Ratification of Charter

The Charter will be reviewed and ratified by the Board every two-years in conjunction with the Audit Committee Charter review as stated in the minutes of the respective meeting.

Investment Committee Charter

Purpose

The Investment Committee has been established by the Teachers' Retirement System Board to administer all matters relating to the investment of the Fund's assets and investment management. The Committee is charged to administer the Fund's assets for the exclusive purpose of providing benefits to the participants and their beneficiaries within the system; and to maximize the financial stability of the Funds in an efficient and cost-effective manner. The Committee members will carry out their duties with the care, skill, prudence, and diligence of a prudent person acting in a similar institutional investment Trustee capacity and strive to follow sound policies and procedures that enhance good, fair, and open decision making. The Committee's core objective is to diversify the investments so as to minimize the risk of loss and to maximize the rate of return, in accordance with the Board's overall objective of promoting the best interests for the Teachers' Retirement System, its Members, retirees, and beneficiaries.

Authority

Legal authority for the Investment Committee is found in Title 70 O.S. §17-106.1 (D) which provides, in part, that the "committee shall make recommendations to the full Board of Trustees on all matters related to the choice of custodians and managers of the assets of the System, on the establishment of investment and fund management guidelines, and in planning future investment policy. The committee shall have no authority to act on behalf of the Board of Trustees in any circumstances whatsoever. No recommendation of the committee shall have effect as an action of the Board of Trustees nor take effect without the approval of the Board of Trustees as provided by law."

The Investment Committee shall have the authority to recommend to the Board for action:

1. All matters relating to the investment portfolio including, but not limited to, strategic asset allocation, any tactical changes to the strategic asset allocation; pursuing new asset categories, and changes to investment policy.

2. The engagement of investment advisors, consultants, managers and counsel as necessary; to assist the Board in carrying out its responsibilities.

3. The Committee will not consider any proposed investment that has not gone through the System's due diligence process and been reviewed by the System's professional staff.

4. All Committee actions must be ratified or adopted by the Board to be effective.

Composition

The Committee shall be composed of a maximum of five (5) members, appointed by the Chair of the Board.

Meetings

The Committee will meet at least four times a year, with authority to convene additional meetings as determined by the Committee Chair in consultation with the Board Chair.

Responsibilities

The Investment Committee shall have responsibility for the following:

1. Determining the Fund's overall investment objectives, risk tolerance and performance standards in accordance with the Oklahoma Constitution and Teachers' Retirement System statutes and rules.

2. Determining the asset allocation of the Fund, including consideration of asset classes and sub-classes not currently utilized in the Fund.

3. Determining the overall Fund Investment Policy as well as asset class and program investment policies.

4. Monitoring the performance of the investment portfolio as a whole as well as the performance of each asset class, including the performance of internal and external investment managers, and reviewing periodic reports from investment staff as well as external consultants, advisors, and investment managers

5. Determining appropriate levels of staff delegation with respect to investment transactions in the various asset classes of the Fund.

6. Determining and ensuring compliance with the System's corporate governance policies in an effort to protect the System's assets through the pursuit of good governance and operational accountability.

7. Determining the relative amount of internal and external investment management.

8. Monitoring the direct and indirect costs of each asset category.

9. Determining and ensuring compliance with the appropriate reporting standards and time horizons.

10. Identifying and discussing potential legislation related to investments.

11. Ensuring the System's investments are made in conformance with applicable investment policies and investment resolutions.

Governance Committee Charter

Purpose

The Governance Committee has been established to assist the Teachers' Retirement System Board in fulfilling its fiduciary oversight responsibilities for the administration and adoption of internal governance principles and policies, and the monitoring thereof, including:

1. A comprehensive internal Ethics Policy
2. The Code of Conduct
3. Trustee Education Policy
4. Travel Expense Policy
5. The Board of Trustees Policy Manual
6. Succession Planning involving the position of Executive Director

Authority

The Governance Committee shall have the authority to recommend to the Board for action:

1. Amendments to, or updates of: the Ethics Policy, the Code of Conduct, the Trustee Education Policy, the Trustee Travel Expense Policy, and the Board of Trustees Policy Manual.
2. Requests to provide oversight of investigation activities involving a Board Member
   or other person with a contractual relationship to the TRS Board.
3. All Committee actions must be ratified or adopted by the Board to be effective.

Composition

The Committee shall be composed of a minimum of three (3) members, appointed by the Chair of the Board.

Meetings

The Committee will meet at least four times a year, with authority to convene additional meetings as determined by the Committee Chair in consultation with the Board Chair.

Responsibilities

The Governance Committee shall have responsibility for the following:

1. Ensuring and monitoring global compliance with the TRS Ethics Policy, the Code of Conduct, and Board of Trustees Policy Manual.
2. Provide a yearly review of internal succession planning related to the position of Executive Director.
3. Provide oversight of investigation activities involving a Board Member or other person with a contractual relationship to the TRS Board, as delegated by the Board or Board Chair.
4. Monitoring whether the Executive Director has sufficient internal organizational processes and accountabilities.

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Teachers' Retirement System

Investment Department Report

July, 21 2021 Board Meeting

Fiscal Year 2021 Performance

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Teachers' Retirement System

Performance Overview

- Oklahoma TRS achieved a 32.95% net return for the 2021 fiscal year
  - This is the highest return in the history of TRS
  - The actuarial assumed rate of return is 7%

- The factors that led to the high performance include:
  - Extraordinary public equity market gains and an overweight to the asset class
    - The domestic small-cap overweight was a significant contributor to out-performing the domestic equity benchmark (Russell 3000 44.16% vs Russell 2000 62.03%)
  - Very strong private equity gains
  - Underweight to fixed income and real estate markets
  - Successful rebalancing of the portfolio

OKLAHOMA
Teachers' Retirement System

Fiscal Year Allocations and Returns

Composite	Market Value	Market Allocation	Min % Allocation	Low Rebalance Point	Target Allocation	High Rebalance Point	Max % Allocation
Cash and Equivalents	$140,266,086	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%
Fixed Income	$4,540,928,810	20.7%	17.0%	19.5%	22.0%	24.5%	27.0%
U.S. Equity	$10,179,132,142	46.4%	36.5%	40.0%	43.5%	47.0%	50.5%
International Equity	$3,900,997,085	17.8%	14.0%	16.5%	19.0%	21.5%	24.0%
Real Estate	$1,247,034,411	5.7%	5.0%	7.8%	9.0%	10.3%	11.5%
Private Capital	$1,945,745,507	8.9%	4.5%	5.5%	6.5%	7.5%	8.5%
Grand Total	**$21,954,104,041**	**100.0%**					

Composite*	MTD	QTD	YTD	FYTD	3 Year	5 Year	10 Year
Oklahoma Teachers Total Fund	**1.94%**	**7.22%**	**11.97%**	**32.95%**	**12.12%**	**12.16%**	**9.97%**
Domestic Equity	**1.30%**	**7.07%**	**16.50%**	**48.58%**	**14.83%**	**16.25%**	**13.20%**
International Equity	**-0.43%**	**5.93%**	**11.03%**	**40.41%**	**8.90%**	**11.40%**	**6.76%**
Fixed Income	**1.80%**	**3.69%**	**-1.02%**	**3.34%**	**7.42%**	**5.31%**	**5.51%**

* Net of Fee Returns

OKLAHOMA
Teachers' Retirement System

Fiscal Year Compound Returns - Net of Fees

Net Annualized Compound Returns

	Net	To	From 6-92	6-93	6-94	6-95	6-96	6-97	6-98	6-99	6-00	6-01	6-02	6-03	6-04	6-05	6-06	6-07	6-08	6-09	6-10	6-11	6-12	6-13	6-14	6-15	6-16	6-17	6-18	6-19	6-20
1993	13.43%	6-93	13.4%																												
1994	2.06%	6-94	7.6%	2.1%																											
1995	14.89%	6-95	10.0%	8.3%	14.9%																										
1996	14.55%	6-96	11.1%	10.3%	14.7%	14.6%																									
1997	20.77%	6-97	13.0%	12.9%	16.7%	17.6%	20.8%																								
1998	21.32%	6-98	14.3%	14.5%	17.8%	18.8%	21.0%	21.3%																							
1999	11.91%	6-99	14.0%	14.1%	16.6%	17.1%	17.9%	16.5%	11.9%																						
2000	10.62%	6-00	13.5%	13.6%	15.6%	15.7%	16.1%	14.5%	11.3%	10.6%																					
2001	-2.42%	6-01	11.7%	11.4%	12.8%	12.5%	12.1%	10.0%	6.5%	3.9%	-2.4%																				
2002	-5.35%	6-02	9.8%	9.4%	10.4%	9.8%	9.0%	6.8%	3.4%	0.7%	-3.9%	-5.4%																			
2003	4.91%	6-03	9.4%	9.0%	9.8%	9.1%	8.4%	6.5%	3.7%	1.7%	-1.0%	-0.4%	4.9%																		
2004	20.20%	6-04	10.2%	9.9%	10.8%	10.3%	9.8%	8.3%	6.3%	5.2%	3.9%	6.1%	12.3%	20.2%																	
2005	10.08%	6-05	10.2%	10.0%	10.7%	10.3%	9.8%	8.5%	6.8%	6.0%	5.1%	7.1%	11.5%	15.0%	10.1%																
2006	9.37%	6-06	10.2%	9.9%	10.6%	10.2%	9.8%	8.6%	7.1%	6.5%	5.8%	7.5%	11.0%	13.1%	9.7%	9.4%															
2007	18.10%	6-07	10.7%	10.5%	11.2%	10.8%	10.5%	9.5%	8.3%	7.9%	7.5%	9.2%	12.4%	14.3%	12.4%	13.6%	18.1%														
2008	-7.52%	6-08	9.4%	9.2%	9.7%	9.3%	8.9%	7.9%	6.6%	6.0%	5.5%	6.6%	8.8%	9.6%	7.1%	6.1%	4.5%	-7.5%													
2009	-16.35%	6-09	7.7%	7.4%	7.7%	7.2%	6.7%	5.6%	4.3%	3.5%	2.8%	3.5%	4.8%	4.8%	1.9%	0.0%	-3.0%	-12.0%	-16.4%												
2010	16.16%	6-10	8.2%	7.9%	8.2%	7.8%	7.3%	6.4%	5.2%	4.6%	4.1%	4.8%	6.1%	6.3%	4.2%	3.0%	1.5%	-3.5%	-1.4%	16.2%											
2011	22.95%	6-11	8.9%	8.7%	9.1%	8.7%	8.3%	7.5%	6.5%	6.0%	5.6%	6.5%	7.9%	8.3%	6.7%	6.1%	5.5%	2.5%	6.1%	19.5%	22.9%										
2012	1.38%	6-12	8.5%	8.3%	8.6%	8.3%	7.9%	7.1%	6.1%	5.7%	5.3%	6.0%	7.2%	7.5%	6.0%	5.4%	4.8%	2.3%	4.9%	13.1%	11.6%	1.4%									
2013	17.32%	6-13	8.9%	8.7%	9.1%	8.7%	8.4%	7.7%	6.8%	6.5%	6.2%	6.9%	8.1%	8.4%	7.2%	6.8%	6.5%	4.7%	7.3%	14.2%	13.5%	9.1%	17.3%								
2014	21.84%	6-14	9.5%	9.3%	9.7%	9.4%	9.1%	8.5%	7.7%	7.4%	7.2%	8.0%	9.2%	9.6%	8.6%	8.4%	8.3%	7.0%	9.6%	15.7%	15.5%	13.2%	19.6%	21.8%							
2015	3.06%	6-15	9.2%	9.0%	9.3%	9.1%	8.8%	8.2%	7.4%	7.2%	6.9%	7.6%	8.7%	9.0%	8.1%	7.9%	7.7%	6.5%	8.6%	13.5%	12.9%	10.5%	13.8%	12.1%	3.1%						
2016	-2.45%	6-16	8.7%	8.5%	8.8%	8.5%	8.2%	7.6%	6.9%	6.6%	6.3%	6.9%	7.9%	8.1%	7.1%	6.9%	6.6%	5.4%	7.2%	11.0%	10.2%	7.8%	9.5%	7.0%	0.3%	-2.4%					
2017	14.80%	6-17	8.9%	8.7%	9.0%	8.8%	8.5%	7.9%	7.3%	7.0%	6.8%	7.4%	8.3%	8.6%	7.7%	7.5%	7.4%	6.3%	8.0%	11.5%	10.8%	9.0%	10.5%	8.9%	4.9%	5.8%	14.8%				
2018	9.69%	6-18	8.9%	8.8%	9.1%	8.8%	8.6%	8.0%	7.4%	7.1%	7.0%	7.5%	8.4%	8.6%	7.9%	7.7%	7.5%	6.6%	8.2%	11.3%	10.7%	9.1%	10.4%	9.1%	6.1%	7.1%	12.2%	9.7%			
2019	5.22%	6-19	8.8%	8.6%	8.9%	8.7%	8.4%	7.9%	7.3%	7.0%	6.9%	7.4%	8.2%	8.4%	7.7%	7.5%	7.4%	6.5%	7.9%	10.7%	10.1%	8.6%	9.6%	8.4%	5.9%	6.6%	9.8%	7.4%	5.2%		
2020	0.77%	6-20	8.5%	8.3%	8.6%	8.3%	8.1%	7.6%	7.0%	6.7%	6.6%	7.0%	7.8%	8.0%	7.2%	7.0%	6.9%	6.1%	7.3%	9.7%	9.1%	7.7%	8.5%	7.3%	5.0%	5.4%	7.5%	5.2%	3.0%	0.8%	
2021	32.95%	6-21	9.3%	9.1%	9.4%	9.2%	9.0%	8.5%	8.0%	7.8%	7.7%	8.2%	9.0%	9.2%	8.6%	8.5%	8.4%	7.8%	9.1%	11.5%	11.1%	10.0%	11.0%	10.2%	8.6%	9.6%	12.2%	11.5%	12.1%	15.7%	33.0%

OKLAHOMA
Teachers' Retirement System

Fiscal Year Fees Paid in Basis Points

Annualized Investment Fees (in BPs - does not reflect private market fees)

	Ann bps	To / From	6-92	6-93	6-94	6-95	6-96	6-97	6-98	6-99	6-00	6-01	6-02	6-03	6-04	6-05	6-06	6-07	6-08	6-09	6-10	6-11	6-12	6-13	6-14	6-15	6-16	6-17	6-18	6-19	6-20
1993	22.46	6-93	22.5																												
1994	20.39	6-94	21.4	20.4																											
1995	22.72	6-95	21.8	21.5	22.7																										
1996	22.51	6-96	22.0	21.8	22.6	22.5																									
1997	23.56	6-97	22.3	22.3	22.9	23.0	23.6																								
1998	21.91	6-98	22.2	22.2	22.7	22.7	22.7	21.9																							
1999	24.63	6-99	22.6	22.6	23.1	23.2	23.4	23.3	24.6																						
2000	28.29	6-00	23.3	23.5	24.0	24.3	24.7	25.1	26.5	28.3																					
2001	25.20	6-01	23.6	23.7	24.2	24.5	24.9	25.2	26.1	26.7	25.2																				
2002	26.83	6-02	24.0	24.2	24.7	24.9	25.3	25.6	26.3	26.8	26.0	26.8																			
2003	31.57	6-03	24.7	24.9	25.5	25.8	26.2	26.6	27.3	27.9	27.8	29.1	31.6																		
2004	40.91	6-04	26.0	26.3	26.9	27.3	27.9	28.5	29.4	30.3	30.7	32.7	36.0	40.9																	
2005	34.23	6-05	26.6	26.9	27.6	28.0	28.6	29.2	30.1	30.9	31.4	33.1	35.4	37.5	34.2																
2006	34.64	6-06	27.2	27.5	28.2	28.6	29.2	29.8	30.6	31.4	31.9	33.4	35.2	36.5	34.4	34.6															
2007	41.65	6-07	28.1	28.5	29.1	29.7	30.3	30.9	31.8	32.6	33.2	34.7	36.4	37.8	36.7	38.0	41.7														
2008	36.23	6-08	28.7	29.1	29.8	30.3	30.9	31.5	32.3	33.1	33.7	35.0	36.5	37.5	36.7	37.5	38.9	36.2													
2009	32.89	6-09	29.1	29.5	30.1	30.6	31.2	31.7	32.5	33.2	33.7	34.8	36.0	36.8	36.0	36.3	36.8	34.5	32.9												
2010	48.63	6-10	30.1	30.5	31.2	31.7	32.3	32.9	33.7	34.5	35.0	36.2	37.5	38.3	37.9	38.6	39.5	38.7	40.0	48.6											
2011	51.67	6-11	31.1	31.6	32.3	32.8	33.5	34.1	34.9	35.7	36.4	37.6	38.9	39.8	39.7	40.6	41.7	41.6	43.6	50.1	51.7										
2012	42.63	6-12	31.7	32.2	32.9	33.5	34.1	34.7	35.5	36.3	36.9	38.1	39.3	40.2	40.1	40.9	41.9	41.8	43.3	47.5	46.9	42.6									
2013	47.71	6-13	32.5	32.9	33.6	34.2	34.9	35.5	36.3	37.0	37.7	38.8	40.0	40.9	40.9	41.7	42.6	42.8	44.2	47.6	47.2	45.1	47.7								
2014	53.93	6-14	33.3	33.8	34.6	35.1	35.8	36.5	37.2	38.1	38.7	39.9	41.1	42.0	42.1	42.9	43.9	44.2	45.7	48.8	48.8	47.9	50.8	53.9							
2015	47.86	6-15	34.0	34.5	35.2	35.8	36.5	37.1	37.9	38.7	39.4	40.5	41.6	42.5	42.6	43.4	44.4	44.7	46.0	48.7	48.7	47.9	49.8	50.8	47.9						
2016	42.85	6-16	34.4	34.9	35.6	36.2	36.8	37.5	38.2	39.0	39.6	40.6	41.7	42.6	42.7	43.4	44.3	44.5	45.6	47.8	47.6	46.9	48.0	48.0	45.3	42.9					
2017	47.53	6-17	34.9	35.4	36.1	36.7	37.3	37.9	38.7	39.4	40.0	41.1	42.1	42.9	43.0	43.7	44.5	44.8	45.8	47.8	47.6	47.0	47.9	47.9	46.1	45.2	47.5				
2018	35.42	6-18	34.9	35.4	36.1	36.6	37.2	37.8	38.5	39.2	39.8	40.7	41.7	42.4	42.5	43.1	43.8	44.0	44.8	46.4	46.1	45.3	45.8	45.4	43.5	42.0	41.3	35.4			
2019	31.05	6-19	34.8	35.3	35.9	36.4	37.0	37.5	38.2	38.8	39.3	40.2	41.1	41.7	41.7	42.2	42.8	42.9	43.5	44.8	44.3	43.5	43.6	43.0	41.0	39.2	37.8	33.2	31.1		
2020	25.12	6-20	34.4	34.9	35.4	35.9	36.4	36.9	37.5	38.1	38.6	39.3	40.1	40.6	40.6	41.0	41.5	41.4	41.9	42.8	42.3	41.3	41.1	40.3	38.2	36.3	34.4	30.4	28.0	25.1	
2021	25.85	6-21	34.2	34.6	35.2	35.6	36.1	36.6	37.1	37.7	38.1	38.8	39.5	40.0	39.9	40.3	40.7	40.6	40.9	41.7	41.1	40.1	39.8	38.9	36.9	35.0	33.1	29.6	27.6	25.7	25.9

OKLAHOMA
Teachers' Retirement System

Aon On-Boarding Update

OKLAHOMA
Teachers' Retirement System

Aon On-Boarding Update

- Communications, Data & Systems
  - ✓Notifications to investment managers
  - ✓Access to Northern Trust system and data
  - ✓Introductory meeting with Meketa
  - ✓Investment Metrics data transfer for performance reporting
- Priorities & Planning
  - Asset / Liability Study
  - Asset Class approach & structure
    - Real estate is of particular concern
    - ✓Initial meeting with Aon/Townsend Real Estate specialists
  - FY 2022 Work Plan

OKLAHOMA
Teachers' Retirement System

TRSOK and Aon Kick-Off Meeting

Teachers' Retirement System of Oklahoma

July 21, 2021

Investment advice and consulting services provided by Aon Investments USA Inc.

To protect the confidential and proprietary information included in this material, it may not be disclosed or provided to any third parties without the approval of Aon.

Empower Results®

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Section 2	Proposed Annual Work Plan and Onboarding Update
Section 3	Market Update
Section 4	Appendix

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Investment advice and consulting services provided by Aon Investments USA Inc.

Empower Results®

Introduction

Proprietary & Confidential
Investment advice and consulting services provided by Aon Investments USA Inc.

Delivering the firm to the Teachers' Retirement System

Client Services
Steve Voss
Leader
80+ Professionals

Client Solutions & Sales
Bryan Ward
Leader
38 Professionals

Investment Policy Services
Phil Kivarkis
Leader
14 Professionals

TRSOK Consulting Team

Katie Comstock: Co-Lead
Associate Partner

Scott Cooprider: Co-Lead
Associate Partner

Rishi Delvadia: Support Lead
Senior Consultant

Phil Kivarkis: Asset Liability Lead
Partner

Chae Hong: Real Estate Lead
Partner

Global Asset Allocation
Tapan Datta
Leader
8 Professionals

Fiduciary Services
Jeanna Cullins
Leader
2 Professionals

Trust & Custody
Greg Korte
Leader
4 Professionals

Global Investment Manager Research[1]

Equity	Fixed Income	Liquid Alternatives	Real Assets	Private Equity
Chris Riley Leader	**Elijah Reese** Leader	**Chris Walvoord** Leader	**Terry Ahern** Leader	**Karen Rode** Leader
17 Professionals	12 Professionals	14 Professionals	77 Professionals	12 Professionals

[1]Total combined research staff as of 12/31/2020 includes 58 GIC Manager Research Staff, 77 Townsend colleagues from advisory, portfolio management, and strategy teams. Offshore, Innovation, and Support staff represent additional colleagues. Some team members have cross team responsibilities or reporting lines outside the manager research function, includes Aon Investments and its global Aon affiliates.

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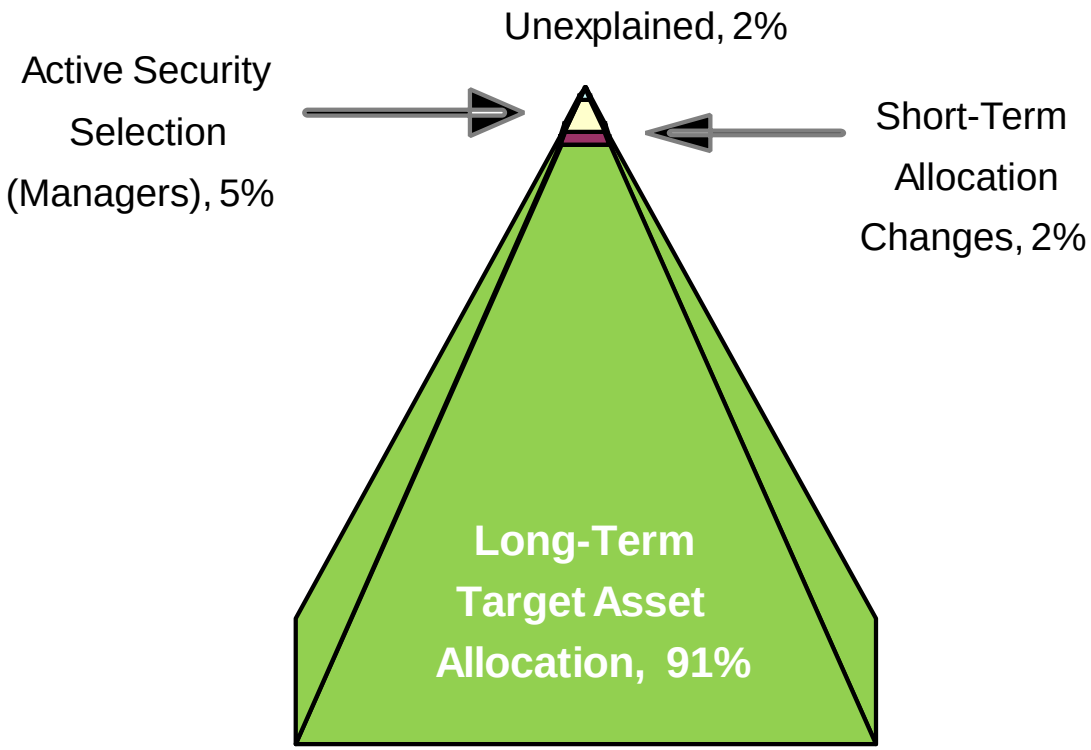
Investment advice and consulting services provided by Aon Investments USA Inc.

Empower Results®

Asset Allocation – The Most Important Decision



- Long-term asset allocation explains more than 90% of the difference in returns between institutional funds
- This is the most important decision a pension plan makes

Source: Brinson, Singer and Beebower, "Determinants of Portfolio Performance II: An Update" 1991.

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Investment Strategy Risk Management Summary

- The below table highlights the hierarchy of investment risks and the tools and procedures in place to manage and mitigate these risks

Risk Management Tool	Risks Addressed
1. Asset Liability Study • Stochastic and deterministic scenario analysis • Efficient Frontier analysis • Stress Tests • Liquidity Analysis	• Ability to pay promised benefits • Assets (return + contributions) do not grow with liabilities • Liquidity
2. Asset Allocation Study • Mean Variance analysis • Historical scenario analysis • Forward looking scenario analysis • Factor Analysis	• Return shortfall • Diversification / Concentration Risk • Left tail risk (worst outcomes)
3. Investment Structure Review • Market coverage • Active / Passive • Active Risk Contribution • Interest Rate Exposure • Credit Exposure • Active Manager Review	• Unintended biases • Concentration Risk (active risk, geographic, style, size, etc.) • Active management • Cost structure

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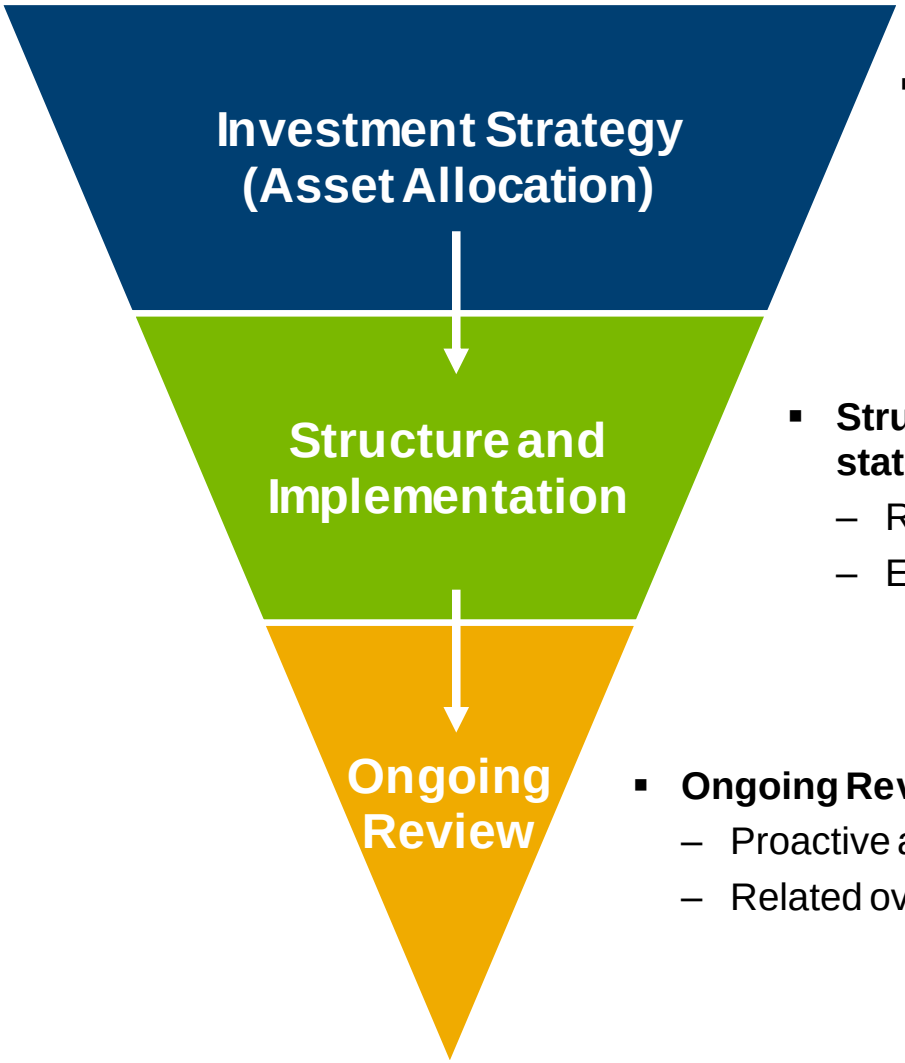
Overview of the Investment Strategy Setting Process



- **Investment Strategy: Setting an appropriate asset allocation**
  - Primary driver of long-term success
  - Set strategy in the context of plan liabilities via Asset Liability Study

- **Structure: Assure implementation conforms with stated objectives and risk tolerance**
  - Risk-focused approach
  - Efficient, cost-effective implementation

- **Ongoing Review: Performance as planned; no surprises**
  - Proactive assessment of portfolio and risks
  - Related oversight functions: proxy voting, etc.

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Proposed Annual Work Plan and Onboarding Update

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Empower Results®

Proposed TRSOK Annual Work Plan

Topic	Suggested Frequency	July '21	Aug. '21	Oct. '21	Nov. '21	Jan. '22	Feb. '22	April '22	May '22
Periodic Topics									
Asset Liability Study (including Liquidity Analysis)	*4-5 years*		X	X	X				
Asset Allocation and Capital Market Assumption Review	*Annual*			X	X				
Investment Policy Statement Review	*Annual*					X	X		
Investment Structure Review by Asset Class	*4-5 years*					X	X	X	
Investment Management Fee Review	*Annual*								X
Recurring Topics									
Fund Asset Allocation and Performance	*Quarterly*		X		X		X		X
Capital Market Overview and Outlook	*Quarterly*		X		X		X		X
Investment Manager Updates	*Quarterly*		X		X		X		X
Ad Hoc Topics									
Investment Manager Searches	*As needed*								
New Board / Committee Member Orientation	*As needed*								
Aon Thought Leadership	*Ongoing*								
Educational / Special Topics	*Ongoing*								

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Tentative Asset Liability (A/L) Study Timeline

Steps and Objectives	Responsible Parties	Tentative Timeline
A/L Introduction and Objective-Setting meeting • A/L process and education • Initiate discussion on priorities and risk tolerances	• Aon • TRSOK IC and Board • TRSOK Inv. Team	August 2021 Meetings
Collect Data, Run A/L Study, and Create Results Presentation • Share initial results with Investment Team	• Aon • TRSOK Inv. Team • GRS	August – September 2021
Present Initial Results to Board • Discuss potential new asset classes • Discuss results and recommended policy	• Aon • TRSOK Inv. Team • TRSOK IC and Board	October 2021 Meetings
Conduct Follow-ups and Finalize Materials (if needed) • Address any follow-up requests	• Aon • TRSOK Inv. Team	October – November 2021
Present Final Recommendations to Board • Discuss and approve long-term investment strategy	• Aon • TRSOK IC and Board • TRSOK Inv. Team	November 2021 Meeting

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Aon Onboarding Update

- Contract signed 5/28/2021, agreement began 7/1/2021
- Weekly update and touch base calls between Aon and TRSOK Investment Team
- Information sharing, including:
  - Contact information, including custodian, investment managers, actuary, etc.
  - Policy documents
  - Plan history and background
  - TRSOK priorities and goals
- Performance data transition completed
  - Performance reporting system transferred TRSOK data over to Aon
  - Aon conducting quality and accuracy check

Next Steps

- Finalize data check
- Draft and finalize quarterly performance report
- Present 2Q and fiscal year performance at August meeting

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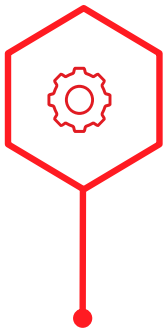
Market Update

Market Trends

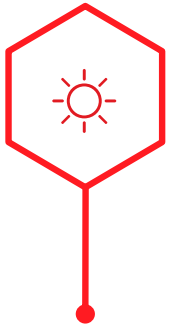
Q2 2021 Trends

Fiscal Plans



Trillions more in spending to come

Recovery



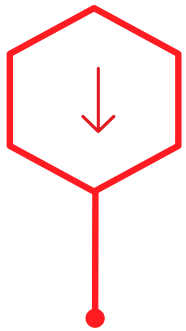
Est. 7% Annualized GDP Growth in Q2 2021

Inflation

~5% Headline CPI

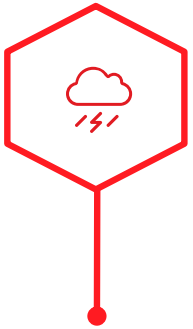
Market Impact

Yields Fall



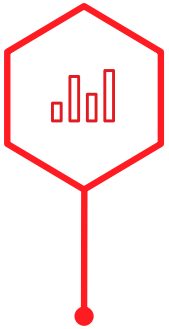
27bps fall in 10Y U.S. Treasury yield

Reflation Falters



9% Growth outperformance over Value

Equites Rise



4297.5 S&P new high on 6/30/2021

Data sourced from Bloomberg

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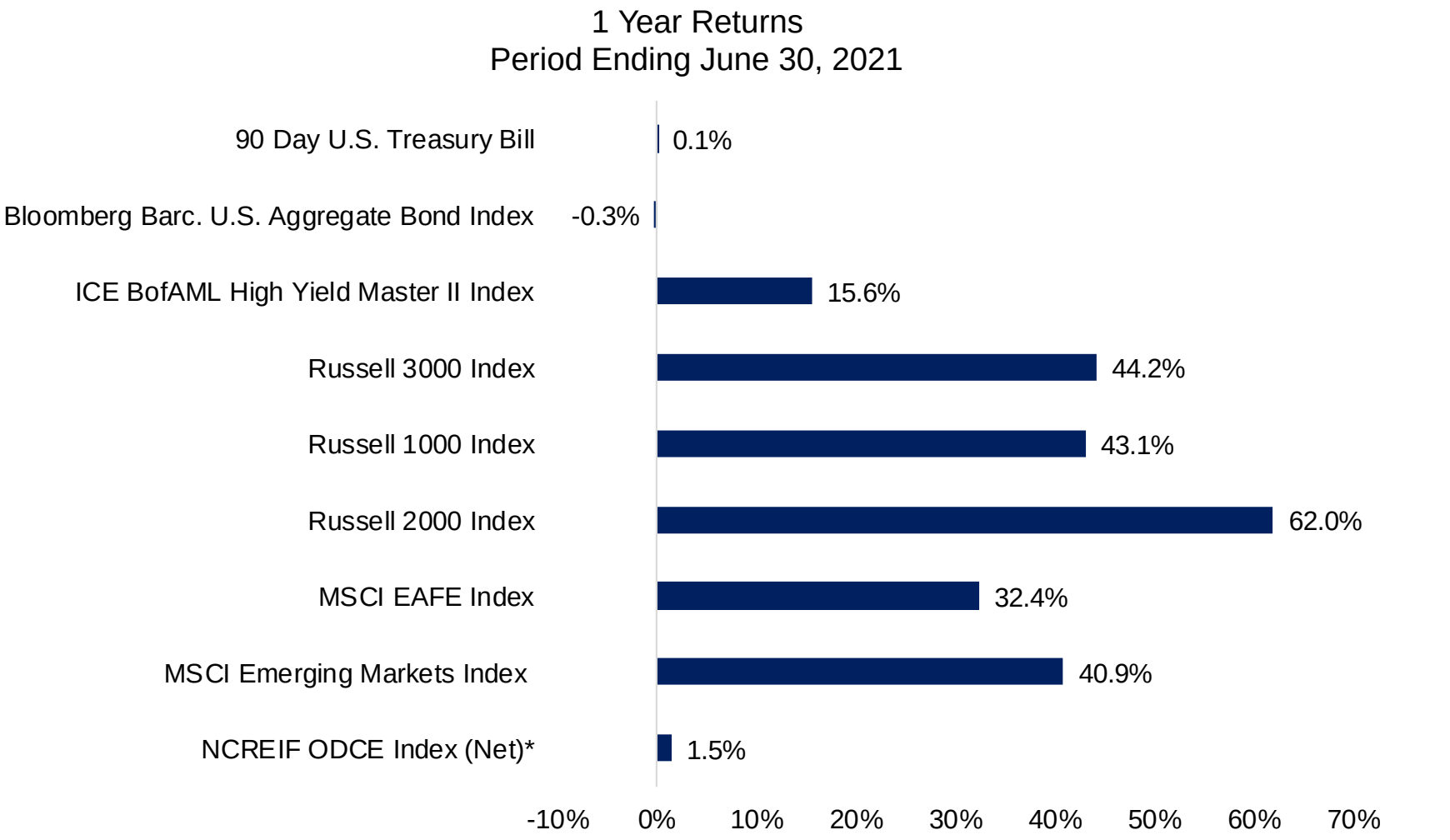
Capital Market Update
Fiscal Year 2021 Index Performance



* Index is lagged by 1 quarter; returns shown reflect the 1-year period ending March 31, 2021

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Empower Results®

The Big Questions Shaping 2nd Half of 2021

- **Fiscal Spending** – *More or Less?*
  - More to come, but likely less than planned
- **Inflation** – *Transitory or Structural?*
  - *Transitory, not a new regime*
- **The Fed** – *Tantrum or Tranquility?*
  - Uncertainty here, but believe Fed will err side of caution
- **COVID-19 Variants** – *How Big of a Problem?*
  - Focus on getting back to normal

How does this **UNCERTAINTY** play out across markets?

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Appendix

Legal Disclosures and Disclaimers

Investment advice and consulting services provided by Aon Investments USA Inc. The information contained herein is given as of the date hereof and does not purport to give information as of any other date. The delivery at any time shall not, under any circumstances, create any implication that there has been a change in the information set forth herein since the date hereof or any obligation to update or provide amendments hereto.

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Aon Investments USA Inc. is a federally registered investment advisor with the U.S. Securities and Exchange Commission. Aon Investments is also registered with the Commodity Futures Trading Commission as a commodity pool operator and a commodity trading advisor and is a member of the National Futures Association. The Aon Investments ADV Form Part 2A disclosure statement is available upon written request to:

Aon Investments USA Inc.
200 E. Randolph Street
Suite 700
Chicago, IL 60601
ATTN: Aon Investments Compliance Officer

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SCHMOOK APPRAISAL COMPANY, LLC

Real Estate Appraisers and Consultants

Alan M. Schmook, MAI, SRA • OK State Gen. Cert. No. 10148

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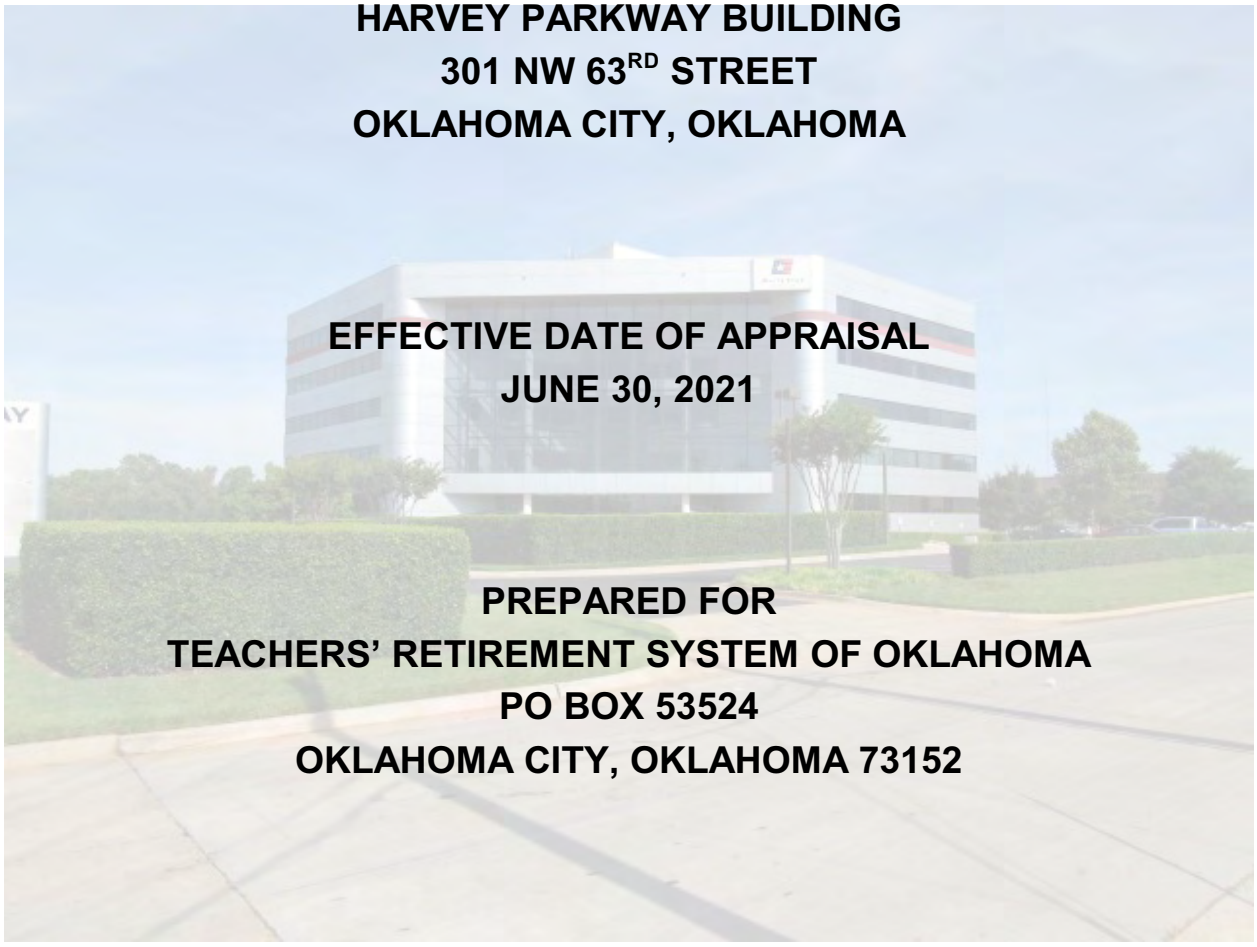
www.SchmookAppraisal.com ● Email: Schmook@Coxinet.net

AN APPRAISAL REPORT OF THE HARVEY PARKWAY BUILDING 301 NW 63RD STREET OKLAHOMA CITY, OKLAHOMA



EFFECTIVE DATE OF APPRAISAL
JUNE 30, 2021

PREPARED FOR
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
PO BOX 53524
OKLAHOMA CITY, OKLAHOMA 73152

REQUESTED BY
TOM SPENCER
EXECUTIVE DIRECTOR

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July 6, 2021

Tom Spencer, Executive Director
Teachers' Retirement System of Oklahoma City
PO Box 53524
Oklahoma City, OK 73152

RE: Harvey Parkway Building
301 NW 63RD Street
Oklahoma City, Oklahoma

Dear Mr Spencer:

As requested by yourself, we have conducted the required investigation, gathered the necessary data, and made certain analyses that have enabled us to form an opinion of the market value of the leased fee interest in the above referenced property. It should be noted that the undersigned have experience in appraising properties considered similar to the subject, in the subject market area, and therefore comply with the Competency Rule as outlined in USPAP.

The accompanying report sets forth the identification of the property, assumptions and limiting conditions, definition of value, pertinent facts about the area and the subject property, comparable data, the results of the investigations and analyses, and the reasoning leading to the conclusions set forth. This report is written in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), as adopted by the Appraisal Foundation and the Appraisal Institute, and the requirements of the Teachers' Retirement System of Oklahoma.

The subject of this appraisal is the Harvey Parkway Office Building located at 301 NW 63RD Street in Oklahoma City. The building was constructed in 1983 and has a gross building area of 95,853 SF± (per assessor) contained in six floors. There are an additional 20,300 SF± of basement level parking and storage. The building is of reinforced concrete construction with a metal-clad exterior. The improvement is situated on a rectangular

shaped site containing 166,142 SF±, according to assessor records. Site improvements include a brick-paved outdoor common area, asphalt parking lot, and landscaping.

The value estimated in this appraisal report was based on market data and conditions as of the date of the appraisal report. The appraisers' analysis is based primarily on historical data to project the value of a property that is dependent on the future benefits that a property may bring to its owner. There is currently an amount of uncertainty in the short term. It is impossible to accurately anticipate the future conditions that could influence the value. Any substantial changes in market conditions could have a favorable or unfavorable influence on the value. We accept no responsibility regarding future changes in the market that could not be anticipated as of the date of the appraisal report.

It is the opinion of these appraisers that the estimated leased fee market value of the subject property as of June 30, 2021 was:

TEN MILLION EIGHTY THOUSAND DOLLARS $10,080,000

Respectfully submitted,

Alan M. Schmook, MAI, SRA
OK State Gen. Cert. No. 10148

David Ohl,
Associate Appraiser

AMS/do

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PART I - INTRODUCTION

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

EFFECTIVE DATE OF APPRAISAL:	June 30, 2021	
PROPERTY ADDRESS:	301 NW 63RD Street, Oklahoma City, OK	
OWNER OF RECORD:	Board of Trustees of the Teachers' Retirement System of Oklahoma	
ZONING:	I-2 Moderate Industrial District	
SITE DESCRIPTION:	The subject site is a rectangular shaped tract of land containing an area of 166,142 SF±. The site is situated at the NW/c of NW 63RD Street and Harvey Place in Oklahoma City. The site is at road grade and has a gentle slope to the west. Drainage appears to be adequate. Site improvements include a brick-paved outdoor common area and asphalt parking lot and landscaping.	
IMPROVEMENT DESCRIPTION:	The subject improvement is a six-story multi-tenant office building that was constructed in 1983. The building has a gross building area of 95,853 SF. The building has an enclosed basement area parking and storage area containing an area of 20,300 SF±. The improvement is of reinforced concrete construction with a glass and metal clad-exterior.	
HIGHEST AND BEST USE:	As improved with a multi-tenant office building	
VALUE INDICATIONS	**Cost Approach:**	N/A
	Sales Comparison Approach:	$9,585,000
	Income Capitalization Approach:	$10,080,000
FINAL ESTIMATE OF VALUE:	$10,080,000	
EXPOSURE PERIOD:	Six to 12 months	

ASSUMPTIONS AND LIMITING CONDITIONS

Jurisdictional Exception: **This report is subject to inspection by the public via Oklahoma Statute 51 OS § 24.A1 Et Seq. (The Open Records Act). This exception pertains to the confidentiality section of the ETHICS RULE contained in the Uniform Standards of Professional Appraisal Practice (USPAP).**

The inspection of the subject property was made on June 23, 2021. The effective date of appraisal is June 30, 2021. An extraordinary assumption is being made that the subject property does not incur any significant changes that would alter the estimated value during this period.

1. The legal description used in this report is assumed to be correct. No responsibility is assumed for matters of a legal nature affecting title to the property nor is an opinion of title rendered. The title is assumed to be good and merchantable.

2. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report. The property is appraised as though under responsible ownership and competent management.

3. No survey of the property has been made by these appraisers, and no responsibility is assumed in connection with such matters. The appraisers were not provided a survey to determine if any encroachments exist, and none were observed at the site. The appraisers reserve the right to revalue the property if any encroachments are determined to exist in the future. Sketches in this report are included only to assist the reader in visualizing the property.

4. Information furnished by others is assumed to be true, correct, and reliable. A reasonable effort has been made to verify such information; however, no responsibility for its accuracy is assumed by the appraisers.

5. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. All engineering is assumed to be correct. No responsibility is assumed for such conditions or for engineering which may be required to discover such factors.

6. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless non-compliance is stated, defined, and considered in the appraisal report. No environmental impact studies were either

requested or made in conjunction with this analysis. The appraisers hereby reserve the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, and investigation.

7. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the appraisal report.

9. It is assumed that the utilization of the land and any improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass, unless noted within the report.

10. It is assumed all water and sewer facilities (existing and/or proposed) are, or will be, in good working order, and are, or will be, of sufficient size to adequately serve any existing and/or proposed buildings.

11. These appraisers, by reason of this appraisal, are not required to give testimony or attendance in court with reference to the property appraised unless previous arrangements have been made.

12. The distribution of the total valuation in this report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal, and are invalid if so used.

13. We are not experts in determining the habitat for protected or endangered species, including, but not limited to, animal or plant life (such as bald eagles, gophers, tortoises, etc.) that may be present on the property. We assume no responsibility for the studies or analyses that would be required to determine the presence or absence of such species, or for loss as a result of the presence of such species.

14. This report is null and void if used in any connection with a real estate syndicate or syndication, defined as a general or limited partnership, joint venture, unincorporated association, or similar organization formed for, or engaged in, investment or gain from an interest in real property, including, but not limited to, a sale, exchange, trade,

development, or lease of property on behalf of others, or which is required to be registered with the U.S. Securities and Exchange Commission or any Federal or State agency that regulates investments made as a public offering.

15. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party, who is not the client or intended user identified in the appraisal or engagement letter, is not entitled to rely upon the contents of the appraisal without express written consent of Schmook Appraisal Company, LLC and Client. The appraisers assume no obligation, liability or accountability to any third party. In no event shall Client give a third-party a partial copy of the appraisal report.

16. This appraisal was prepared by Schmook Appraisal Company, LLC and consists of trade secrets and commercial or financial information which is privileged and confidential and exempted from disclosure under 5 U.S.C. 552 (b) (4). Please notify Schmook Appraisal Company, LLC of any request of reproduction of this appraisal.

17. Disclosure of the contents of this appraisal report is governed by the by-laws and regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or the firm with which the appraisers are connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraisers.

18. The property owner or client furnished the following information. It has been assumed that the information is correct. If for any reason the information furnished was inaccurate, it could affect the estimate of value.
    1. General Ledger (2016)
    2. Financial Statements YTD April 2021
    3. Rent Roll YTD April 2021
    4. Leases (2018 Appraisal)
    5. Floor Plans (2018 Appraisal)
    6. Survey (2018 Appraisal)
    7. Site Plan (2018 Appraisal)

19. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, were not called to the attention of nor did the appraisers become aware of such during the appraisers' inspection. The appraisers have no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraisers, however, are

not qualified to test for such substances. The presence of such hazardous substances may affect the value of the property. The value estimated herein is predicated on the assumption that no such hazardous substances exist on or in the property or in such proximity thereto which would cause a loss in value. No responsibility is assumed for any such hazardous substances, nor for any expertise or knowledge required to discover them.

20. The appraisal process has required some forecasts and predictions concerning the appraised property's future. It must be noted that the national economy has been unstable for the past several years. Due to this lack of stability, the forecasts and predictions contained in this appraisal could have a high degree of risk. Any value conclusion predicated upon a future prediction should be weighed with the degree of risk incorporated within the projection.

21. The value estimated in this appraisal report was based on market data and conditions as of the date of report. The appraisers' analysis is based primarily on historical data to project the value of a property that is dependent on the future benefits that a property will bring to its owner. There is currently an amount of uncertainty in the short term. It is impossible to accurately anticipate the future conditions that could influence the value. Any substantial changes in market conditions could have a favorable or unfavorable influence on the value. We accept no responsibility regarding future changes in the market that could not be anticipated as of the date of this appraisal report.

22. The appraisers personally inspected the subject property and found no obvious evidence of structural deficiencies except as stated in this report. The observed condition of the foundation, roof, exterior walls, interior walls, floors, heating system, plumbing, insulation, electrical service, and all mechanicals and construction is based upon a routine inspection, and no detailed inspection was made. No guarantee is made as to the adequacy or condition of the foundation, roof, exterior walls, interior walls, floors, heating systems, air conditioning systems, plumbing, electrical service, insulation, or other detailed construction materials. No responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, or occupancy codes, can be assumed without provision of specific professional or governmental inspections. If any interested party is concerned about the existence, condition, or adequacy of any particular item, we would strongly suggest that a construction expert be hired for a detailed investigation.

23. All office units were not inspected; therefore, this appraisal is subject to all uninspected spaces being in the condition as described herein, based on the random

inspection of units by us, and representations made by the on site managers familiar with the office building. An inspection of the office spaces and random interior inspections indicate ongoing maintenance. The maintenance program included interior painting, replacement of carpeting, and cabinets where required. Vacant spaces on the 1st, 2nd, 5th, and 6th floors were inspected on June 23, 2021

24. Schmook Appraisal Company, LLC has been contracted for annual appraisals of the subject property. The effective dates our prior appraisals were January 3, 2018, June 30, 2019, and June 25, 2020.

25. Acceptance of and/or use of this appraisal report constitutes acceptance of the foregoing General Assumptions and Limiting Conditions. The appraisers' duties, pursuant to the employment to make the appraisal, are complete upon delivery and acceptance of the appraisal report. However, any corrections or errors should be called to the attention of the appraisers within 60 days of the delivery of the report.

PART I - INTRODUCTION

DEFINITION OF THE PROBLEM

DATES OF INSPECTION:	January 3, 2018, June 30, 2019, June 25, 2020 & June 23, 2021
EFFECTIVE DATE OF APPRAISAL:	June 30, 2021
OWNER OF RECORD:	Board of Trustees of the Teachers' Retirement System of Oklahoma
PROPERTY ADDRESS:	301 NW 63RD Street, Oklahoma City, OK
LEGAL DESCRIPTION:	Part of the SE/4 of Section 4, Township 12 North, Range 3 West, Oklahoma County, Oklahoma (a full legal description is located in the addendum)

INTENDED USERS AND INTENDED USE

The "Intended Use" of this report is for annual asset analysis for portfolio purposes.

The intended user is Tom Spencer, Executive Director, Teachers' Retirement System of Oklahoma, and the public per the Oklahoma Open Records Act.

STATEMENT OF PURPOSE & TYPE OF VALUE

The purpose of this appraisal is to estimate the market value of the leased fee interest of the subject property under market conditions prevailing on the effective date of the appraisal.

RIGHTS TO BE APPRAISED

The rights to be appraised are the fee simple title to the land and all appurtenances thereto except minerals and easements previously conveyed. The subject property will be evaluated as though free and clear of all encumbrances and/or mortgages.

SCOPE OF THE APPRAISAL

"Scope" refers to the extent of the investigation and the level of documentation employed in the process of gathering, verifying, analyzing, and reporting data used in this appraisal. In this case, the appraisers made a number of independent investigations in order to develop the value estimate. Essential market data were obtained from a combination of sources including, but not limited to, published reports, public records, commercial data services, cost manuals, property owners, real estate agents, and other appraisers. Related articles from newspapers, trade publications and databases maintained on the Internet were also reviewed. A brief outline of the main investigations undertaken appears below and on the following pages.

City and Market Area Analysis

We examined publications from the Oklahoma City Chamber of Commerce, Metro Area Planning Commission, Oklahoma Department of Commerce and University of Oklahoma Department of Economic Research for demographic data, growth forecasts and employment data. We also reviewed information from the Oklahoma City zoning office to ascertain development patterns and trends.

Site & Improvement Descriptions

The property was inspected informally on January 3, 2018, June 26, 2019, June 25, 2020 and June 23, 2021. Photographs of the property were taken and field notes were made on those dates.

Highest and Best Use Analysis

This analysis was performed on the property as improved. It involves the normal application of tests involving legal permissibility, physical possibility, financial feasibility, and greatest productivity. The extent of the highest and best use analysis is intended to be appropriate considering the complexity of the assignment.

Cost Approach

The Cost Approach has greatest relevance in appraisals of new or nearly new properties, especially special-purpose properties located in markets where similar facilities are being developed in significant numbers. The Cost Approach was not considered relevant due to the age of the improvements.

Sales Comparison Approach

This valuation was based on an analysis of comparable sales. It was performed using primary market data gathered and confirmed by the appraisers and other market researchers. The data was analyzed extracting the price per square foot. The building sales were located in the general market of the subject. These sales were verified by brokers, county records, buyers or sellers, or others knowledgeable of the transaction.

Income Capitalization Approach

To estimate the market value of the real property, the appraisers surveyed similar properties in the area to determine a reasonable rental rate, occupancy, operating expenses, and market capitalization rates.

Summary

In general terms, this is an appraisal report intended to comply with terms of engagement, the Uniform Standards of Professional Appraisal Practice, and the standards and ethical constraints imposed upon designated members of the Appraisal Institute. It is also intended to comply with the requirements set forth by the Teachers' Retirement System of Oklahoma.

IMPORTANT DEFINITIONS

Market Value is described as the following:

"Market value is the major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined. A current economic definition agreed upon by agencies that regulate federal financial institutions in the United States of American is:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeable, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. [1]

Leased Fee Estate/Interest is defined as follows:

"The ownership interest held by a lessor, which includes the right to the contract rent specified in the lease plus the reversionary right when the lease expires." [2]

Appraisal is defined as:

1. The act or process of developing an opinion of value.
2. An opinion of value. [3] (USPAP, 2016-2017 ed.)

Report is defined as follows:

"Any communication, written or oral, of an appraisal or appraisal review that is transmitted to the client or a party authorized by the client upon completion of an assignment." [4]

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[1] This definition is from regulations published by federal regulatory agencies pursuant to Title XI of the FIRREA of 1989 between July 5, 1990, and August 24, 1990, by the FRS, NCUA, FDIC, OTS, and OCC. This definition is also referenced in regulations jointly published by the OCC, OTS, FRS, and FDIC on June 7, 1994, and in the Interagency Appraisal and Evaluation Guidelines, dated October 27, 1994.

[2] *The Appraisal of Real Estate*, 14th ed. (Chicago: Appraisal Institute), 2013, Page 72.

[3] *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute), 2015.

[4] *Uniform Standards of Appraisal Practice* (USPAP) 2018-2019.

Extraordinary Assumption is defined as:

> "An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions." [1] (USPAP, 2016-2017 ed.)

HISTORY OF OWNERSHIP

The subject property had been under the continuous ownership of The Board of Trustees of the Teachers' Retirement System of Oklahoma since June 29, 2018. The current owner purchased the subject property from North Robinson Investments, LLC on June 29, 2018. The reported transaction price was $13,700,000 or $142.93 per SF. This transaction is recorded in Book 137776, Page 878 of the Oklahoma County Clerk's office.

The subject property was not listed for sale at the time of purchase, and it is assumed the buyer approached the seller with an offer. It should be noted the purchase offer was based on a market value appraisal by Schmook Appraisal Company, LLC.

The subject was purchased as part of the investment portfolio for the Teachers' Retirement System of Oklahoma.

There have been no other reported offers to buy or sell the subject property within the last three years.

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[1] *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute), 2015.

PART III - PRESENTATION OF DATA

OKLAHOMA CITY ANALYSIS

Oklahoma City was born in a single day on April 22, 1889, when a portion of Indian Territory was opened to white settlement. It became the state capital in 1910 and has had a steady growth in population since its beginning. The Oklahoma City Metropolitan area is located in the heart of Oklahoma and consists of seven counties covering approximately 5,347 square miles: Oklahoma, Canadian, Cleveland, Logan, McClain, Pottawatomie, and Grady counties. Oklahoma City has a land area of 622.5 square miles and has the 3rd largest land area for a city in the nation. Oklahoma City incorporated is the 30th largest city, with approximately 563,000 residents, in the United States and the 46th largest metropolitan area.

OVERVIEW

The year 2020 brought about the end of a five-year economic development program called Forward Oklahoma City V. This is the fifth iteration of the Forward campaign that has provided longer-term strategic planning to the region's economic development initiatives over the past 25 years.

The Greater Oklahoma City Chamber ended 2020 with 58 active projects in its economic development pipeline. The pipeline tracks companies or projects that are potentially looking to relocate or expand in the Greater Oklahoma City region. The largest number of projects by facility type included manufacturing, office, distribution, aviation and shared-services/call center. [1] A few of these projects are listed below:

Company	Potential Jobs
Costco (back office)	1,000
Amazon fulfillment center	500
Skydweller Aero	120
Malarkey Roofing	105

[1] *2021 Greater Oklahoma City Economic Forecast* published by the Greater Oklahoma City Chamber.

ACCOLADES [1]

1. **State of Oklahoma ranks top 10 for lowest tax burden**
   February 2021 - U.S. Census Annual Survey of Sate and Local Government Finances
   Oklahoma ranks as the 7th-lowest tax burden state in the nation. Rankings are based upon total taxes as a percent of income. On average, Oklahomans pay 7.19% of their income on taxes.

2. **Oklahoma ranked in top 10 for manufacturing**
   January 2021 - Site Selection Group
   Oklahoma was selected as the 10th best state for manufacturing investment in 2020.

3. **OKC makes recent '10 coolest cities with lowest cost of living' list**
   March 2021 - PureWow
   OKC made the list with an 86.6 cost of living index combined with an array of attractions, culture, and entertainment.

4. **OKC named among 'underappreciated American cities you should totally move to'**
   February 2021 Thrillist
   Thrillist's recent piece highlighted a number of cities that offer "comfort, culture, or verve" but "minus the wall-to-wall people, soul-sucking traffic jams, and wallet-draining cost of living."

5. **OKC one of the most livable metros in U.S.**
   January 2021 SmartAsset
   The analysis took into account factors like unemployment rate, crime, housing costs, and more.

6. **OKC ranks among top cities in small business environment**
   November 2020 JustBusiness.com
   OKC was ranked as the 4th best city to work for a small business. Factors included establishment rate, growth rate, employees, average payroll, and housing costs.

MAPS 3 *Shaping the quality of life for years to come*

The MAPS 3 program continues to be on schedule with the completion of the final project scheduled for 2021 – A current time line for these projects is as follows: [2]

[1] *OKC Accolades* published by the Greater Oklahoma City Chamber, 2021.

[2] *2021 Greater Oklahoma City Economic Forecast* published by the Greater Oklahoma City Chamber.

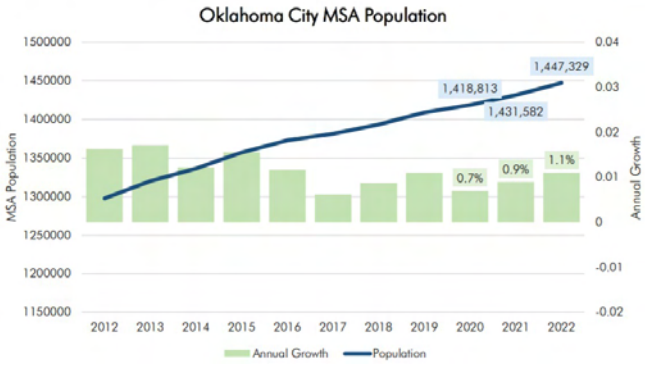
Convention Center + Omni Hotel	*Completed 2020*	Budget: $288 million
Phase 2 Lower Scissortail Park	*Opening 2021*	Budget: $132 million
3rd Senior Health and Wellness Center	*Opened 2021*	Budget: $55.5 million

On December 10, 2019 Oklahoma City voters passed the city's ***MAPS 4*** package, which like MAPS 3, will be a debt-free public improvement program funded by a temporary penny sales tax that will raise a projected $978 million over eight years. More than 70% of the funding is dedicated to neighborhood and human needs. Projects will include parks, youth centers, mental health and addiction programs, an innovation district, transit, and more. All projects will be fully funded before they begin.

Oklahoma Population [1]

Population growth rates in Oklahoma had hovered near 0.75% per year until the energy contraction of 2015-2016. Population growth rate fell by half as the state's economy moved into recession. This experience has called into question the balance of forces in supporting population growth. Optimism remains that the pull of the I-35 corridor is a long run force for population growth that will ebb and flow around economic cycles. This implies that much of the population gain will be concentrated in the Oklahoma City MSA and surrounding areas changing the geographic and demographic spread of the state's population. State population growth is expected to see a small bounce in 2021 before settling in at a long-run trend of 0.65% in 2022 with the statewide population exceeding four million persons.

Oklahoma City MSA Population

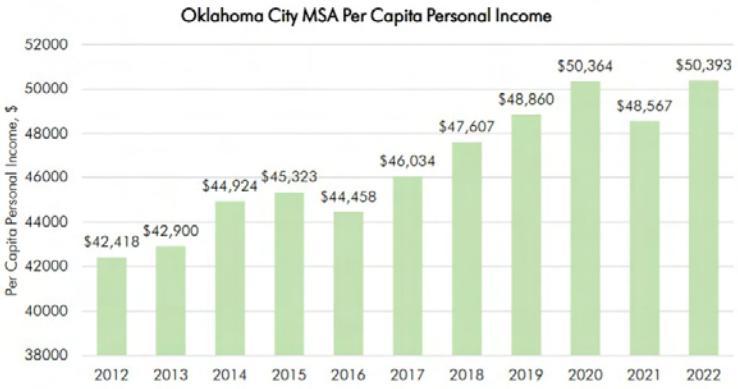


Oklahoma City's population growth slowed sharply (see below) from 2016 through 2018. Population growth returns to a solid 0.9% and 1.1% in 2021 and 2022, respectively.

[1] *2021 Greater Oklahoma City Economic Forecast*' published by the Greater Oklahoma City Chamber.

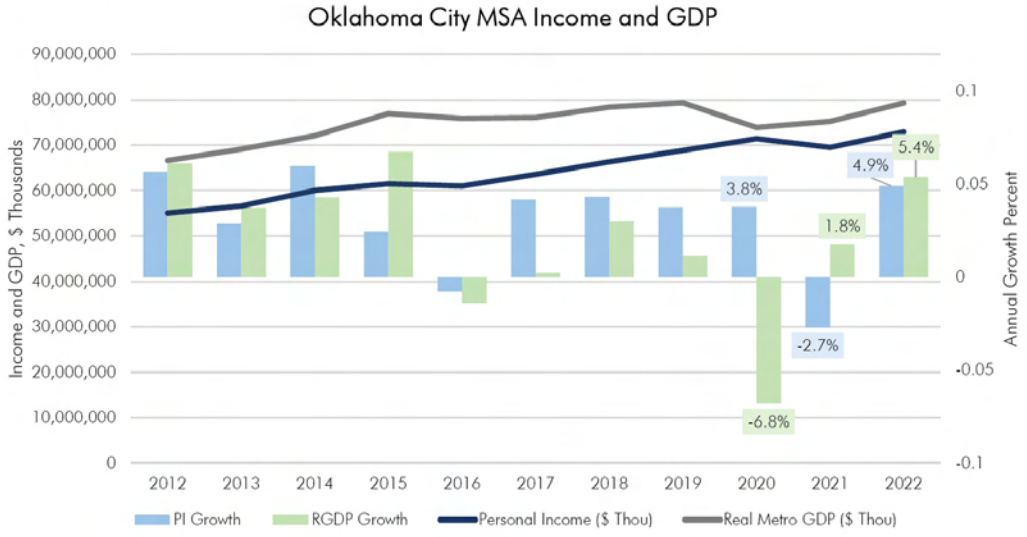
Oklahoma City MSA Per Capita Personal Income

After spiking in 2020 per capita personal income will retreat in 2021 to 2019 levels in the absence of another round of trillion-dollar transfers. Organic income growth from increasing production returns later in 2021 and into 2022 as per capita income in the MSA tops $50,000. [1]



Personal Income Growth/Gross Metro Product

The policies that pumped transfer receipts into Oklahoma City households generated the rather unusual relationship between MSA GDP and personal income below. The two are generally positively correlated, moving in the same direction during both good and bad economic realities. In 2020 and 2021, however, the correlation reverses. Metro GDP falls by 6.8% even as personal income grows by 3.8%. The effects will unwind in 2021 with MSA GDP growing at 1.8% and personal income dropping by 2.7%. If all goes as planned in 2021, correlations should be righted by 2022 with both personal income and GDP returning to growth and recovering their pre-pandemic levels. [2]



[1] *2021 Greater Oklahoma City Economic Forecast*' published by the Greater Oklahoma City Chamber.

[2] 2021 Greater Oklahoma City Economic Forecast' published by the Greater Oklahoma City Chamber.

Labor Market/Unemployment/Coronavirus Impact

Measured against the same month a year ago, the Oklahoma economy typically adds 25,000 to 30,000 jobs during periods of growth. Early in 2019 year-over-year growth in nonfarm employment slowed considerably. As 2019 yielded to 2020 nonfarm employment was essentially unchanged from the year before. Employment in the services sector, led by leisure, hospitality, and business services, held to growth through the year. Employment in the goods-producing sectors, by contrast, was in decline by summer. It is worth emphasizing again that the sectors holding up state economic activity at the end of 2019 were some of the sectors to be hardest hit in the pandemic of 2020.

By mid-March 2020, the state had identified the first of many positive coronavirus cases to come and the governor issued the first emergency declaration. While pandemic anxiety certainly contributed to economic weakness in the first quarter of 2020, it was hardly the leading factor. Instead, internal weakness drove real GDP down 2.1%. Oklahoma was in a mild recession, as predicted, before the full economic and social disruptive force of the pandemic came to bear.

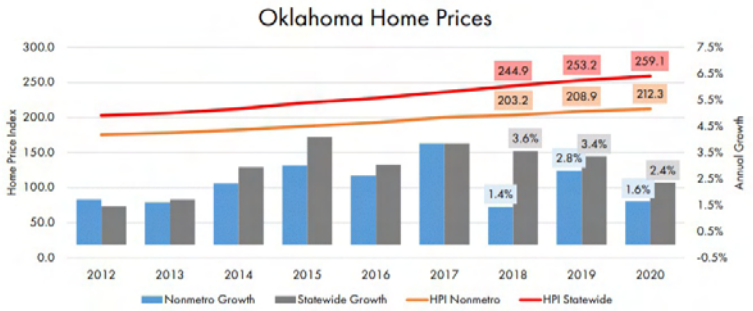
Looking ahead to 2021 and 2022 is complicated by the uncertainty of our true current state of economic health. Beneath the pandemic anxiety, changed behaviors and federal relief policy lies an ill-defined economic base that will only be revealed as the layers above recede. In that sense, 2021 will be a revelatory year. By year's end, we should know better our true economic condition and the forces that will shape 2022. The forecasts and discussions that follow reflect what is currently known in the tumultuous data rather than what is speculated about future policy. As the policies of the new administration and vaccination schedules unfold, the reader is encouraged to adjust their expectations accordingly. The year ahead will be characterized by a slow exit from the pandemic economic reality. In many ways, a slow and smooth exit is a best-case scenario. Such an uneventful exit would imply an efficient and effective vaccine distribution that sharply slows the spread and mortality rates of the virus with consumers again (perhaps not until later in 2021) gathering for social consumption. The Oklahoma economy will post GDP growth in the second quarter of 2021 when compared to the very distressed second quarter of 2020. Economic growth will remain slow through the end of the year with economic activity likely not returning to the end of 2019 levels until 2022. Economic growth accelerates in 2022 with annual GDP and personal income growth near 5%. [1]

[1] 2021 Greater Oklahoma City Economic Forecast' published by the Greater Oklahoma City Chamber.

Oklahoma City Real Estate Market Trends Overview

Although the repercussions from COVID-19 will be felt for months, even years, regional experts say the condition of the real estate market in metro Oklahoma City varies by market sector and 2021 appears poised to be a year of recovery.

Residential Market Conditions [1]



After a brief pause with the arrival of COVID-19, home sales exploded in 2020. Activity dropped to a low in April with the first wave of the pandemic, but showings and sales rebounded in May, said Emilykaye Mitchelson, secretary- treasurer of the Oklahoma City Metropolitan Association of Realtors. Low interest rates benefited the buyer and low inventory benefited the seller, Mitchelson said. “The sales have been very brisk.”

Sales were up 10% in 2020 over the previous year, while the number of homes available for sale was down 35%, according to the association’s annual report.

The combination of low interest rates and low inventory has resulted in multiple offers for many properties, with 98.5% of sellers receiving the list price.

The association reported the average sale price was up 9.4% in 2020 and the average number of days on the market dropped 17%. Houses priced at $150,000 to $300,000 had both the most and quickest sales. Mitchelson said when the pandemic sent people home to work and their children home to learn, many families discovered they didn’t have enough space and decided to upsize. Some moved into existing homes, while others chose to build.

Housing construction starts in central Oklahoma were up more than 12% in 2020, and buyers are snapping them up long before they are finished. “From an inventory perspective there is nothing on the market right now – new or used,” Andrew French of French Construction Co. said. The 2021 forecast is for continued low interest rates, low inventory, and rising prices.

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[1] Square Feet - A publication of *The Journal Record*, Feb. 2021.

Office Market Conditions

The Oklahoma City office market showed significant changes in 2020, most of them negative because of the COVID-19 pandemic and the decline in the energy industry. “I just don’t know how big a negative it will be until everybody’s lease rolls over,” said Craig Tucker, managing broker with Price Edwards & Co. “Right now, the pandemic has just provided more parking at our buildings because tenants are still leasing but employees are working from home.”

During 2020 the market experienced overall negative absorption of approximately 618,000 square feet with the total vacancy rate increasing from 20.9% to 24.8%, according to Price Edwards’ year-end office market report. “It’s not as full as it has been a lot of years, but it’s not as bad as people think,” Tucker said. Some clients expanded their space to allow for more distance between employees, he said.

Looking forward, there is still a lot of uncertainty in the local office market because many companies have not returned to the workplace. Tucker said he is confident they will because most employees and CEOs want in-person interaction.

Leasing velocity increased significantly in the fourth quarter once people saw the vaccine rollout and that should continue. Tucker said the comeback will bring opportunities to upgrade space as landlords offer a few months rent-free and increased tenant allowances. [1]

Retail Market Conditions

The Oklahoma City retail market ended 2020 with total annual negative absorption for the first time since 2009. Several big box closures contributed to this number, including retailers Stein Mart and State Stores. Occupancy also took a hit, dropping 40 basis points, ending the year at 92%. [2]

About 60% of retailers have had steady sales, some even better than before the pandemic. They include grocery stores, mass merchandisers, discounters and home improvement stores. Online sales skyrocketed. “Those folks have done really well, but there’s a whole group of retailers who haven’t done well,” Parrack said. Department store sales, already in decline, were down 14-30% in the third quarter, Price Edwards reported.

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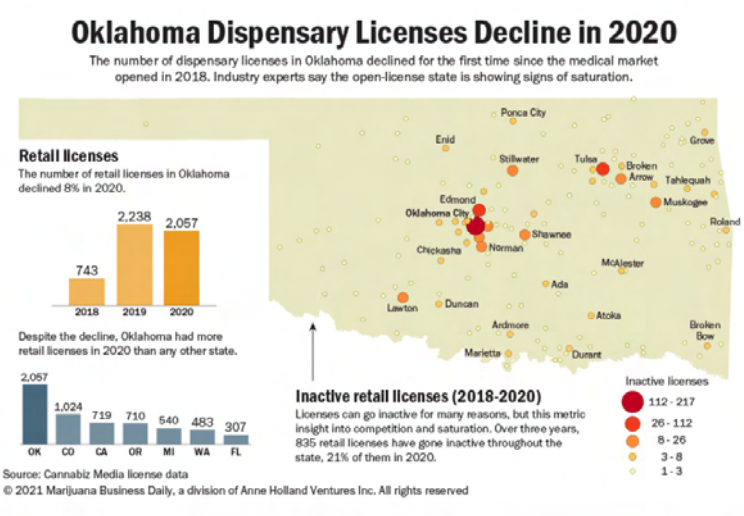
[1] Square Feet - A publication of *The Journal Record*, Feb. 2021.

[2] CBRE Marketview 2021

The year brought more store closures and bankruptcies than normal, and that will continue in the first half of 2021, Parrack said. Most of those companies had problems with debt or connecting with customers before the pandemic and likely would have closed anyway, he said. Overall retail sales were up 1% in 2020. “People kept buying things, just different things,” Parrack said. “As we look forward, the recovery and how well we do depends on how soon we can get through the pandemic,” he said. “2021 will be the year of retail recovery, but it will be a very uneven, choppy recovery.” By midyear enough people likely will be vaccinated that they will be going out to shop for clothes and see movies, Parrack said. There will be opportunities for new retail concepts, as well as store upgrades, expansions and relocations, he said. Parrack said two things that will help the recovery in Oklahoma City are the limited lockdown restrictions put in place and the fact that many retailers already had adjusted to the energy industry downturn. [1]



Retail licenses for Oklahoma’s medical cannabis program declined 8% in 2020, the first contraction for the open-license market since MMJ sales began in 2018 despite surging sales and patient numbers, Oklahoma ended 2020 with 181 fewer retail licenses than it did in 2019 – even after issuing 565 new permits throughout 2020, according to Cannabiz Media, a Connecticut-based cannabis license database and marketing platform. “There are more licensed dispensaries in Oklahoma than Walmart, McDonald’s and Starbucks combined,” Oklahoma Cannabis Industry Association Executive Director Bud Scott wrote in an email to Marijuana Business Daily. “To say there is retail saturation is an understatement.”

Despite the 2020 decline, the state led the nation in the number of retail licenses, ending the year with 2,057. [2]

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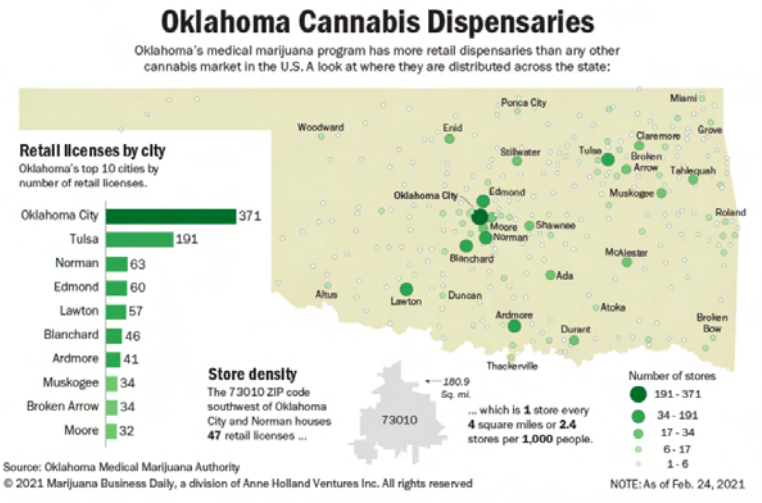
[1] *2021 Greater Oklahoma City Economic Forecast* published by the Greater Oklahoma City Chamber

[2] *Marijuana Business Daily* “Oklahoma’s medical cannabis dispensary licenses decline for the first time.” March 2021

In 2021 expect to see continued licensing declines as the state begins to roll out a seed-to-sale compliance program in April. The new compliance burden may make these licenses less attractive if they are not a thriving business.

Over three years, more than 830 Oklahoma retail licenses have gone inactive throughout the state, 21% of them in 2020, according to Cannabiz Media data. The largest markets, Oklahoma City and Tulsa, house more dispensary licenses than Washington state. An analysis of the Oklahoma medical Marijuana Authority licensing data showed that Oklahoma has 23 zip codes containing 20 or more retail licenses each, and since the market can only sustain so many businesses, so the contraction seen in 2020 will continue. [1]



Industrial Market Conditions

While certain sectors have been hit hard by the effects of coronavirus, the industrial sector seemed to thrive as medical marijuana's continued demand for growing and storage continued to grow. As of March 31, 2020 the state had approved 272,000 patient licenses, 6,100 growing licenses, and 1,500 processing licenses. [2]

The OKC industrial market Q2 2020 net absorption of 395,640 SF was 11,000 SF more than Q1. Activity in the market was steady with the half-year registering about 140 new leases totaling 1.4 million SF, with close to 50% of all activity occurring in the SW submarket pushing market-wide vacancy down by 70 basis points compared to Q1 2020. Asking rental rates also increased from $5.58 per SF in Q1 to $6.00 per SF in Q2. Highest demand was driven by spaces in properties with a total building size of 30,000 SF and smaller. [3]

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[1] *Marijuana Business Daily* "Oklahoma's medical cannabis dispensary licenses decline for the first time." March 2021

[2] Price Edwards "Medical Marijuana's Impact on OKC Industrial Market" 2020.

[3] CBRE Marketview 2021

OKC INDUSTRIAL MARKET INFORMATION BY SUBMARKET & CATEGORY [1]

	CBD	Midtown	West/Central	OKC South
Rent/SF	$6.92	$5.76	$6.15	$6.27
Vacancy Rate	5.90%	4.60%	4.90%	5.30%

	Class A	Class B	Class C
Rent/SF	$6.49	$7.03	$6.08
Vacancy Rate	2.10%	4.60%	4.40%

According to NAI Sullivan Q4-2020 market report, there was 595,575 SF of industrial space under construction at the end of 2020. The largest industrial property under construction is the 120,000 SF building at 3401 S Council in OKC, which is scheduled to be delivered in May 2021. Additionally, in December 2020 Amazon announced plans to build a 1,080,308 million SF facility on S Portland Ave, which is currently under construction. Currently, rental rates for under construction industrial properties average $7.67 per SF per year.

Throughout the unprecedented stressors of 2020, industrial real estate has continued to prove its resiliency. Positive trends are expected to continue into 2021.

Multifamily Market Conditions [2]

Multifamily properties proved to be resilient in the pandemic. Transactional volume in Oklahoma City was down from a record $541.3 million in 2019. But all things considered, still a good year at $404.6 million in transactions. The total number of units sold in Oklahoma City in 2020 was 5,114.

For the twelve months of 2020, there were 35 sales on properties that exceeded 25 units in size.. This was down thirty-one percent from 7,403 units sold in 2019. Total sales volume was $404.6 million in 2020, as compared to $541.3 million in 2019, a twenty-five percent decline. Given expectations back in April, the numbers for the year held up well, even increasing on a per unit basis. For 2020, the overall average price per unit on

[1] NAI Sullivan Q4-2020 Industrial Report

[2] CRRC - Apartment Report Oklahoma City/Tulsa 2020.

apartment communities with 25 units or more was $79,134, an eight percent increase from $73,130 at year end 2019.

The probability of market-wide distress in the multifamily sector is highly unlikely. There is a great deal of pent-up demand ready to emerge for acquisitions. The money that would have been spent before the pandemic is still out there. In fact, the current buyer pool is the broadest in size and scope than at any point in the last decade, if not longer. There has been a new wave of investors seeking multifamily investments and seeking to take advantage of the low interest rate environment. These low rates and high buyer demand should help keep cap rates near record lows, which is a strong positive moving into 2021.

Economic Market Conditions:

Part of what we do as appraisers is to analyze and project market conditions that affect the property we are valuing.

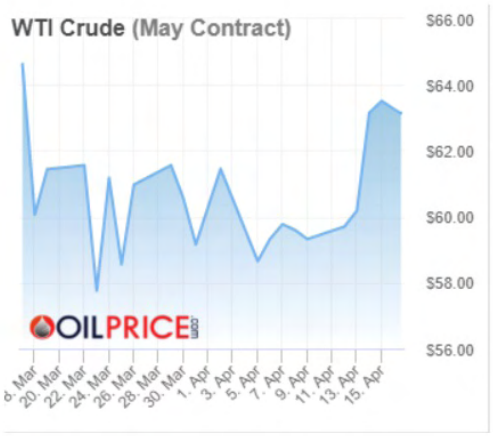
While appraisers generally analyze historic data (e.g. comparable sales) in the valuation process, it is important to recognize that the value of a property is dependent on the future benefits that a property will bring to its owner. Future benefits include the rights to use, occupy, and enjoy the property as well as the right to receive income/revenue it may produce. Market values are therefore forward-thinking. Data used in the valuation process must be adjusted for market conditions as necessary so the market value conclusion reflects this forward-thinking stance as of the date of value. Market analysis provides the framework for making determinations about market conditions adjustments.

In 2020 the coronavirus (Covid-19) pandemic led to a drop in oil and natural gas prices and wild swings in the stock markets which has caused uncertainty that is affecting how we look at global and local market conditions. The uncertainty may have an effect on the real estate market. It could potentially affect segments of the market in varying ways. A major concern is also the duration of the uncertainty.

The first reported case of the virus in the USA was reported January 21, 2020 in the state of Washington by a man that had traveled from Wuhan, China. On January 30, the World Health Organization (WHO) declared a global health emergency. The following day travelers who had visited China in the last 14 days were denied entry into the US. The first virus related death in the US occurred on February 28. On March 11, travel restrictions went into effect for visitors from Europe. A national emergency was declared on March 13.

Prior to the pandemic, the Chinese economy was experiencing an economic slowdown, which reduced demand for oil worldwide. The outbreak of the virus caused

manufacturing plants to close in China and the government imposed travel restrictions that further reduced the demand for oil, consequently, softening of oil prices. On March 8, 2020 a price war between Saudi Arabia and Russia broke out and caused the price of oil worldwide, including West Texas Intermediate (WTI) to drop to levels not seen since 2002. After about a 5-week war, OPEC and Russia ended the price war by agreeing to record-sized production cuts. Oil prices have rebounded but not to the level prior to the pandemic. Production restrictions will start to relax in June 2020, and continue to April 2022. There is still potential for instability.



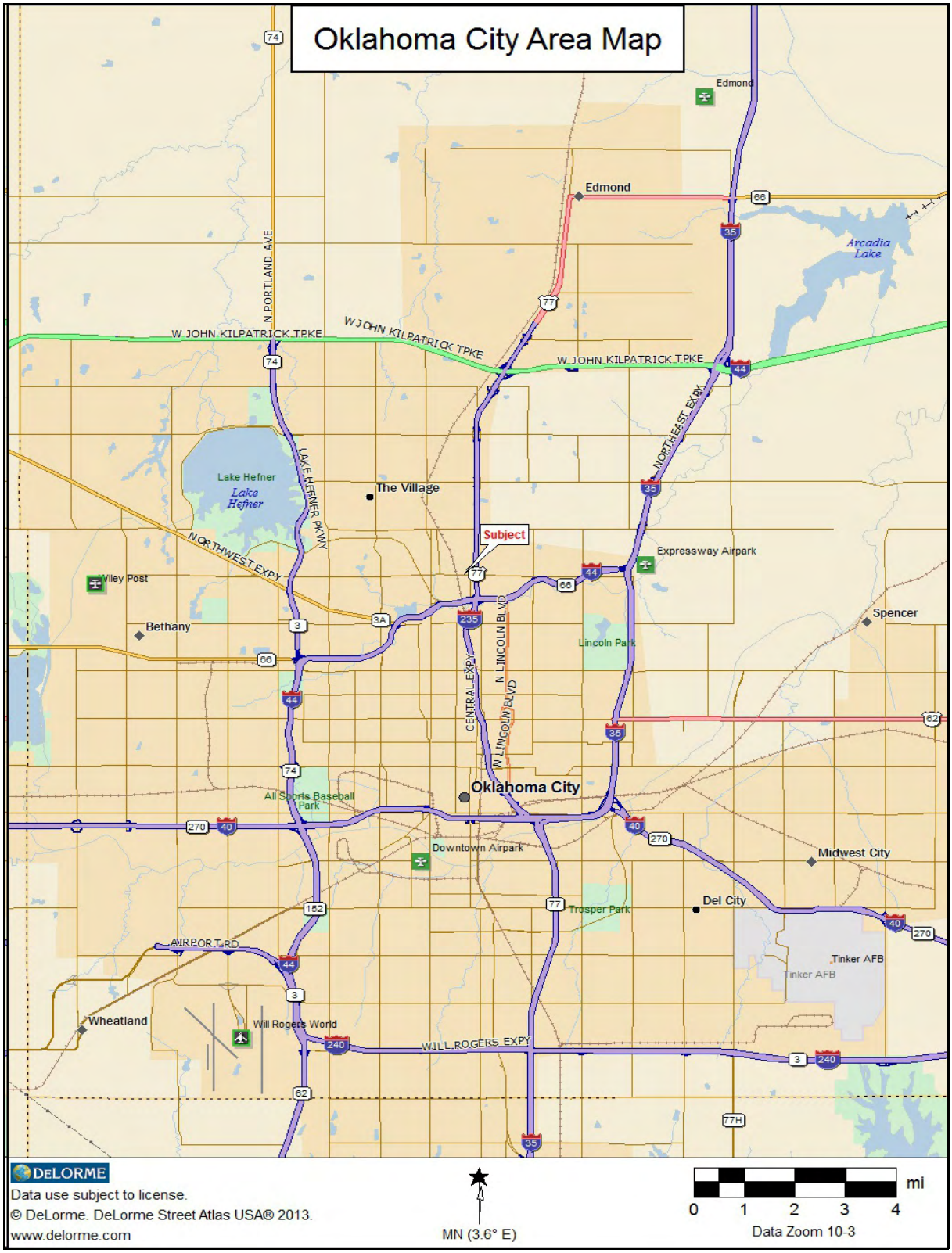
According to figures released April 16, 2021, China's economy appears to have gone through a huge post-pandemic jump as the economy grew a record 18.3 percent in the first three months of the year – compared with the same period in 2020 when cities were shut down and the economy was shrinking rapidly. While factory activity and property sales have picked up, the figures were actually slightly below what economists had forecast, and the country faces a number of challenges, including the prospect of inflation, "a lagging consumer recover," and concerns around asset bubbles, said the Wall Street Journal.

The Market Analysis that we have included in this appraisal will attempt to address the uncertainty in the market and how it could affect the subject's market. We cannot accurately predict future market conditions with anything other than uncertainty.

Conclusions:

Oklahoma City continues to emerge as the center of economic activity in the state. The city's location along the fast-growing I-35 corridor provides a base of support that is complemented by public and private investment and industry concentrations in oil and gas and aerospace. Positive metro job growth is expected in 2021 but may soften to 0.5%, or approximately 2,900 jobs. The Oklahoma City metro economy is less dependent on the national economy and energy industry than the rest of the state, but it is not wholly immune to the influence of either. So a slowdown in activity could make the local economy vulnerable to national uncertainties or a sluggish energy sector. [1]

[1] 2020 Greater Oklahoma City Economic Forecast' published by the Greater Oklahoma City Chamber.


Oklahoma City Area Map
Edmond
Edmond
Arcadia Lake
W JOHN KILPATRICK TPKE
W JOHN KILPATRICK TPKE
W JOHN KILPATRICK TPKE
N PORTLAND AVE
NORTHEAST EXPY
LAKE HEFNER PKWY
Lake Hefner
Lake Hefner
The Village
Subject
NORTHWEST EXPY
Viley Post
Bethany
Expressway Airpark
Spencer
Lincoln Park
N LINCOLN BLVD
CENTRAL EXPY
Oklahoma City
All Sports Baseball Park
Downtown Airpark
Midwest City
Del City
Trosper Park
AIRPORT RD
Tinker AFB
Tinker AFB
Wheatland
Will Rogers World
WILL ROGERS EXPY
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NEIGHBORHOOD ANALYSIS

Neighborhood is defined as:

> 1. A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises. *See also* **market area**.
>
> 2. A developed residential super pad within a master planned community usually having a distinguishing name and entrance. [1]

It may be best described as that part of a geographical area or community which comprises the immediate surroundings and primary environment for the appraised property. Normally, neighborhoods (market areas) can be characterized by physical similarities, locale, and a homogeneous blending of property uses. Within any neighborhood, governmental, social, economic, and environmental forces influence supply and demand for real estate. Consequently, location is always a major factor in determining value; and in most neighborhoods, the inhabitants have a relationship based on a commonality of interests.

The immediate neighborhood can be accessed by the bordering streets shown below.

East – Broadway Extension	West – Western Avenue
North – Britton Road	South – I-44

The defined neighborhood lies within the North Sub-Market of the greater Oklahoma City area. Land uses within the subject neighborhood consist of a mixture of commercial and residential development. The immediate area surrounding the subject is primarily developed with multi-tenant office building; however, some industrial development also exists. Other uses in the area include specialty medical buildings, special purpose buildings, and scattered residential uses.

Land uses within the market area vary in size, density, and type. The Broadway Extension is a primary commercial corridor and also includes significant office areas and special purpose developments. Older portions of the defined locale are situated on the west side of the Broadway Extension.

[1] Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute), 2015, Page 156.

Overall, the neighborhood is deemed to be in the redeveloping phase of its economic life cycle. Recent real estate purchases for demolition and redevelopment have occurred in the western part of the neighborhood.

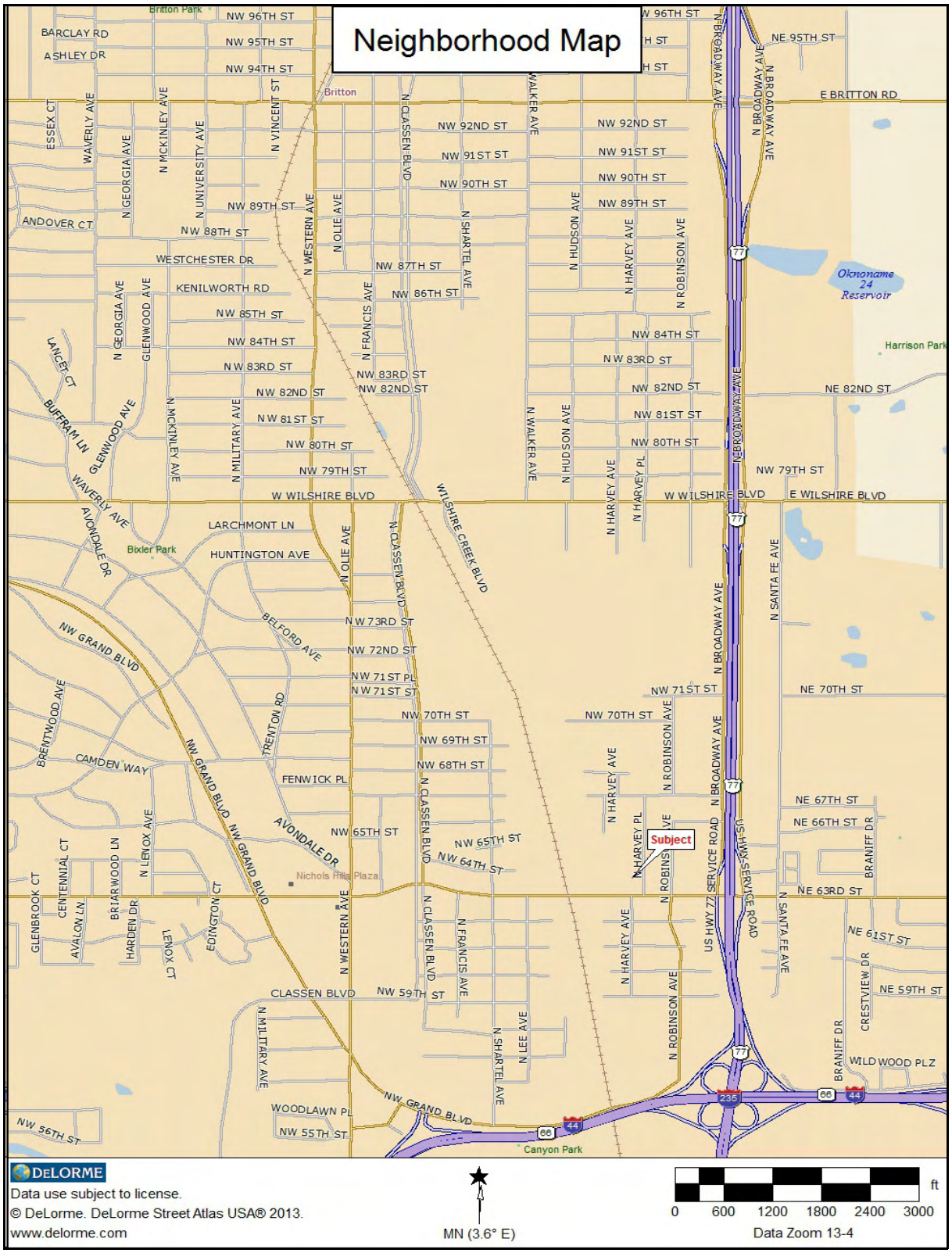
In contrast, many older office/warehouse improvements are concentrated south of Wilshire Boulevard. The south end of the Market Area includes a number of multi-story office buildings near NW 63RD Street.

Growth patterns have occurred along primary commercial thoroughfares such as Broadway Extension (US 77), I-44, NE/NW 63rd, Wilshire Boulevard, and Britton Road. The Broadway Extension, also known as U.S. Highway 77, is a primary four to six-lane divided arterial roadway used heavily by commuters between Edmond and Oklahoma City.

A recent addition to the rental office market is the Chesapeake Building 13 located at 930 NW 63RD Street. This building was built for owner occupation; however, it was place on the rental market in 20019. The building has 5-floors and over 130,000 SF of rentable area. According to the lease listing, the asking rate is $21.00 per SF NNN. This would equate to about $29.00 on a full service gross basis. The building has remained basically vacant since being introduced to the rental market.

The Nicholas at 6501 N. Classen Blvd., a 40,000± SF with four stories, is scheduled to be completed at the end of 2021. It is currently pre-leasing at an asking price of $35.00 per SF.

In summary, this market area is principally a stable to developing commercial area. New development is taking place along the arterial roadways as demand dictates. The market area has a favorable location in the Oklahoma City metropolitan area.


Neighborhood Map
Subject
Britton Park
Britton
Bixler Park
Nichols Hills Plaza
Canyon Park
Oknoname 24 Reservoir
Harrison Park
NW 96TH ST
NW 95TH ST
NW 94TH ST
NW 92ND ST
NW 91ST ST
NW 90TH ST
NW 89TH ST
NW 88TH ST
NW 87TH ST
NW 86TH ST
NW 85TH ST
NW 84TH ST
NW 83RD ST
NW 82ND ST
NW 81ST ST
NW 80TH ST
NW 79TH ST
NW 73RD ST
NW 72ND ST
NW 71ST PL
NW 71ST ST
NW 70TH ST
NW 69TH ST
NW 68TH ST
NW 65TH ST
NW 64TH ST
NW 59TH ST
NW 56TH ST
NW 55TH ST
NE 95TH ST
E BRITTON RD
NE 82ND ST
NE 70TH ST
NE 67TH ST
NE 66TH ST
NE 63RD ST
NE 61ST ST
NE 59TH ST
W WILSHIRE BLVD
E WILSHIRE BLVD
BARCLAY RD
ASHLEY DR
ESSEX CT
WAVERLY AVE
N GEORGIA AVE
N MCKINLEY AVE
N UNIVERSITY AVE
N VINCENT ST
ANDOVER CT
WESTCHESTER DR
KENILWORTH RD
GLENWOOD AVE
LANCET CT
BUFFRAM LN
LARCHMONT LN
HUNTINGTON AVE
AVONDALE DR
BELFORD AVE
NW GRAND BLVD
BRENTWOOD AVE
CAMDEN WAY
TRENTON RD
FENWICK PL
N LENOX AVE
GLENBROOK CT
CENTENNIAL CT
AVALON LN
BRIARWOOD LN
HARDEN DR
EDMONTON CT
LENOX CT
CLASSEN BLVD
WOODLAWN PL
N WESTERN AVE
N OLIE AVE
N CLASSEN BLVD
N SHARTEL AVE
N FRANCIS AVE
N MILITARY AVE
N LEE AVE
N WALKER AVE
N HUDSON AVE
N HARVEY AVE
N HARVEY PL
N ROBINSON AVE
N BROADWAY AVE
WILSHIRE CREEK BLVD
N SANTA FE AVE
US HWY 77 SERVICE ROAD
BRANIFF DR
CRESTVIEW DR
WILDWOOD PLZ
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ASSESSMENT AND TAX ANALYSIS
THE OKLAHOMA PROPERTY TAX SYSTEM

"Property taxes (ad valorem taxes) plus some fee collections, are the only county monies available to operate and maintain county government. The property tax is also an important source of revenue to the local school districts. Property taxes in Oklahoma are called ad valorem taxes and are authorized by the Oklahoma constitution. Two basic formulas are used to calculate a property owner's ad valorem tax bill. These formulas are as follows:

Property Value X Assessment Rate = Assessed Value
Assessed Value X Tax Rate = Tax Bill

The tax rate is given in number of mills. If a property owner is entitled to an exemption, then the amount of the exemption is subtracted from the property's assessed value. This step results in a factor which is called the property's net assessed value. The tax bill is calculated by multiplying the net assessed value times the tax rate.

Operationally, use value for agricultural property has been defined by the Oklahoma Tax Commission as being based 75 percent on income potential of the property and 25 percent on market value of the property. Use value for nonagricultural property has been defined as the market value of the property in its actual use.

Assessment Ratio - (S.Q. 675 provides that the assessment ratio for ***REAL Property*** will not increase unless approved by a majority of the voters.)

Revaluation - The Oklahoma Legislature established the revaluation program in 1969 (See O.S. 60 Statute 1481.1). This program was designed to be a revaluation of all taxable property. The County Assessor was given the task of maintaining an active and systematic program to be sure that all county property be appraised routinely in accordance with an approved schedule.

Senior Valuation Freeze - provides for those who apply and qualify, the taxable market value will not increase on a homestead property owned by a person 65 years of age or older before January 1 and whose gross household income does not exceed $25,000 for the previous year unless the individual ceases to own or occupy the property, the income exceeds the limit, or if improvements have been made to the property. (S.Q. 677)

Increase Limitation - limits increasing of fair cash value on real property for tax purposes by not more than 5% in any taxable year unless improvements have been made to the property or if title to the property has been transferred, changed or conveyed to another person.

Taxable Market Value - The market value to be used in computing the gross assessed value for this years taxes. (Note: Due to Constitutional Amendments (S.Q. 676) this value will not exceed a 5% increase over the previous year value unless improvements were made to the property, if title to the property is transferred, changed, or conveyed to another person, or if status for the senior valuation freeze has changed.)

ASSESSMENT AND TAX ANALYSIS

The Teachers' Retirement System of Oklahoma, as a state agency, is not subject to ad valorem taxes. The estimated ad valorem taxes based on the 2020 appraised value would be $95,621.

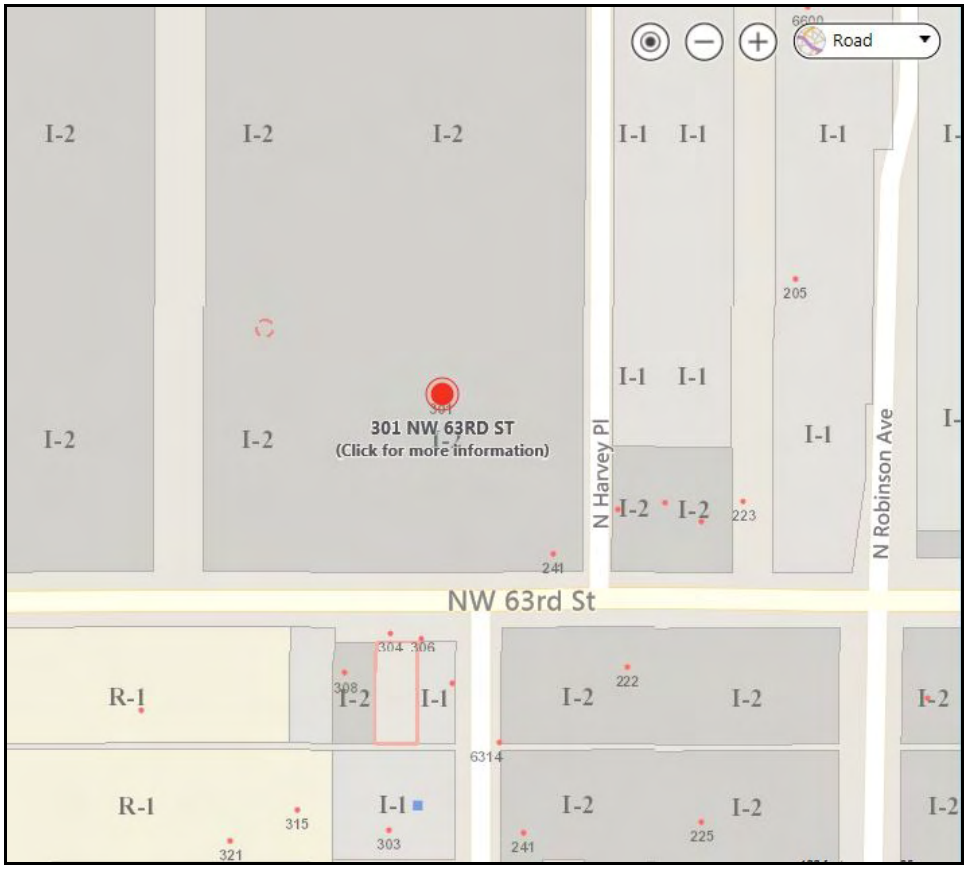
ZONING ANALYSIS

The subject site is located in an area zoned I-2 Moderate Industrial District. Any future use of this property would need to conform to the regulations as imposed under this district. This district is defined as follows:

> **Moderate Industrial District:** The I-2 District is intended primarily for the conduct of light manufacturing, assembly and fabrication, and for warehousing, wholesale and service uses, which may generate relatively low levels of noise, odor, smoke, dust or intense light. Industrial uses permitted may require good accessibility to air, rail or street transportation routes, but do not depend heavily on frequent personal visits of customers or clients. Provision is also made for outdoor operation and storage.

The subject appears to conform to the regulations as set forth within the I-2 zoning district.

ZONING MAP

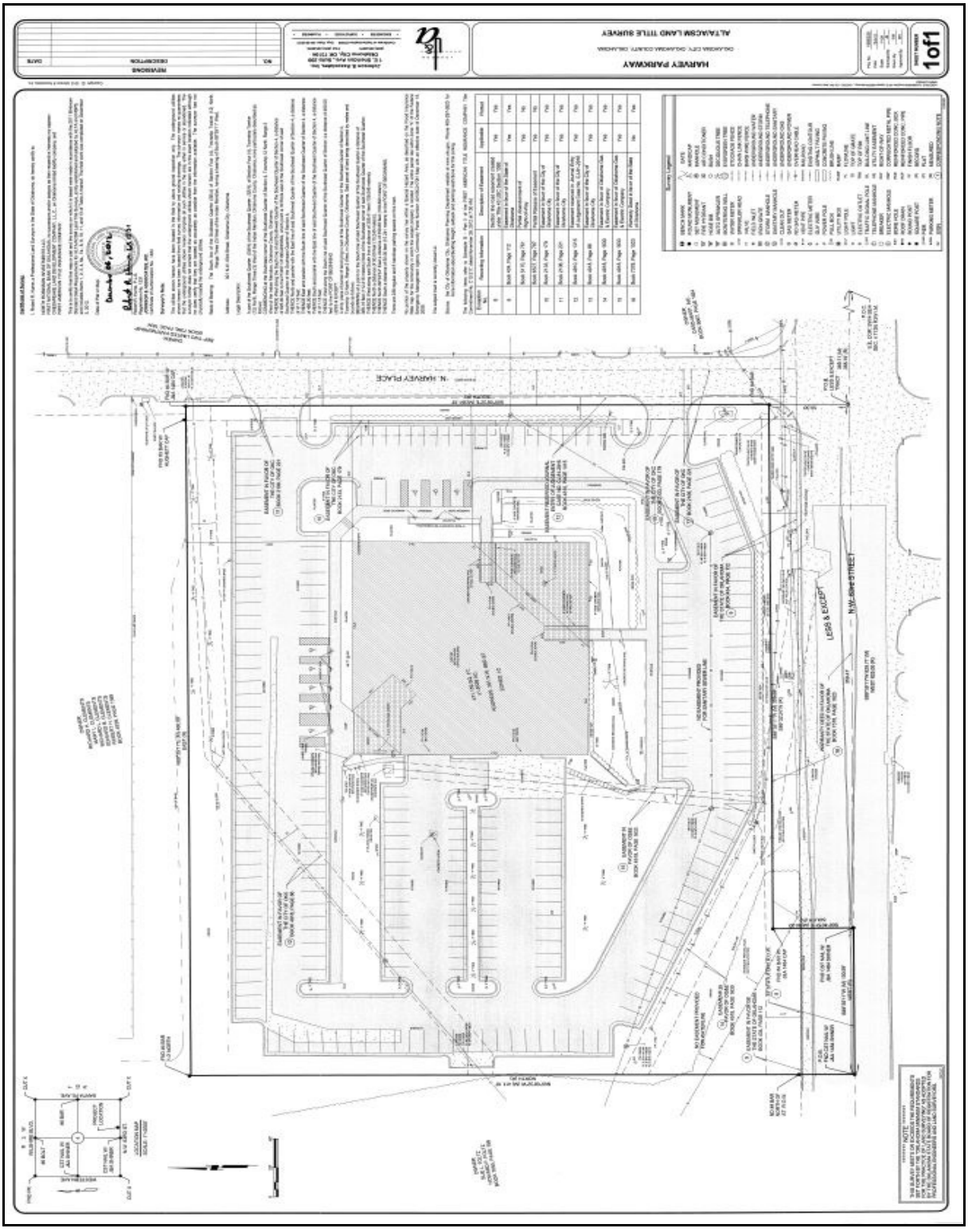


SITE ANALYSIS

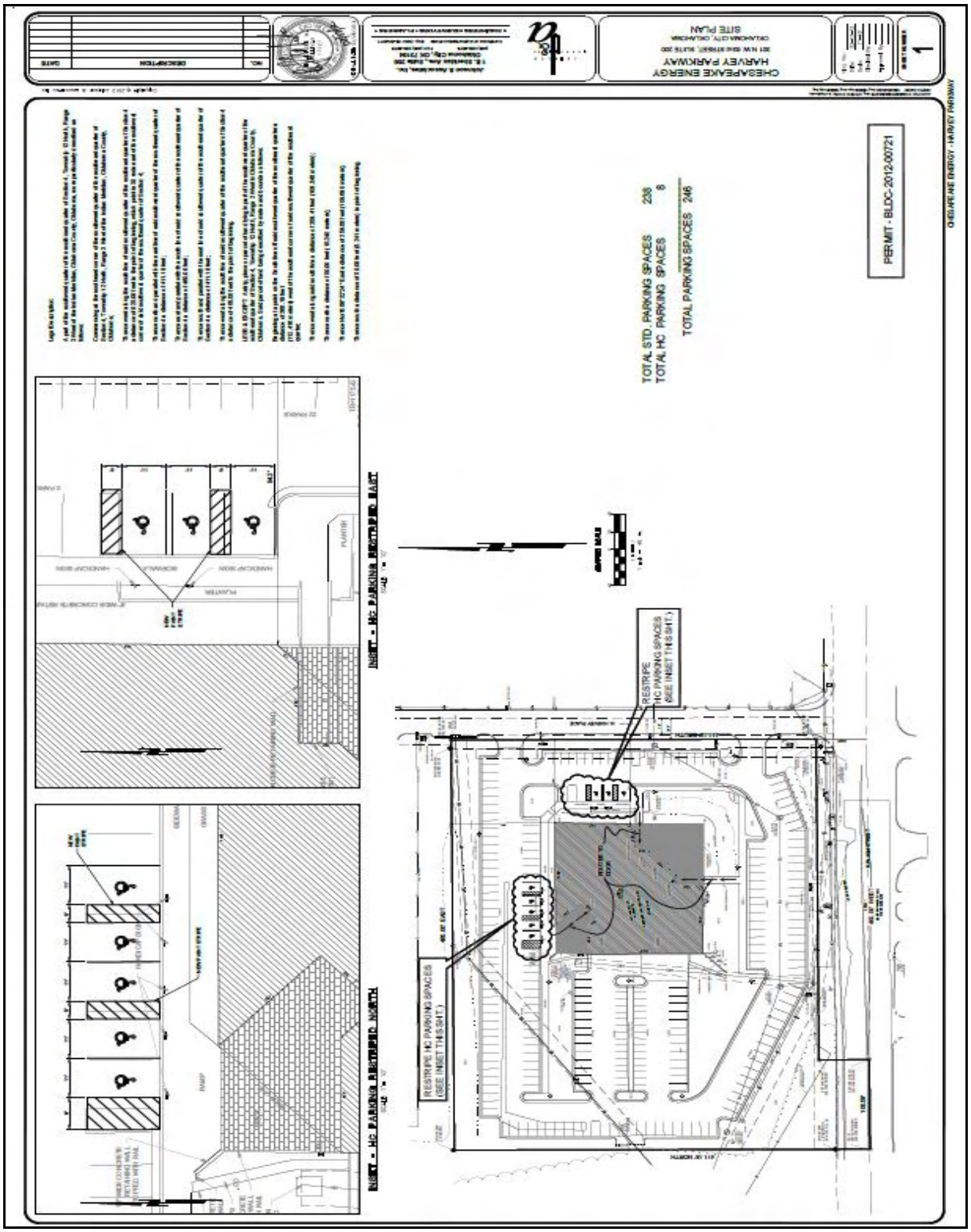
The subject site is a rectangular shaped tract of land containing an area of 166,142 SF±. The property is located at the NW/c of NW 63rd Street and Harvey Place in Oklahoma City, OK. A detailed description of the subject is as follows:

Location:	301 NW 63rd Street
Size (SF):	166,142
Shape:	Rectangular
Access:	The site has a single curb-cut along the north side of NW 63rd and two curb-cuts along the west side of Harvey Place.
Frontage:	460' along the north side of NW 63rd Street and 411' along the west side of Harvey Place
Topography:	The site is at road grade with a gentle slope to the west.
Flood Plain:	According to FEMA's Flood Insurance Rate Map No. 40109C0170H, dated December 18, 2009, the subject site is not located in a flood hazard area.
Zoning:	I-2 Moderate Industrial District
Utilities:	All public and quasi-public utilities are available to the site.
Easements:	The provided ALTA survey indicates a number of utility and roadway easements. The easements are assumed to have no significant impact on the site.
Comments:	The subject site is typical of other commercial sites in the immediate area. Adjacent land uses are multi-tenant office buildings to the north and east, retail development to the south, and vacant land to the west.

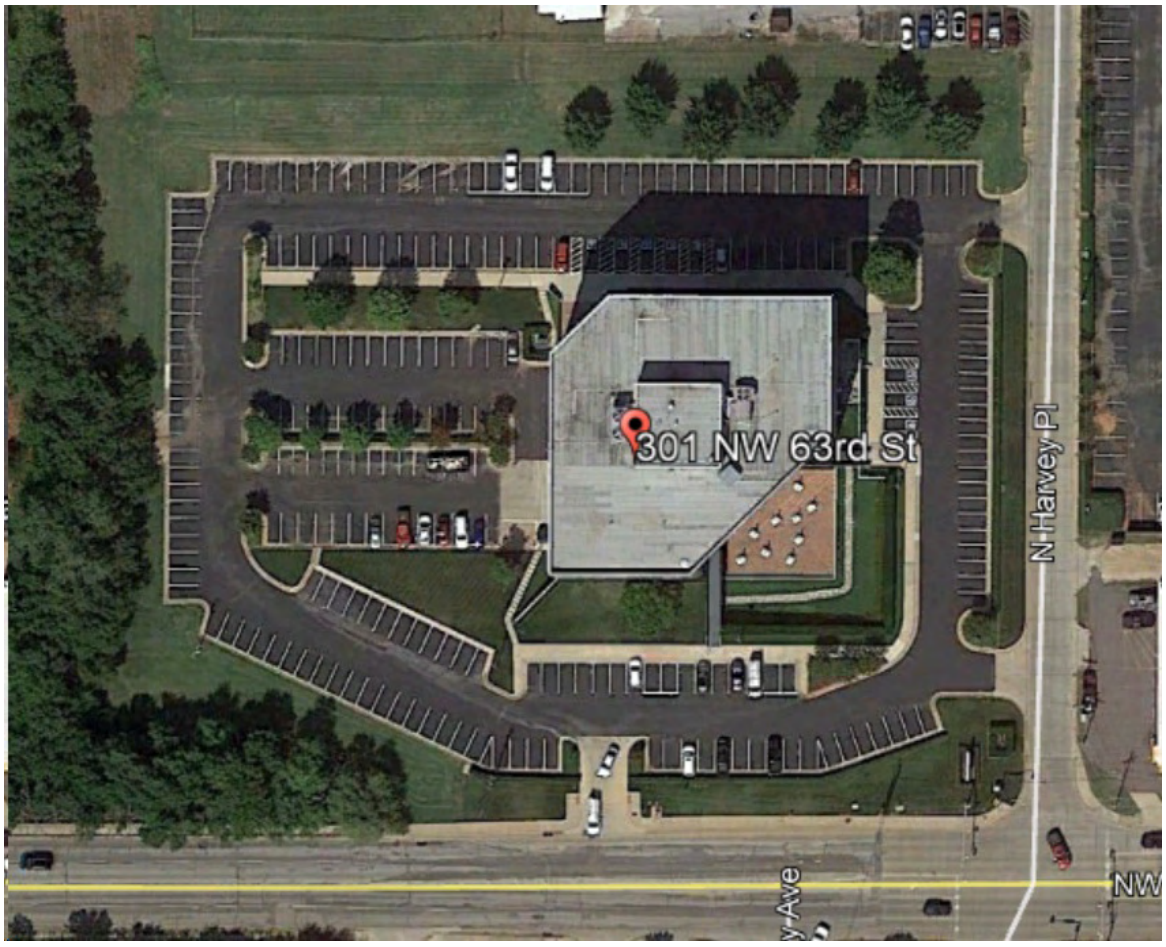
SURVEY


HARVEY PARKWAY
ALTA/ACSM LAND TITLE SURVEY
1of1
N. HARVEY PLACE
NW 63rd STREET
LESS & EXCEPT

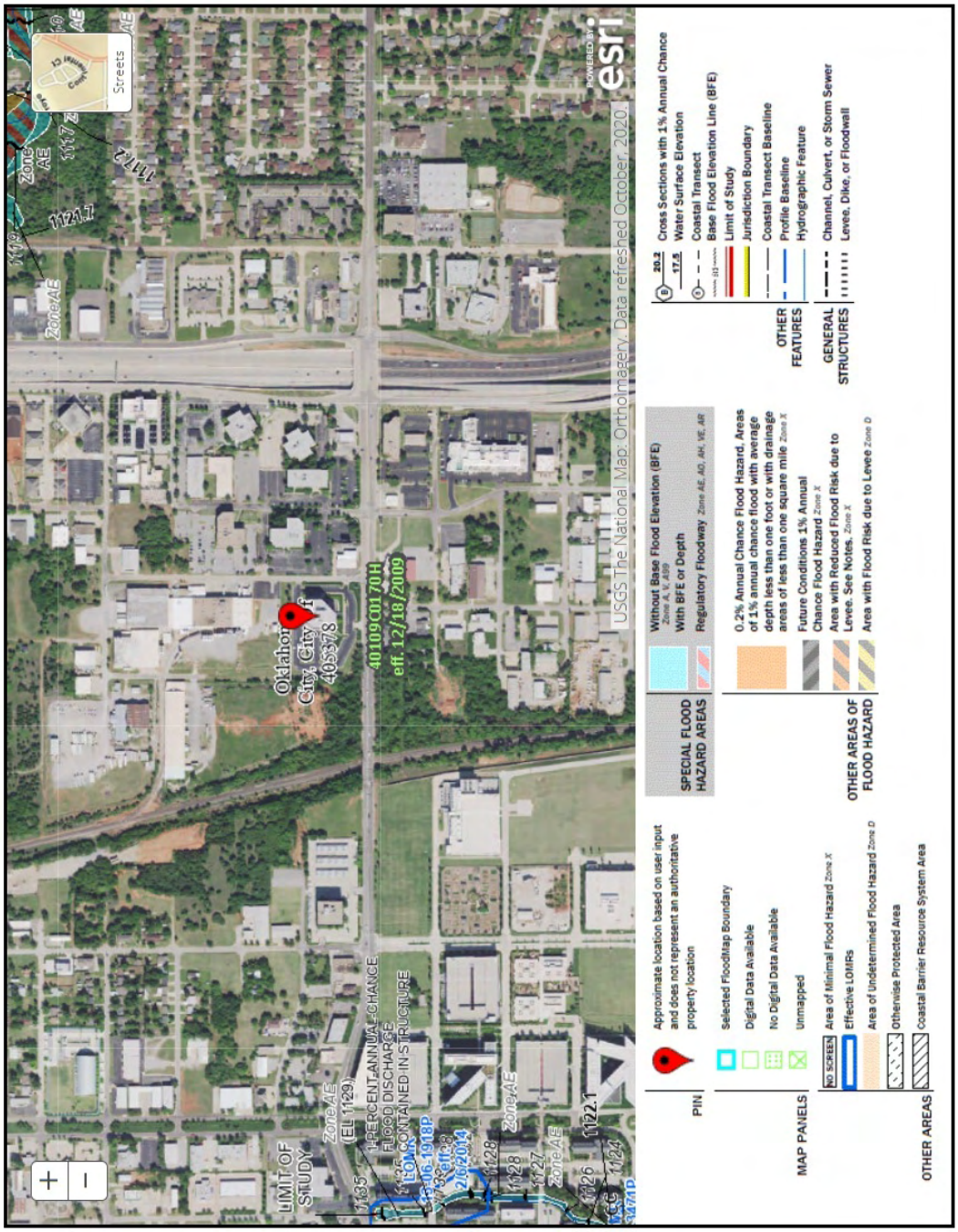
SITE PLAN


CHESAPEAKE ENERGY
HARVEY PARKWAY
SITE PLAN
PERMIT - BLDC-2012-00721
TOTAL STD. PARKING SPACES 238
TOTAL HC PARKING SPACES 8
TOTAL PARKING SPACES 246
RESTRIPE HC PARKING SPACES (SEE INSET THIS SHT.)
RESTRIPE HC PARKING SPACES (SEE INSET THIS SHT.)
INSET - HC PARKING RESTRIPE - EAST
INSET - HC PARKING RESTRIPE - WEST

AERIAL VIEW (September 2020)



FLOOD MAP



Streets
Oklahoma City, City of
405378
40109C0170H
eff. 12/18/2009
USGS The National Map: Orthoimagery. Data refreshed October, 2020.
LIMIT OF STUDY
1-PERCENT ANNUAL CHANCE FLOOD DISCHARGE CONTAINED IN STRUCTURE
Zone AE
(EL 1129)
1121.7
1117.2
1122.1
PIN
Approximate location based on user input and does not represent an authoritative property location
MAP PANELS
Selected FloodMap Boundary
Digital Data Available
No Digital Data Available
Unmapped
NO SCREEN
Area of Minimal Flood Hazard Zone X
Effective LOMRs
Area of Undetermined Flood Hazard Zone D
OTHER AREAS
Otherwise Protected Area
Coastal Barrier Resource System Area
SPECIAL FLOOD HAZARD AREAS
Without Base Flood Elevation (BFE) Zone A, V, A99
With BFE or Depth
Regulatory Floodway Zone AE, AD, AH, VE, AR
OTHER AREAS OF FLOOD HAZARD
0.2% Annual Chance Flood Hazard, Areas of 1% annual chance flood with average depth less than one foot or with drainage areas of less than one square mile Zone X
Future Conditions 1% Annual Chance Flood Hazard Zone X
Area with Reduced Flood Risk due to Levee. See Notes. Zone X
Area with Flood Risk due to Levee Zone D
OTHER FEATURES
Cross Sections with 1% Annual Chance Water Surface Elevation
Coastal Transect
Base Flood Elevation Line (BFE)
Limit of Study
Jurisdiction Boundary
Coastal Transect Baseline
Profile Baseline
Hydrographic Feature
GENERAL STRUCTURES
Channel, Culvert, or Storm Sewer
Levee, Dike, or Floodwall

STREET VIEWS

View East on NW 63rd St.	View West on NW 63rd St.
View North on Harvey Pl.	View South on Harvey Pl.

IMPROVEMENT ANALYSIS

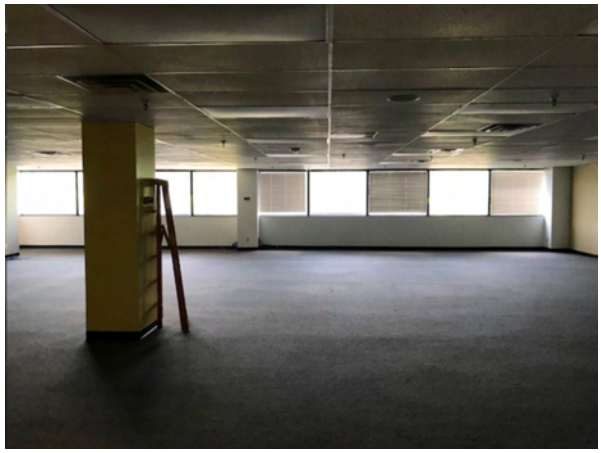
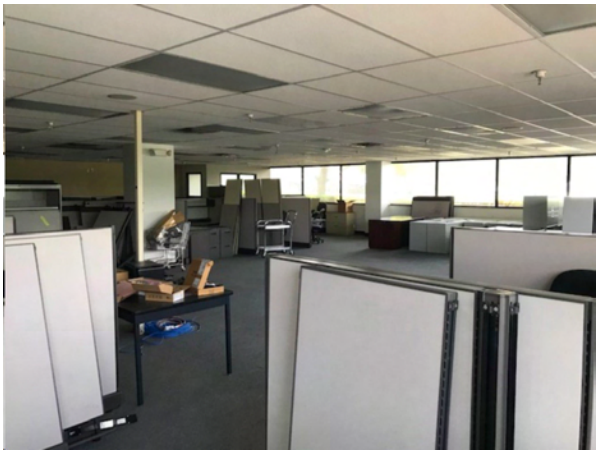
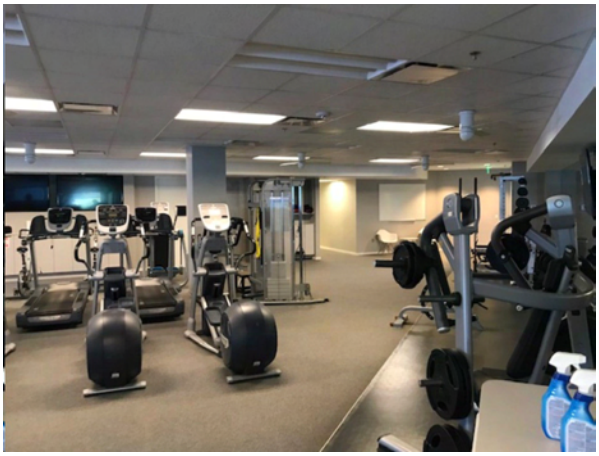
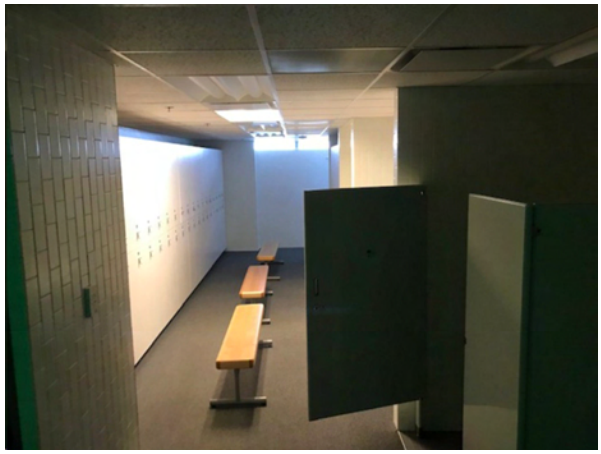
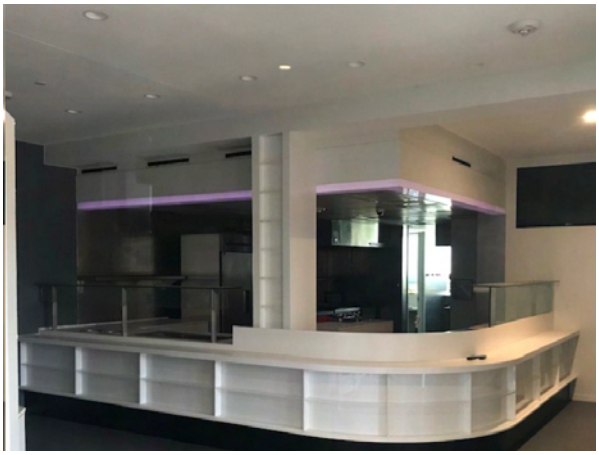
The subject improvement is a six-story multi-tenant office building located in the North Sub-Market of Oklahoma City. The building is described in greater detail in the following analysis:

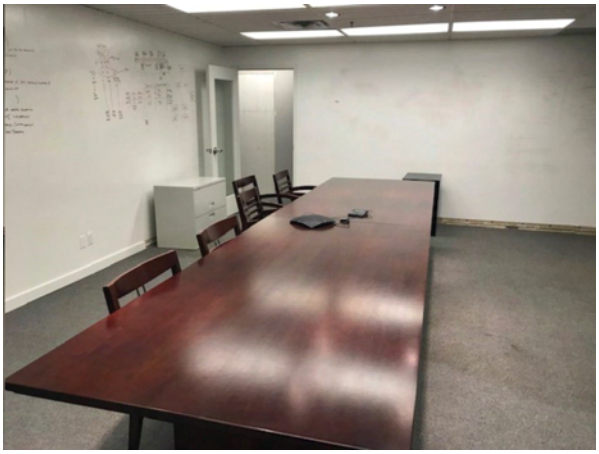
Address:	301 NW 63rd Street, Oklahoma City, Oklahoma
Building Area:	95,853 SF (gross)
B/L Ratio:	1:1.73
Year Built:	1983
Year Renovated:	2012
Foundation:	Concrete footings
Floors:	The basement floor is a poured in-place concrete slab on top of the footings. The 1st through 6th floors are assumed to be concrete over wood decking floors.
Floor Covering(s):	The floor coverings are primarily short pile commercial carpeting. Some areas have either ceramic tile or laminate flooring. The 5th floor has some hardwood flooring.
Exterior Walls:	Concrete with metal cladding
Interior Walls:	The interior walls of the spaces formerly leased by White Star Petroleum have a combination of textured and painted drywall as well as a specialized metallic wallboard that allows the use of magnets to attach maps, etc. This surface also allows the use of dry erase markers. Typical offices have textured and painted drywall.
Roof Structure:	The flat roof is assumed to have a metal frame with a metal covering.
Roof Covering(s):	The roof has a composition asphalt covering. The roof covering was reportedly replaced in 2012.
Ceilings:	2' x 2' & 2' x 4' acoustical tile in a suspended metal grid system. Ceiling height is 8-foot.
Basement:	The 20,300 SF basement has two overhead doors and has rentable parking spaces.
Lighting:	The lighting is primarily 2' x 4' flush mount fluorescent fixtures.

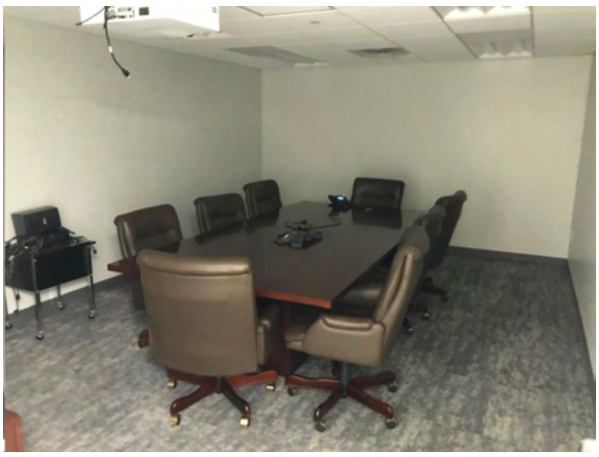
Windows:	Tinted plate glass
Doors:	The entry doors are tempered glass with aluminum hardware. The interior office doors are primarily stained or painted hardwood doors. The entry doors to the greater office areas are primarily glass panel doors.
Electrical Service:	The electrical service is assumed to be adequate for the needs of the building. There is a back up generator.
Heat/Air Conditioning:	The building has a boiler system as well as some individual heat pumps.
Plumbing:	Each floor has a men's/women's restroom as well as a single family/handicap restroom. At least two of the executive suites have full bathrooms. All have ceramic tile floors and walls. The first floor has a fitness center complete with men's/women's locker rooms, laundry, and tanning beds. Each floor also has two break areas with refrigerators and stainless steel sinks. The counter tops in the break areas appear to be Formica. The plumbing fixtures appear to be of above average quality. The building has a full sprinkler system.
Site Improvements:	Site improvements include a brick-paved outdoor common area, asphalt parking lot, and landscaping.
Deferred Maintenance:	None noted - The subject building is in very good condition for its age.
ADA Compliance:	ADA compliance is assumed.
Comments:	According to the property manager, about $7,500,000 has been invested on renovations since 2012. The renovations were either direct cash outlays or rent concessions with the tenant paying out of pocket for upgrades. The exterior parking lot has 238 standard parking spaces and 8 handicap spaces. The basement area has an additional 54 reserved parking spaces that are secured by two overhead doors. In addition to the parking, there are 10 rental storage lockers in the basement. The outdoor common area is adjacent to the ground level restaurant. The area has bordering shrubbery for privacy as well as tables with umbrellas for outdoor dining.

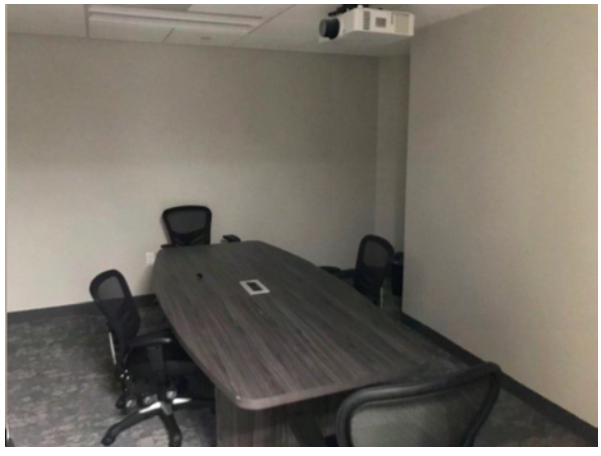
SUBJECT PHOTOS

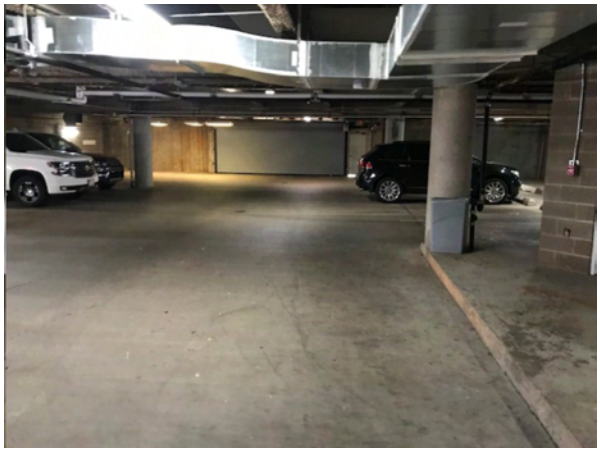
View From Southeast	View From Northwest
West Side	East Side
Southeast courtyard	Atrium

First Floor	
	
Proposed Conference Room Area	Open Office Area
	
Breakroom	Fitness Center
	
Locker Room	Deli

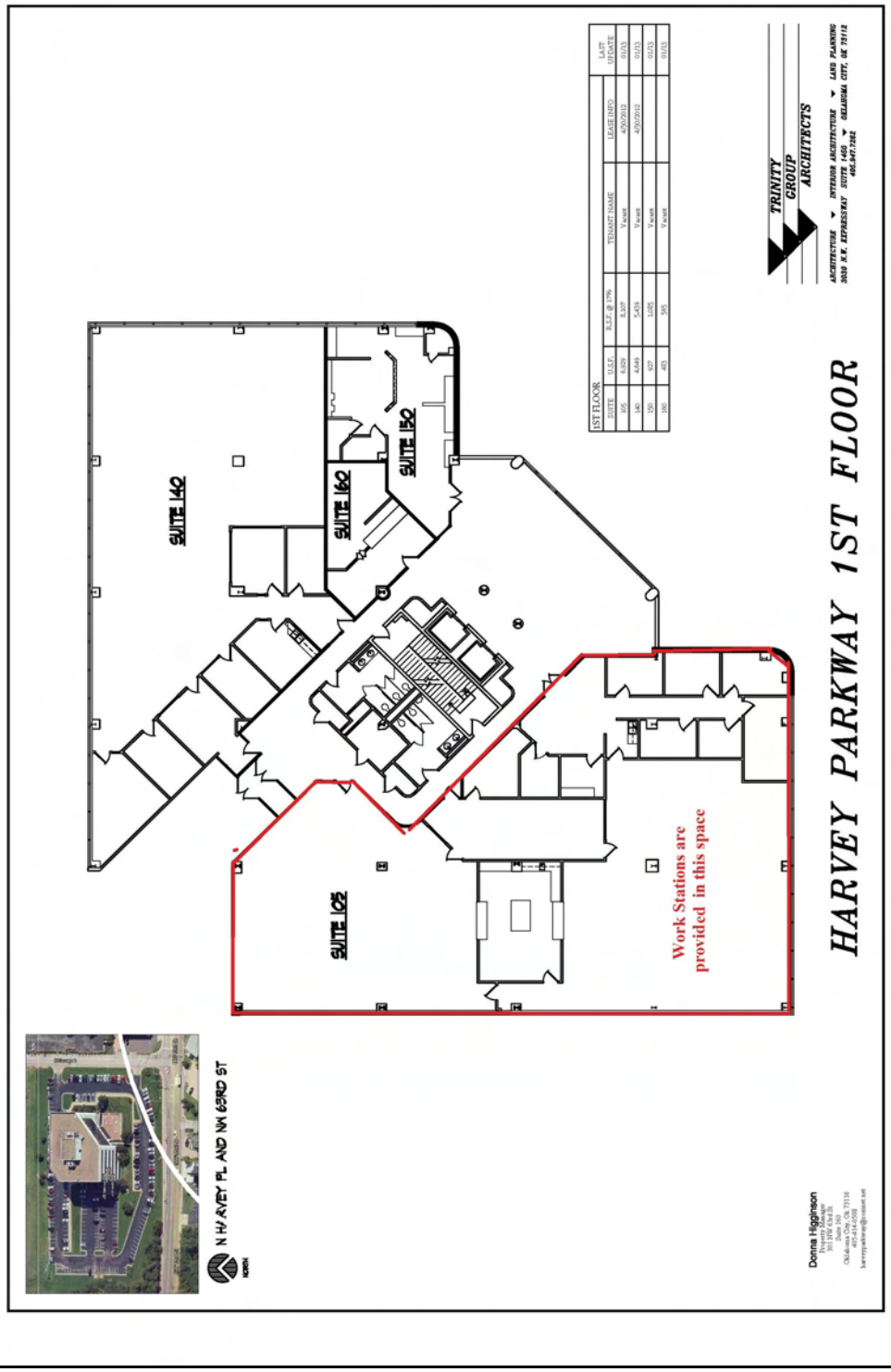
Commercial Kitchen	Walk-Ins
Sixth Floor	
Manager’s Office	Manager’s Office
	
Typical Office	Conference Room

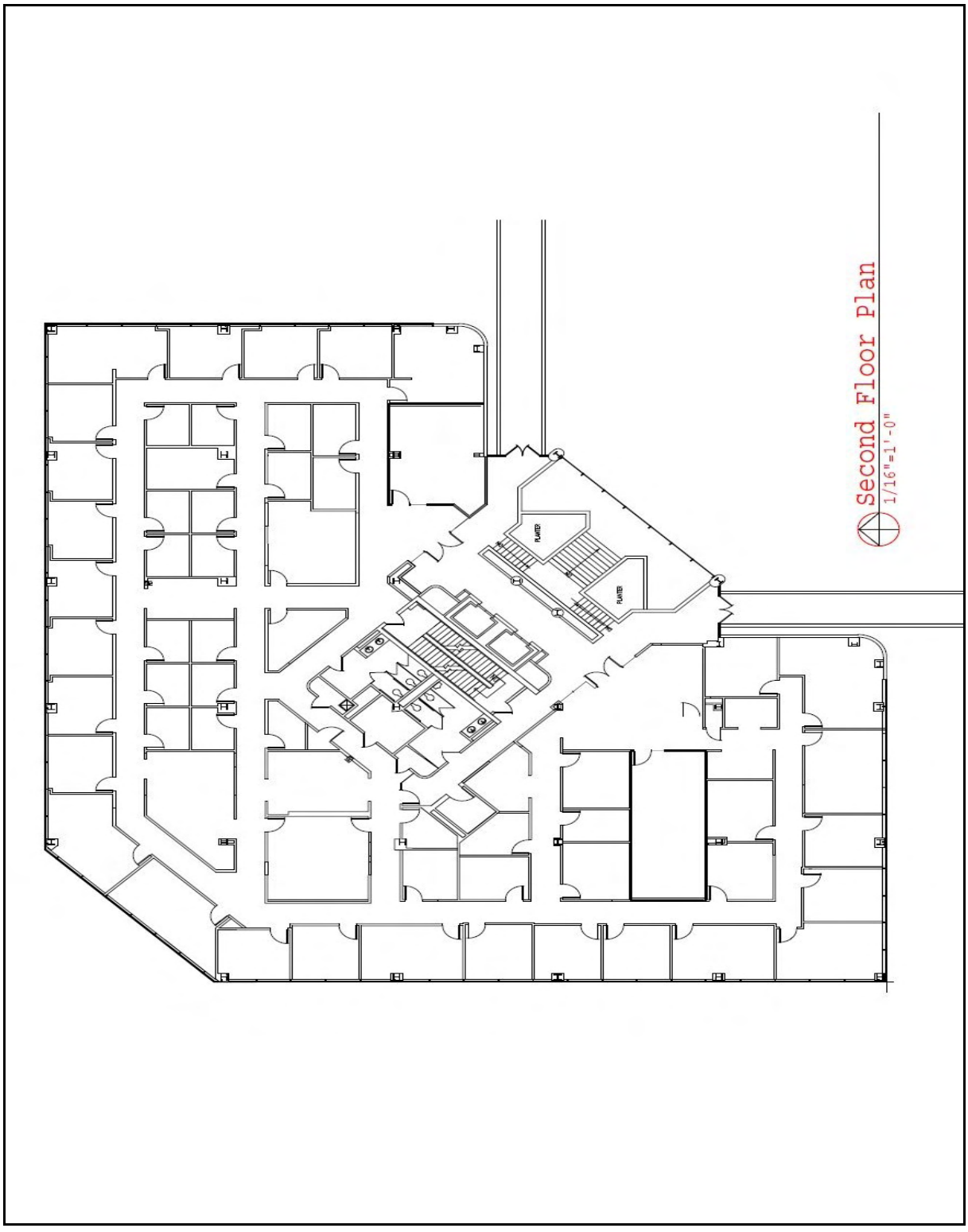
Kitchenette	Typical Restroom
Fifth Floor	
Reception	Waiting Area
	
Typical Office	Conference Room

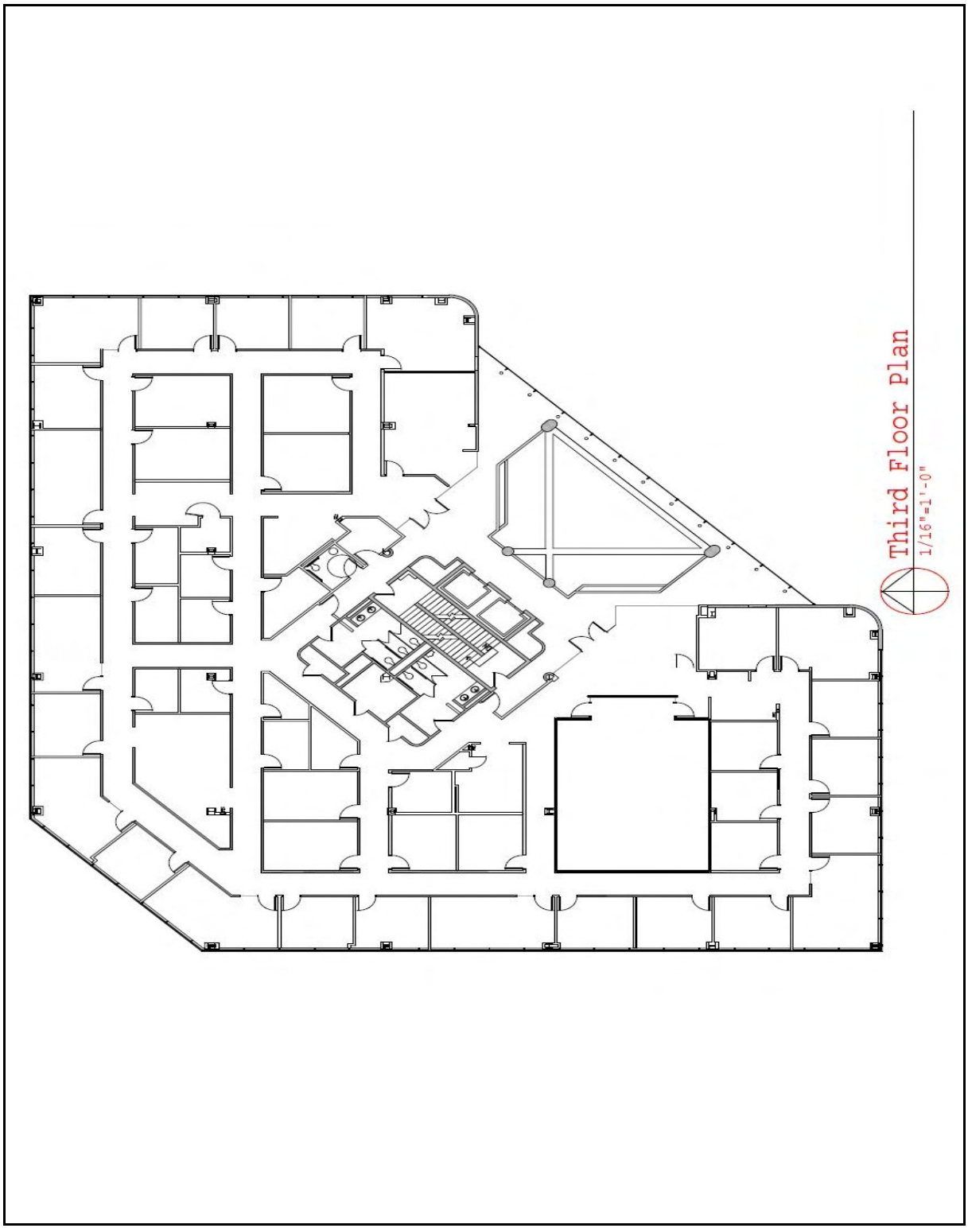
Typical Office	Cubicle Area
Second Floor	
Typical Office	Typical Office
	
Conference Room	Typical Office

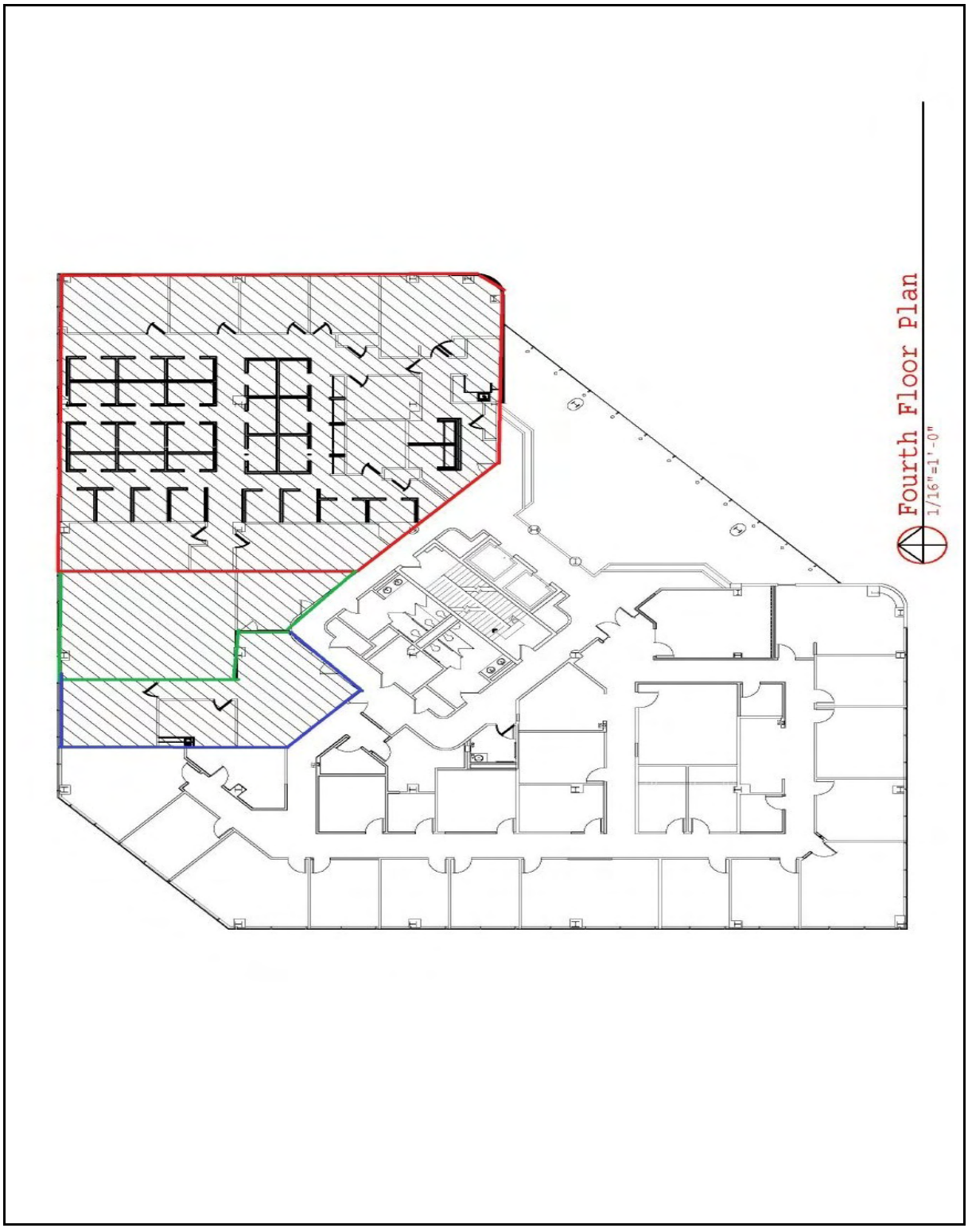
Records Storage	Kitchenette
	
Work Area	Basement Parking Toward West

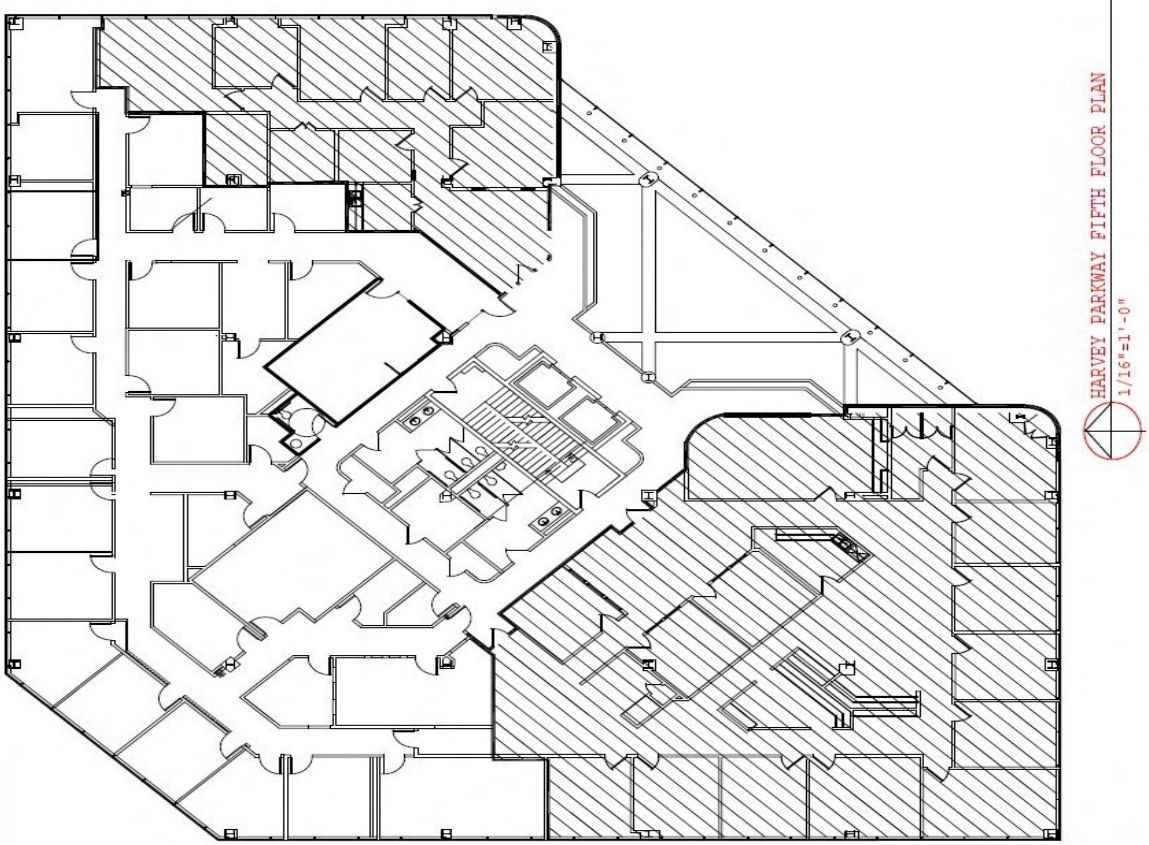
FLOOR PLANS

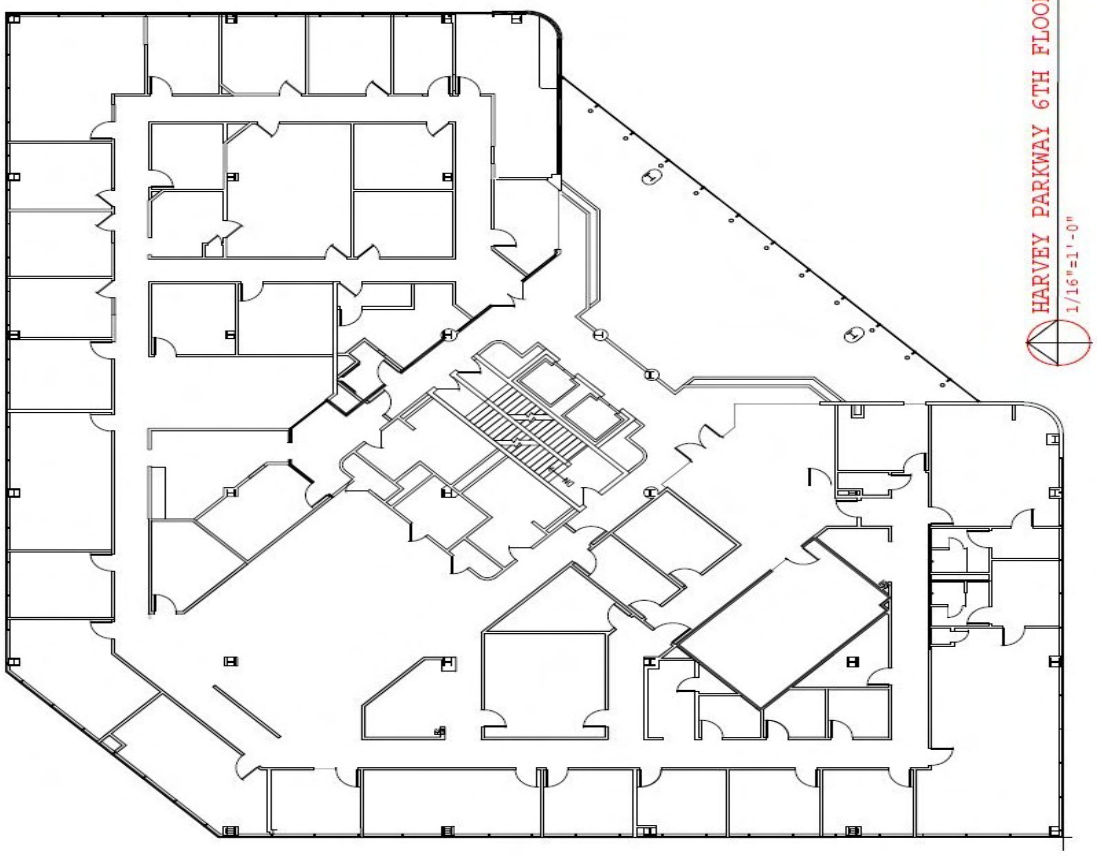

HARVEY PARKWAY 1ST FLOOR
TRINITY GROUP ARCHITECTS
1ST FLOOR
SUITE 140
SUITE 160
SUITE 150
SUITE 105
Work Stations are provided in this space
N HARVEY PL AND NW 63RD ST
Donna Higginson


Second Floor Plan
1/16"=1'-0"
PLANTER
PLANTER


Third Floor Plan
1/16"=1'-0"


Fourth Floor Plan
1/16"=1'-0"


HARVEY PARKWAY FIFTH FLOOR PLAN
1/16"=1'-0"


HARVEY PARKWAY 6TH FLOOR PLAN
1/16"=1'-0"

PART IV - ANALYSIS OF DATA AND CONCLUSIONS

HIGHEST AND BEST USE

"Highest and best use is a critical step in the development of a market value opinion. In highest and best use analysis, the appraiser considers the use of the land as though it were vacant and the use of the property as it is improved. To qualify as the highest and best use, a use must satisfy four criteria: it must be legally permissible, physically possible, financially feasible and maximally productive. The highest and best use is selected from various alternative uses. Market analysis provides the basis for an appraiser's conclusions about the highest and best use of a subject property, and the remainder of the valuation process follows from these conclusions." [1]

Highest and best use is further defined as:

1. "The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.

2. "The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) [2]

The four criteria of highest and best use include physically possible, legally permissible, financially feasible, and maximally productive. All four criteria were applied to the subject "as vacant" and "as improved."

As Vacant

Physically Possible: The subject is a 166,142 SF parcel of land located at the NW/C of NW 63rd Street and Harvey Place in Oklahoma City. The physical size of the tract would allow for most uses. According to the FIRM "Flood Insurance Rate Map" #40109C0170H, dated December 18, 2009, the tract is not within a flood prone area. All utilities are available to the site.

Legally Permissible: The subject property is located in the zoning classification "I-2," Moderate Industrial District. The uses allowed in this district include industrial and office use.

Financial Feasibility: The subject's immediate area is heavily developed with a variety of general office and medical office buildings. There are 33 mid-rise general office buildings located within the subject's primary market area. The vacancy rates for these

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[1] Understanding the Appraisal, Appraisal Institute, 2013.

[2] *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute), 2015, Page 109.

buildings range from 0.0% to 100% with an overall vacancy rate of 23.6%. The building exhibiting the 100% vacancy is a Chesapeake Energy Building that has been on the market for over a year. The prior year average vacancy for the submarket was 18.4% Given the subject's site location, it is reasonable to expect that it may be financially feasible to develop an office building on the subject site if it were vacant.

Maximally Productive: The physically possible and legally allowable utilizations of the subject property would support commercial development. Financial feasibility would indicate that until development takes place, the site could be purchased as a speculative investment property. The highest and best use of the subject property is believed to be for speculative investment awaiting future commercial/office development.

As Improved

The highest and best use of the subject property "as improved" will consider the previously discussed criteria.

Physically Possible: The 95,853 SF 6-story office building was constructed on the subject site in 1983 and is in very good condition for its age. It would be physically possible to continue using the property as an office building

Legally Permissible: The subject property is located in the zoning classification of "I-2" Moderate Industrial District. The subject use is a legally conforming use.

Financial Feasibility: Occupancy rates for the subject are rising. The financially feasible uses for this building would be for continued use as an office building since the value of the improvements exceeds the value of the underlying site.

Maximally Productive: The physically possible, legally allowable, and financially feasible utilizations of the subject property continue to support the existing 6-story office building containing 95,853 SF. The highest and best use of the subject property as improved is believed to be as improved with a 6-story office building.

Summary

The highest and best use for the subject property as vacant was a speculative hold for future commercial (office) development. The highest best use of the subject property as improved was concluded to be the current office use.

THE VALUATION PROCESS

"Although characteristics of properties differ widely, all appraisal problems can be solved through the systematic application of the valuation process. In the valuation process the problem is identified, the work necessary to solve the problem is planned and relevant data is collected, verified and analyzed to form an opinion of value.

The valuation process is accomplished by following specific steps, the number of which depends on the nature of the appraisal assignment and the data available to complete it. In all cases, however, the valuation process provides the model to be followed in performing market research and data analysis, in applying appraisal techniques and in integrating the results of these analytic activities into an opinion of value." [1]

APPROACHES TO VALUE

"Participants in the real estate market commonly think of value in three ways:

- The current cost of reproducing or replacing a building, minus an estimate for depreciation, plus the value of the land (and entrepreneurial incentive, if applicable)
- The value indicated by recent sales of comparable properties in the market
- The value that the property's net earning power will support

These different viewpoints form the basis of the three approaches that appraisers use to value property—the cost, sales comparison, and income capitalization approaches. One or more of these approaches may not be applicable to a given assignment or may be less significant because of the nature of the property, the appraisal problem or the data available. The approaches to value are applied within the context of the valuation process." [2]

Valuation is a problem solving process in which the various physical, economic, and sociological factors are analyzed in relation to the subject property. It is a logical procedure leading to a supportable conclusion of value. The three methods which are typically used in the valuation process of real estate are the Cost, Sales Comparison, and Income Capitalization Approaches.

Consideration was given to all three approaches to value. The Sales Comparison Approach and the Income Capitalization Approach were the approaches to value found to be appropriate. Due to the age of the subject improvements, the Cost Approach was not considered applicable.

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1 *Understanding the Appraisal*, Appraisal Institute, 2013.

2 *Understanding the Appraisal*, Appraisal Institute, 2013.

INCOME CAPITALIZATION APPROACH

"Income-producing real estate is typically purchased as an investment, and earning power is the critical element affecting property value from an investor's point of view. In the income capitalization approach, value is measured as the present value of the future benefits of property ownership." [1]

"There are two methods of income capitalization: direct capitalization and yield capitalization. In direct capitalization, the relationship between one year's income and value is reflected in either a capitalization rate or an income multiplier. In yield capitalization, the relationship between several years' stabilized income and a reversionary value at the end of a designated period is reflected in a yield rate. The most common application of yield capitalization is discounted cash flow analysis. Given the significant differences in how and when properties generate income, there are many variations in both direct and yield capitalization procedures ... The specific data that an appraiser investigates in the income capitalization approach might include the property's gross income expectancy [assuming either market rent or contract rent], the expected reduction in gross income caused by vacancy and collection loss, the anticipated annual operating expenses, the pattern and duration of the property's income stream and the anticipated reversionary value. After income and expenses are estimated, the income streams are capitalized by applying an appropriate rate or factor and converted into present value through discounting. In discounted cash flow analysis, the quantity, variability, timing and duration of a set of periodic incomes and the quantity and timing of the reversion are specified and discounted to a present value at a specified yield rate. The rates used for capitalization or discounting are derived from acceptable rates of return for similar properties." [2]

LEASE AND INCOME ANALYSIS

The Income Approach is based primarily on the principle of anticipation. It holds that value is created by the buyer's (and seller's) expectations of financial benefits accruing to the property owner. Due to the principle of substitution, there is a reasonable level of consistency in the behavior of typical real estate investors, in terms of the relationship between income and market value.

Therefore, a consistent mathematical relationship can usually be identified between the market value of commercial properties and the income streams they are capable of producing. Capitalization refers to one or more of several appraisal techniques in which that relationship is determined from an examination of market evidence and used to value the appraised property. The appraisers selected direct capitalization of a single year's stabilized net operating income as the most appropriate technique for estimating value by the income approach.

The subject of this appraisal is the Harvey Parkway Office Building located at 301 NW 63rd Street in Oklahoma City. The building was constructed in 1983 and has a gross building area of 95,853 SF± (per assessor) contained in six floors. There are an additional

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1 *Understanding the Appraisal,* Appraisal Institute, 2013

2 *The Appraisal of Real Estate*, 14th ed., (Chicago: Appraisal Institute), 2013, Page 46.

20,300 SF± of basement level parking and storage. The building is of reinforced concrete construction with a metal-clad exterior. The improvement is situated on a rectangular shaped site containing 166,142 SF±, according to assessor records. Site improvements include a brick-paved outdoor common area, asphalt parking lot, and landscaping.

To appraise the subject, the appraisers will determine the potential rental rate for the subject which will be applied against the total building area. This will be developed based upon market derived rent comparables of similar type properties. Then, a deduction for vacancy and collection loss and operating expenses will be made. The resulting net operating income will be capitalized to derive a value of the subject as if finished and occupied. To establish a reasonable rental rate, consideration was given to other sources.

Local “Class A/B” rent comparables consisting of five buildings were surveyed to derive local rental information. The local office building comparables writeups are as follows:

Rental Comparable No. 1

Name:	Paragon Building
Address:	5801 N. Broadway Extension, Oklahoma City
Leasable Area:	110,791 SF (NRA)
Year Built:	1982
Construction:	Masonry and glass panels veneer
Rent:	$19.50 per SF asking
Term:	3 to 5 years typical
Lease Type:	Full Service Gross
Occupancy:	81.4%
Tenant Finish Allowance:	New paint and carpet
Operating Expenses:	$7.00
Comments:	This property is a mid-rise, black masonry and reflective glass multi-tenant office building. This is a better quality Class “B” building. Tenant improvement allowance is new paint and carpet on a 5-year lease term.
Leasing Agent:	Nick Bentley, Wiggin Properties 405-842-0100

Rental Comparable No. 2

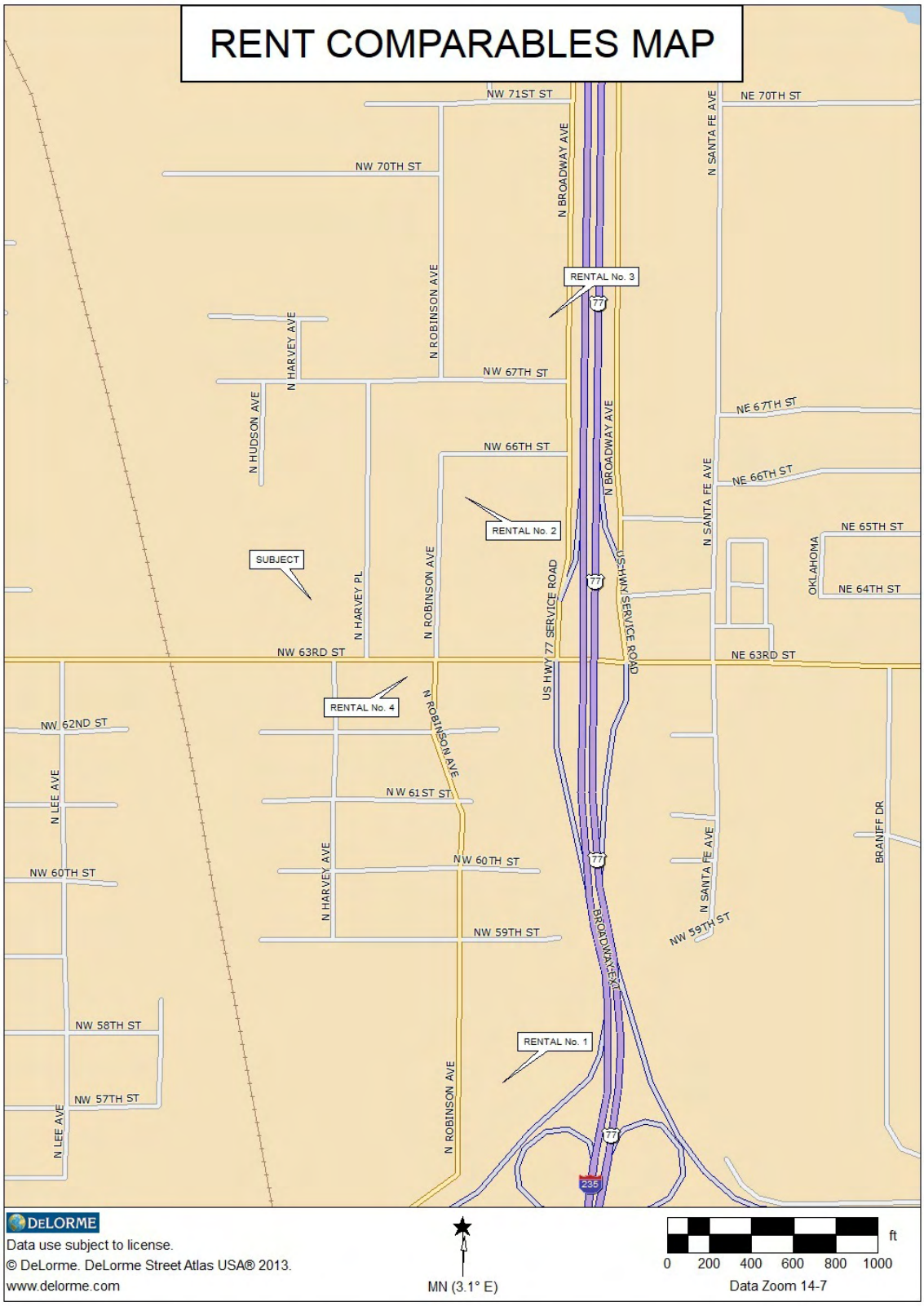
Name:	1, 2, & 3 Broadway Executive Park
Address:	201 & 205 NW 63rd St. & 6501 N. Broadway Ext., OKC
Building Area:	153,212 SF (Gross)
Leasable Area:	N/A
Year Built:	1978 - 1982
Construction:	Masonry and glass panels veneer
Rent:	$17.50 Per SF (2% annual increase)
Term:	3 to 5 years typical
Lease Type:	Full Service Gross
Occupancy:	87.8%
Tenant Finish Allowance:	$2.00 per SF/Yr
Operating Expenses:	N/A
Comments:	This property consists of three individual office buildings in the Broadway Executive Park which is located near NW 63rd and the Broadway Extension. The buildings are considered to be Class “B” office space.
Leasing Agent:	Nick Bentley, Wiggin Properties 405-842-0100

Rental Comparable No. 3

Name:	Pavilion Building
Address:	6701 N. Broadway Extension, Oklahoma City
Leasable Area:	39,895 SF (NRA)
Year Built:	1974
Construction:	Masonry and glass panels veneer
Rent:	$17.00 Per SF
Term:	2 to 5 years typical
Lease Type:	Full Service Gross
Occupancy:	94.4%
Tenant Finish Allowance:	As-Is
Operating Expenses:	N/A
Comments:	This property is located just east of the subject office building. The property has some covered parking on the basement level and canopy covered parking.
Leasing Agent:	Tre Dupuy, Price Edwards 405-239-1210

Rental Comparable No. 4

Name:	One Broadway Center
Address:	100 NW 63rd Street, Oklahoma City
Leasable Area:	34,984 SF (NRA)
Year Built:	1982
Construction:	Masonry and glass panels veneer
Rent:	$16.50 Per SF
Term:	3 to 5 years typical
Lease Type:	Full Service Gross
Occupancy:	100%
Tenant Finish Allowance:	$2.00 per SF/Yr.
Operating Expenses:	N/A
Comments:	This property is located at the southwest corner of NW 63rd and the Broadway Extension. This building has 5,034 SF of enclosed parking. According to building administrator, the building is 100% occupied. This building is owned and partially occupied by the Oklahoma Housing Finance Agency.
Leasing Agent:	Steve Hager, Building Administrator 405-419-8216


RENT COMPARABLES MAP
NW 71ST ST
NE 70TH ST
NW 70TH ST
N BROADWAY AVE
N SANTA FE AVE
RENTAL No. 3
N ROBINSON AVE
N HARVEY AVE
NW 67TH ST
N HUDSON AVE
NE 67TH ST
NW 66TH ST
N BROADWAY AVE
NE 66TH ST
N SANTA FE AVE
RENTAL No. 2
NE 65TH ST
SUBJECT
OKLAHOMA
N HARVEY PL
N ROBINSON AVE
US HWY 77 SERVICE ROAD
US-HWY 77 SERVICE ROAD
NE 64TH ST
NW 63RD ST
NE 63RD ST
RENTAL No. 4
N ROBINSON AVE
NW 62ND ST
N LEE AVE
NW 61ST ST
BRANIFF DR
NW 60TH ST
N HARVEY AVE
NW 60TH ST
N SANTA FE AVE
NW 59TH ST
BROADWAY EXT
NW 58TH ST
RENTAL No. 1
NW 57TH ST
N ROBINSON AVE
N LEE AVE
77
235
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SUMMARY OF RENT COMPARABLES					
Comp #	**NRA SF**	**Rent/SF**	**Occupancy**	**Type of Lease**	**Building Class**
1	110,791	$19.50	81.4%	FSG	B
2	153,212	$17.50	87.8%	FSG	B
3	39,895	$17.00	100.0%	FSG	A
4	34,984	$16.50	90.0%	FSG	B
Averages		**$17.63**	**89.8%**		

The lease comparables indicated an unadjusted rental rate range of $16.50 per SF to $19.50 per SF and an average of $17.63 per SF. The comparable properties are all "Class-A/B" spaces and their leased rates bracket the subject's average lease rate of $17.50 per SF. The current asking rental rate of $17.50 per SF. The last two leases were signed for $17.00 per SF. It is the appraisers' opinion that the current market rental rate for the subject is $17.00 per SF.

RENTAL ANALYSIS

The subject improvement is a six-story multi-tenant office building. The rent roll indicates that there are currently eight tenants occupying 74.8% of the building. Please note, the rentable area per the provided rent roll exceeds the gross area of the building by 1,832 SF. The previous building manager said the rentable areas for all spaces were taken from previous leases. According to the building manager, the rentable area does not include a common factor or vertical penetrations. Most, if not all of the rent comparables used in this analysis have common area factors. And, typically, vertical penetrations (elevator shafts, stairwell, HVAC chases) are not counted as rentable SF. While this does not affect the actual income being produced by the subject, the actual square footage being leased varies from the usable SF.

The rental terms for all tenants are illustrated in the following tables:

SUBJECT LEASE BRIEF	
Tenant	Contango Oil & Gas Company
Leased Space	16,545 SF (3RD Floor)
Type of Lease	Full Service Gross
Lease Term	25 Months
Commencement Date	December 1, 2019 - Renewal negotiations are in the works.
Annual Rent:	$231,644 or $14.00 per SF annually.

SUBJECT LEASE BRIEF	
Tenant	Arcadia Capital
Leased Space	9,075 SF (Suites 400 & 405)
Type of Lease	Full Service Gross
Lease Term	6 Years + 8 Months
Commencement Date	October 1, 2016
Annual Rent:	$158,813 or $17.50 per SF annually.

SUBJECT LEASE BRIEF	
Tenant	US Department of Commerce
Leased Space	1,182 SF (Suite 420)
Type of Lease	Full Service Gross
Lease Term	12 years - 7 years firm
Commencement Date	November 30, 2017
Annual Rent:	$22,990 or $19.45 per SF annually.

SUBJECT LEASE BRIEF	
Tenant	Comptroller of the Currency
Leased Space	5,642 SF (Suite 490)
Type of Lease	Full Service Gross
Lease Term	3 years
Commencement Date	January 1, 2017
Annual Rent:	$110,019 or $19.50 per SF annually.

SUBJECT LEASE BRIEF	
Tenant	Teachers Retirement
Leased Space	13,934 SF (500)
Type of Lease	Full Service Gross
Lease Term	7 Months
Commencement Date	December 1, 2020
Annual Rent:	$243,845 or $17.50 per SF annually.

SUBJECT LEASE BRIEF	
Tenant	Stump & Associates
Leased Space	8,150 SF (250)
Type of Lease	Full Service Gross
Lease Term	60 Months
Commencement Date	May 1, 2021
Annual Rent:	$138,550 or $17.00 per SF annually.

SUBJECT LEASE BRIEF	
Tenant	Intensity Midstream, LLC - Woodford Enterprises
Leased Space	8,449 SF (Suite 200)
Type of Lease	Full Service Gross
Lease Term	2 years
Commencement Date	January 1, 2020
Annual Rent:	$138,550 or $17.00 per SF annually.

Suite 650 with 6,100 SF will be occupied as of August 1, 2021. The rental rate will be $17.00 per SF.

SUBJECT LEASE BRIEF	
Tenant	N/A
Leased Space	6,100 SF (Suite 650)
Type of Lease	Full Service Gross
Lease Term	N/A
Commencement Date	August 1, 2021
Annual Rent:	$103,700 or $17.00 per SF annually.

It should be noted that Suite 150 was formerly occupied by a restaurant and according to the rent roll, contains 1,000 SF. It is considered part of the common area and no rent was collected.

The following tables show the rental rates using the estimate of each tenant's square footage. Please note, the provided rent roll had some discrepancies in comparison to the leases in regards to the sizes of the space leased. The rent roll has been updated to reflect

the leased SF per the signed leases. The information is dated June 1, 2021 and does not include the space that will be occupied as of August 1, 2021.

Rent Roll

Property: 04177 From Date: 06/01/2021 By Property

Property	Unit(s)	Lease	Lease Type	Area	Lease From	Lease To	Term	Monthly Rent	Monthly Rent Per Area	Annual Rent
04177 - Harvey Parkway,Oklahoma City										
Current Leases										
04177		CAM	Office	0.00	01/01/2018		0	0.00	0.00	0.00
04177		Marcus Verner	Office	0.00	06/01/2018		0	0.00	0.00	0.00
04177	105	Conference Room	Office	1,603.00	01/01/2021		0	0.00	0.00	0.00
04177	140	Gym	Office	5,439.00	01/01/2021		0	0.00	0.00	0.00
04177	200	Intensity Midstream LLC-Woodford Enterprises	Office	8,449.00	01/01/2020	12/31/2022	36	12,321.46	1.46	147,857.52
04177	250	Stump & Associates	Office	8,150.00	05/01/2021	04/30/2026	60	11,545.83	1.42	138,549.96
04177	300	Contango Oil & Gas Company	Office	16,546.00	12/01/2019	01/31/2022	26	19,303.67	1.17	231,644.04
04177	400	Arcadia Capital	Office	9,075.00	10/01/2016	06/30/2023	81	13,234.38	1.46	158,812.56
04177	410	Management Office	Office	461.00	01/03/2018		0	0.00	0.00	0.00
04177	420	Department of Commerce	Office	1,182.00	12/01/2017	11/30/2029	144	1,915.82	1.62	22,989.84
04177	490	United States of America Comptroller	Office	5,642.00	01/01/2017	12/31/2024	96	9,168.25	1.62	110,019.00
04177	500	Teachers Retirement System	Office	13,934.00	12/01/2020	06/30/2021	7	20,320.41	1.46	243,844.92
04177	510	Balance of TRS	Office	2,573.00	01/01/2021		0	0.00	0.00	0.00
04177	120	VACANT		7,151.00			0	0.00	0.00	0.00
04177	150	VACANT		1,000.00			0	0.00	0.00	0.00
04177	600	VACANT		8,240.00			0	0.00	0.00	0.00
04177	650	VACANT		8,240.00			0	0.00	0.00	0.00
Total Current				**97,685.00**				**87,809.82**	**0.90**	**1,053,717.84**

	Total Units	Total Area	Percentage	Monthly Rent	Annual Rent
Occupied	11	73,054.00	74.78	87,809.82	1,053,717.84
Vacant	4	24,631.00	25.21	0.00	0.00
Total	**15**	**97,685.00**		**87,809.82**	**1,053,717.84**

A new tenant will be occupying suite 650 with 6,100 SF at a rate of $17.00 per SF. The new tenant will generate $95,058 over the next fiscal year (11 out of the next 12 months.) The total scheduled rent for the next year is $1,148,776.

Other Income

The majority of the other income is from the leasing of reserved parking spaces and basement level storage lockers. According to building management, there are a total of 54 parking spaces, and 10 storage lockers. The parking spaces have a lease rate of $55.00 per month. The storage lockers rent for $100 per month. The fitness center is currently generating $440 per month, and according to the property manager, is expected to rise.

The monthly other income is estimated to be $2,000. This would correlate to $24,000 annually.

Potential Gross Income

Potential gross income is composed of all income available to the subject property. The sources of income include scheduled income from existing tenants, market rents for the vacant space, and other income. The scheduled income includes the tenant moving in August 1, 2021. Since there will be one month the unit is vacant, an adjustment will be made and it will be considered rent loss. The following table depicts the Potential Gross Income:

Scheduled Income	$1,148,776
Vacant Space (18,531 SF @ $17.00/SF)	$315,027
Other Income	$24,000
Rent Loss Suite 650 for One Month	($8,642)
Potential Gross Income	$1,479,161

VACANCY AND COLLECTION LOSS

In determining an appropriate vacancy rate for the subject, consideration was given to the vacancy rates during our rent survey. The lease comparables contained in this report exhibited vacancies ranging from 5.6% to 18.6%. According to the Price Edwards & Company Year-End 2020 Office Building Survey, the average vacancy rate for B Class office buildings in the North Sub-market was 22.2%.

As of August 1, 2021 the building will have an occupancy of 81.0%. According to the property manager, there has been some interest in the building by potential tenants. It is our opinion a vacancy and collection loss of 20.0% would be appropriate for the subject property.

Potential Gross Income	$1,479,161
Vacancy and Collection Loss (20%)	($295,832)
Effective Gross Income	$1,183,329

EXPENSE ANALYSIS

In the income capitalization approach, a comprehensive analysis of the annual expenses of property operation is essential whether the value indication is derived from estimated net operating income or equity income. Operating expenses are the periodic expenditures necessary to maintain the real property and continue the production of revenue. Operating expenses comprise the three following categories:

1. **Fixed Expenses** are operating expenses that generally do not vary with occupancy and have to be paid whether the property is occupied or vacant.

2. **Variable Expenses** are operating expenses for utilities, maintenance, janitorial, and other services that generally vary with the level of occupancy or the extent of services provided, though most variable expenses have some minimal fixed component regardless of occupancy.

3. **Replacement Allowance** provides for the periodic replacement of building components that wear out more rapidly than the building itself and must be replaced periodically during the building's useful life (i.e., capital items). [1]

Market leases include the landlord being responsible for all wages and salaries of employees, i.e. on-site personnel, all supplies and materials used in the operation and maintenance of the building, costs of all utilities for the building including water and power, heating, lighting, air conditioning, and ventilation, cost of all maintenance and service agreements including but not limited to the alarm service, window cleaning, and elevator maintenance, costs of all insurance relating to the building, including but not limited to the cost of casualty and liability insurance applicable to the building, and the lessor's personal property used in connection therewith, all taxes and assessments and government charges excluding special assessments for capital improvements such as streets, sidewalks, and sewers, costs of repairs and general maintenance, amortization of the cost of installation of capital investment items which are primarily for the purpose of reducing operating costs or which may be required by governmental authority, all landscaping maintenance costs, any lease payments made by the lessor for equipment used in the operation maintenance of the building, outside accounting costs applicable to the building, and management fee.

The operating expenses are the periodic expenditures necessary to maintain the real property and continue production of the effective gross income, assuming prudent and competent management. For a full service lease agreement, the landlord is typically responsible for all operating expenses which are based upon set amounts at the signing of the lease. This amount is typically based upon the current operating expenses on a per square foot basis. Common area charges (CAM) are typically established in the base year of the lease. Should the operating expenses exceed the base year, CAM charges can be collected.

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[1] *The Appraisal of Real Estate*, 14th ed., (Chicago: Appraisal Institute), 2013, Pages 453-454.

When requesting operating cost information for the comparables, attempts were made to obtain a breakdown of the expense data by category (i.e. utilities, taxes, insurance, etc.). However, the brokers and representatives interviewed would only disclose the operating expense information as a total amount per square foot.

The appraisers obtained on a confidential basis the actual operating expenses for 2014-2019 for seven class “A and B” office buildings located in the Oklahoma City metropolitan area. A summary of these seven expense comparables follows:

	Expense Comparables		
	Bldg. SF	**Year Built**	**Expenses/ SF**
	73,713	2000	$6.50
	336,300	1986 & 1988	$7.50
	41,451	2008	$5.70
	49,417	2008	$5.50
	141,792	2001	$7.25
	40,988	2003	$6.50
	61,113	2000	$7.00
Average	106,396	2001	$6.56

The average operating expense per SF for the seven expense comparables is $6.56 per SF. The subject’s YTD 2021 expenses were $302,723, or $363,268 annualized. The appraisers have estimated $3.72 per SF for the operating expenses. It should be noted that operating expenses are inclusive of management fees, insurance, and repairs. The appraisers estimate a reserve for repairs amount of $0.20 per SF or $19,573 to be reasonable. Please note, as a state agency, the ownership is exempt from ad valorem taxes. Based on our last appraised value, the ad valorem taxes would amount to $95,621 or about $0.98 per SF. For the purposes of a market value analysis, the ad valorem taxes will be added to the expenses.

Stabilized Operating Statement Harvey Parkway Building			
Potential Gross Income			$1,479,161
Vacancy & Credit Loss	-20.0%		($295,832)
Effective Gross Income			$1,183,329
Expenses:			
Operating Expenses		$363,268	
Ad Valorem Taxes (Estimated)		$95,058	
Reserves for Replacements 97,685 SF @ $0.20 Per SF		$19,537	
		$477,863	($477,863)
Net Operating Income (NOI)			**$705,466**

CAPITALIZATION PROCESS

There are several methods of income capitalization. One of the most desirable is market abstracted overall capitalization. The appraisers were able to identify seven transactions of multi-tenant office buildings, occurring between 2014 and 2018, in which an Overall Capitalization Rate could be determined. The OAR for the six sales range from 7.20% to 10.20% and indicate an average overall rate of 8.49%.

The following table provides a summary of recent office building sales in the Oklahoma City metropolitan area for which overall capitalization rates could be confirmed.

Sale Date	Year Built	GBA SF	Sales Price	Price Per SF	Cap Rate
3/1/16	1982	55,808	$6,150,000	$110.20	8.64%
12/22/15	1983	101,217	$12,300,000	$121.52	7.40%
6/25/15	1998	37,400	$4,500,000	$120.32	10.20%
3/17/15	1980	60,463	$2,000,000	$33.08	7.20%
9/11/17	1974	77,037	$4,275,000	$55.49	9.20%
6/29/18*	1983	95,853	$13,700,000	$142.93	7.70%
7/17/14	1981	95,271	$10,450,000	$109.69	9.07%
Averages	**1983**	**74,721**	**$7,625,000**	**$99.03**	**8.49%**

**Subject*

The PWC (formerly Korpacz) Real Estate Investor Survey, on a quarterly basis, surveys market activity of "investment" grade properties in different major metropolitan areas of the U.S. The following is from the suburban office buildings investment survey.

PwC Real Estate Investor Survey - First Quarter 2021

While the outlook for property value change has improved among investors over the last three months, many of them still anticipate value declines as this sector battles an over supply of space and murky tenant demand.

The 1st Quarter 2021 National Suburban Office Buildings Market, published by Pricewaterhouse Coopers LLP, provided the following data relating to capitalization and discount rates:

NATIONAL SUBURBAN OFFICE MARKET
First Quarter 2021

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	5.50% – 9.00%	6.00% – 9.00%	6.00% – 10.00%	6.00% – 12.00%	5.75% – 10.00%
Average	7.30%	7.45%	7.54%	8.32%	7.52%
Change (Basis Points)		– 15	– 24	– 102	– 22
OVERALL CAP RATE (OAR)[a]					
Range	4.00% – 7.50%	4.00% – 7.50%	4.30% – 9.00%	4.35% – 10.00%	4.50% – 9.50%
Average	6.02%	6.00%	6.36%	6.61%	6.38%
Change (Basis Points)		+ 2	– 34	– 59	– 36
RESIDUAL CAP RATE					
Range	5.00% – 8.00%	5.25% – 8.00%	5.25% – 9.00%	6.00% – 11.50%	5.50% – 10.25%
Average	6.53%	6.68%	6.98%	7.59%	7.23%
Change (Basis Points)		– 15	– 45	– 106	– 70
MARKET RENT CHANGE[b]					
Range	0.00% – 3.00%	0.00% – 3.00%	0.00% – 5.00%	0.00% – 5.00%	0.00% – 5.00%
Average	0.70%	0.80%	2.00%	1.86%	2.75%
Change (Basis Points)		– 10	– 130	– 116	– 205
EXPENSE CHANGE[b]					
Range	0.00% – 3.00%	0.00% – 3.00%	0.00% – 3.00%	0.00% – 4.00%	2.00% – 4.00%
Average	2.08%	2.08%	2.21%	2.68%	2.91%
Change (Basis Points)		0	– 13	– 60	– 83
MARKETING TIME[c]					
Range	1 – 15	1 – 15	1 – 12	1 – 12	3 – 12
Average	7.3	7.3	5.8	6.5	6.3
Change (▼, ▲, =)		=	▲	▲	▲

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months

The current range of overall capitalization rates is 4.00% to 7.50% for the national suburban office building market and a 34 basis point decline over the previous year. Last year our appraisal of the subject property determined that a 7.5% capitalization rate was appropriate. The vacancy rate has been reduced from last year. The appraisers have estimated a 7.00% cap rate to be reasonable for this analysis.

Overall Rate (R_o) – 7.00%

For the purpose of this appraisal, an overall rate of 7.00% was utilized. Direct Capitalization converts an estimate of a single year's net operating income (NOI) expectancy into an indication of value in one direct step by dividing the income estimate by an appropriate overall rate, which is presented in the following, providing value indications for the subject property:

NOI	/	R_o	=	Value
$705,466	/	7.00%	=	$10,078,086

The preceding value is predicated on the subject building being at market occupancy. As of August 1, 2021 the subject will be at a 19% vacancy. According to the Price Edwards & Company Year-End 2020 Office Building Survey, the average vacancy rate for B Class office buildings in the North Sub-market was 22.2%. A rent loss calculation will not be necessary.

Indicated Value by the Income Capitalization Approach
$10,080,000 (Rounded)

SALES COMPARISON APPROACH

"The sales comparison approach is most useful when a number of similar properties have recently been sold or are currently for sale in the subject property's market. Using this approach, an appraiser develops a value indication by comparing the subject property with similar properties, called comparable sales. The sale prices of the properties that are judged to be most comparable tend to indicate a range in which the value indication for the subject property will fall.

The appraiser estimates the degree of similarity or difference between the subject property and the comparable sales by considering various elements of comparison:

- Real property rights conveyed
- Financing terms
- Conditions of sale
- Expenditures made immediately after purchase
- Market conditions
- Location
- Physical characteristics
- Economic characteristics
- Use/zoning
- Non-realty components of value

Dollar or percentage adjustments are then applied to the known sale price of each comparable property to derive an indicated value for the subject property. Qualitative analysis techniques may also be applied for elements of comparison for which quantitative adjustments cannot be developed. Through this comparative procedure, the appraiser renders an opinion of the value that was defined in the problem identification as of a specific date.

The sales comparison approach can provide an indication of value for fee simple, leased fee, or leasehold interests, depending on what real property rights are represented in the sales of comparable properties.

Income multipliers and capitalization rates may also be extracted through analysis of comparable sales, though these factors are not regarded as elements of comparison in the sales comparison approach. Instead, they should be applied in the income capitalization approach." [1]

Introduction to Sales Comparison Approach

The subject of this appraisal is the Harvey Parkway Office Building located at 301 NW 63RD Street in Oklahoma City. The building was constructed in 1983 and, according to the provided rent roll, has a net rentable area of 97,685 SF± contained in six floors. There are an additional 20,300 SF± of basement level parking and storage. The building is of reinforced concrete construction with a metal-clad exterior. The improvement is situated on a rectangular shaped site containing 166,142 SF±, according to assessor records. Site improvements include a brick-paved outdoor common area, asphalt parking lot, and landscaping.

[1] *The Appraisal of Real Estate*, 14th ed., (Chicago: Appraisal Institute), 2013, Pages 45-46.

The Sales Comparison Approach is based on the principle of substitution which states that a prudent purchaser would pay no more for a property than the cost of acquiring an equally desirable substitute on the open market. The Sales Comparison Approach, therefore, arrives at a Market Value estimate predicated upon prices paid in actual market transactions of similar properties.

Through analysis of market transactions and trends evidenced from historical data, a range of value indications applicable to the subject property can be developed. The following sales involve properties similar to the appraised property that are indicative of current market conditions. They were selected as those believed most similar to the appraised property and reflective of a reasonable value estimate. The sales are detailed in the following writeups:

Improved Sale No. 1

ADDRESS: 3201 Quail Springs Parkway, Oklahoma City, OK

SELLER: 7th Street, Inc.

BUYER: Quail Commercial Owner, LLC

TYPE OF INSTRUMENT: SWD

DATED: December 17, 2020

CONSIDERATION: $18,575,000

BOOK, PAGE: 14600/1808

INTEREST CONVEYED: Leased Fee Interest

TYPE OF MORTGAGE: Woodforest National Bank, $12,073,750., 12/30/2025

SITE:

- **Size (SF):** 493,970
- **Frontage:** 518' on the west side of Hertz Quail Spgs. Pkwy. and 773' on the north side of Quail Spgs. Pkwy.

IMPROVEMENTS:

- **Size (Gross-SF):** 131,262
- **Construction Type:** Masonry
- **Year Built:** 1998
- **Condition:** Good
- **Building-to-Land Ratio:** 1 to 3.76

COMMENTS: This building was renovated in 2012. The building has two tenants: DCP Midstream and an AT&T call center. SF of basement storage. This two-story building is equipped with two elevators.

ANALYSIS OF SALE: $18,575,000 / 131,262 SF = $141.51 Per SF

Improved Sale No. 2

ADDRESS: 14501 Hertz Quail Springs Parkway, Oklahoma City, OK

SELLER: Hertz Corporation

BUYER: Costco Wholesale Corporation

TYPE OF INSTRUMENT: SWD

DATED: May 21, 2020

CONSIDERATION: $25,443,000

BOOK, PAGE: 14353/925

INTEREST CONVEYED: Fee Simple

TYPE OF MORTGAGE: None noted

SITE:

- **Size (SF):** 999,756
- **Frontage:** The property has frontage along the west side of Quail Springs Parkway and the south side of NW 150TH St.

IMPROVEMENTS:

- **Size (Gross-SF):** 224,730
- **Construction Type:** Fireproof steel
- **Year Built:** 2001

Condition:	Good
Building-to-Land Ratio:	1 to 4.45
COMMENTS:	This is a former Hertz corporate office. The Class-B property was purchased by Costco for owner-occupancy. The building will be put into use as a call center. This sale included about 7 acres of land that was considered to be excess land.
ANALYSIS OF SALE:	$25,443,000 / 224,730 SF = $113.22 Per SF

Improved Sale No. 3

ADDRESS: 777 NW 63RD St., Oklahoma City, OK

SELLER: Seventy Seven Land Company, LLC

BUYER: Big Cottonwood Partners, LLC (Et al.)

TYPE OF INSTRUMENT: SWD

DATED: November 19, 2019

CONSIDERATION: $10,150,000

BOOK, PAGE: 14193/1788

INTEREST CONVEYED: Leased Fee

TYPE OF MORTGAGE: $8,800,000 mortgage with Arvest Bank, nine year loan term.

SITE:

- **Size (SF):** 132,783
- **Frontage:** North side of NW 63RD Street - East side of Shartel Ave.

IMPROVEMENTS:

- **Size (Gross-SF):** 70,386
- **Construction Type:** Reinforced concrete
- **Year Built:** 1982

Condition: Good

Building-to-Land Ratio: 1 to 1.89

COMMENTS: This multi-tenant Class-B office building appears to have been fully leased at the time of sale. The building was extensively renovated in 2014.

ANALYSIS OF SALE: $10,150,000 / 70,386 SF = $144.20 Per SF

Improved Sale No. 4

ADDRESS: 3030 NW Expressway, Oklahoma City, OK

SELLER: Union Plaza, LLC

BUYER: RCS OK Plaza (GBR), LLC

TYPE OF INSTRUMENT: SWD

DATED: October 2, 2019

CONSIDERATION: $21,850,000

BOOK, PAGE: 14149/536

INTEREST CONVEYED: Leased Fee

TYPE OF MORTGAGE: $21,144,388 1st mortgage with BBVA USA. Terms not disclosed.

SITE:

- **Size (SF):** 245,776
- **Frontage:** South side of NW Expressway

IMPROVEMENTS:

- **Size (Gross-SF):** 248,986
- **Construction Type:** Fireproof steel

Year Built:	1983
Condition:	Good
Building-to-Land Ratio:	1 to 0.99
COMMENTS:	This Class-A office building was reportedly 62% occupied at the time of sale. The buyer is an experienced Colorado investment group that plans to invest in common area upgrades to make the property more competitive. The asking rental rate was reported to be $21.00/SF FSG.
ANALYSIS OF SALE:	$21,850,000 / 248,986 SF = $87.76 Per SF

Improved Sale No. 5 (Subject)

ADDRESS: 301 NW 63rd Street, Oklahoma City, OK

SELLER: North Robinson Investments, LLC

BUYER: Board of Trustees of the Teachers' Retirement System of Oklahoma

DATED: June 29, 2018

TYPE OF INSTRUMENT: SWD

CONSIDERATION: $13,700,000

BOOK, PAGE: 13776/878

INTEREST CONVEYED: Leased Fee

TYPE OF MORTGAGE: None noted

SITE:

- **Size (SF):** 166,142
- **Frontage:** 460' along the north side of NW 63rd Street and 411' along the west side of Harvey Place

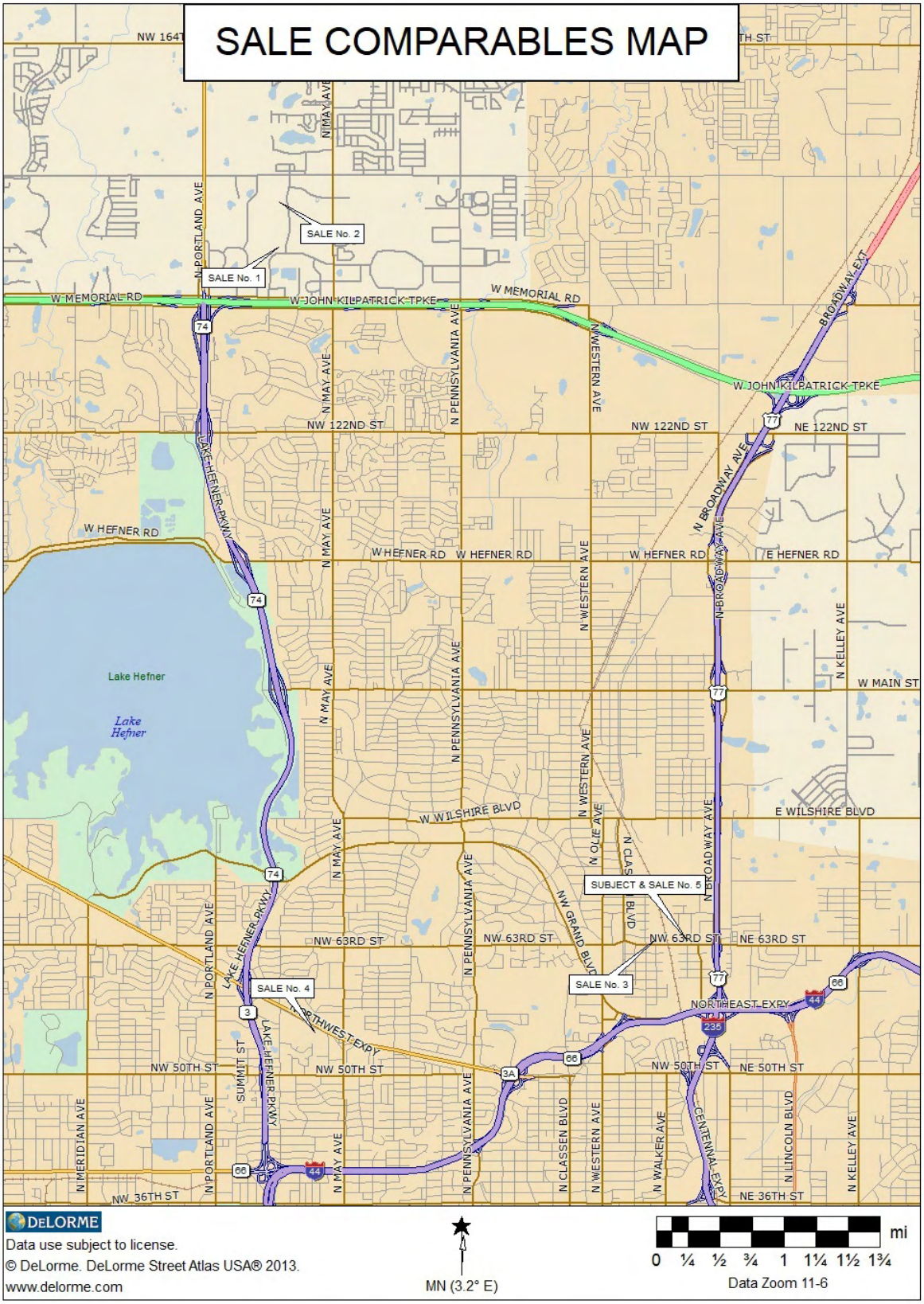
IMPROVEMENTS:

- **Size (Gross-SF):** 95,853
- **Construction Type:** Masonry, metal cladding and glass
- **Year Built:** 1983 - Renovated in 2012
- **Condition:** Very good

Building-to-Land Ratio: 1 to 1.73

COMMENTS: According to the property manager, about $7,500,000 has been invested on renovations since 2012. The renovations were either direct cash outlays or rent concessions with the tenant paying out of pocket for upgrades. The exterior parking lot has 238 standard parking spaces and 8 handicap spaces. The basement area has an additional 54 reserved parking spaces that are secured by two overhead doors. In addition to the parking, there are 10 rental storage lockers in the basement. The first floor has a workout room complete with men's/women's locker rooms, laundry, and tanning beds. This property had an average rent of $18.17 per SF. This sale was verified with the buyer and buyers broker.

ANALYSIS OF SALE: $13,700,000 / 95,853 SF = $142.93 Per SF


SALE COMPARABLES MAP
SALE No. 1
SALE No. 2
SALE No. 3
SALE No. 4
SUBJECT & SALE No. 5
W MEMORIAL RD
W JOHN KILPATRICK TPKE
N PORTLAND AVE
N MAY AVE
N PENNSYLVANIA AVE
N WESTERN AVE
N BROADWAY AVE
BROADWAY EXT
NW 122ND ST
NE 122ND ST
LAKE HEFNER PKWY
W HEFNER RD
E HEFNER RD
Lake Hefner
N KELLEY AVE
W MAIN ST
W WILSHIRE BLVD
E WILSHIRE BLVD
N OLIE AVE
NW GRAND BLVD
NW 63RD ST
NE 63RD ST
NORTHEAST EXPY
NORTHWEST EXPY
NW 50TH ST
NE 50TH ST
SUMMIT ST
N MERIDIAN AVE
N CLASSEN BLVD
N WALKER AVE
CENTENNIAL EXPY
N LINCOLN BLVD
NW 36TH ST
NE 36TH ST
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ADJUSTMENT OF SALES AND INDICATION OF VALUE

The subject of this appraisal is the Harvey Parkway Office Building located at 301 NW 63RD Street in Oklahoma City. The building was constructed in 1983 and has a gross building area of 95,853 SF± (per assessor) contained in six floors. There are an additional 20,300 SF± of basement level parking and storage. The building is of reinforced concrete construction with a metal-clad exterior. The improvement is situated on a rectangular shaped site containing 166,142 SF±, according to assessor records. Site improvements include a brick-paved outdoor common area, asphalt parking lot, and landscaping.

In order to derive a value for the subject, numerous sales were considered. The properties most similar to the subject property were selected for analysis. In this analysis, consideration was given to five improved sales. These transactions are summarized in the following chart:

SUMMARY OF IMPROVED SALES

#	Sale Date	Address	Year Built	B/L Ratio	Sales Price	Bldg. Area (SF)	Price SF
1	12/17/20	3201 Quail Spgs. Pkwy.	1998	1 to 3.76	$18,575,000	131,262	$141.51
2	5/21/20	14501 Quail Springs Parkway	2001	1 to 4.45	$25,443,000	224,730	$113.22
3	11/19/19	777 NW 63RD St.	1982	1 to 1.89	$10,150,000	70,386	$144.20
4	10/2/19	3030 NW Expressway.	1983	1 to 0.99	$21,850,000	248,986	$87.76
5	6/29/18	301 NW 63RD St.	1983	1 to 1.773	$13,700,000	95,853	$142.93
		High	2001	1 to 4.63	$25,443,000	248,986	$144.20
		Mean	1989	1 to 2.46	$17,943,600	154,243	$125.92
		Low	1982	1 to 1.48	$10,150,000	70,386	$87.76
	6/30/20	**Subject Property**	**1983**	**1 to 1.72**	**–**	**95,853**	**–**

The previous sales are believed to be relevant and will be utilized in the valuation of the subject property.

There are two primary techniques utilized in the analysis of sales. They are known as Quantitative and Qualitative Techniques. Only the Qualitative Technique will be applied in this analysis.

Comparative Analysis

"Comparative analysis is the general term used to identify the process in the sales comparison approach in which quantitative and qualitative techniques are applied to comparable sales to derive a value indication. An appraiser may use both quantitative adjustments and qualitative analysis in comparative analysis.

The process of researching and applying adjustments involves a thorough analysis of the comparable sales to identify the elements of comparison that affect the value of the type of property being appraised.

When quantitative differences cannot be identified for a specific element of comparison, qualitative analysis is used to determine which comparable sales are inferior, similar, or superior to the subject property for that element of comparison.

Qualitative Technique

"Qualitative analysis recognizes the inefficiencies of real estate markets and the difficulty in expressing adjustments with mathematical precision ... The analytical process and logic applied to reconcile the value indications using this technique" include the following:

1. Trend analysis - applicable when a large amount of market data is available. Used when there is a limited number of closely comparable sales but a broad database of properties with less similar characteristics.
2. Relative comparison analysis - used to determine whether the characteristics of a comparable property are inferior, superior, or similar to those of the subject property. The key issue concerns comparable properties with a similar highest and best use that compete in a similar market as the subject.
3. Ranking analysis - used to sort the comparable data for differences in specific elements of comparison, e.g., size, corner or interior lot, frontage. Comparable sales are then ranked according to overall comparability or by some other element of comparison so that the relative position of each comparable sale to the subject property is clear. [1]

In comparing these sales to the subject property, it was necessary to determine the variances between each of the sales and the subject property. Due to the limited information, it was difficult to obtain the quantitative data necessary to make market supported adjustments. The main areas of dissimilarities include age, size, condition, and proximity to market rent. Only those items requiring adjustments will be discussed with appropriate adjustments made for areas of variance between the sales and the subject property.

Sale No. 1 took place on December 17, 2020 and indicated a price of $141.51 per SF. The sale is located in the memorial corridor which is considered to be superior. The building was fully occupied at the time of sale which is superior to the subject. It was built in 1998, which is newer than the subject making it superior. Overall, this sale is superior

[1] *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute), 2015. Pages 398-404.

to the subject. A reasonable unit of value for the subject would be less than $141.51 per SF.

Sale No. 2 took place on May 21, 2020 and indicated a price of $113.22 per SF. The sale is located in the memorial corridor which is considered to be superior. The building contains 224,730 SF, which is larger than the subject. According to the principle of Economics, larger buildings typically sell for less per SF than smaller, making it inferior for size. It was built in 1998, which is newer than the subject making it superior to the subject. Overall, this sale is superior to the subject. A reasonable unit value for the subject would be less than $113.22 per SF.

Sale No. 3 took place on November 19, 2019 and indicated a per unit price of $144.20 per SF. The improvements are smaller than the subject. Typically, smaller improvements sell for more per SF than do larger improvements. The building appeared to be fully occupied at the time of sale and is considered to be superior to the subject. Overall, this sale is superior to the subject. A reasonable unit of value for the subject would be less than $144.20 per SF.

Sale No. 4 took place on October 2, 2019 and indicated a price of $87.76 per SF. The improvements for this sale are larger than the subject improvement. Typically, larger improvement sell for less per SF than do smaller improvements. At the time of sale, the occupancy rate was lower than subject making it inferior to the subject. The sale is located on NW Expressway, which experiences a higher traffic volume than the subject and the rental rates are higher, indicating a superior location. Overall, the sale is considered inferior to the subject. A reasonable unit of value for the subject would be more than $87.76 per SF.

Sale No. 5/Subject took place on June 29, 2018 and indicated a per unit price of $142.93 per SF. This property is the purchase of the subject. Since this sale occurred, the occupancy has seen a considerable drop, and the rental rate also appears to be declining. Overall, this sale is considered to be superior to the subject. A reasonable unit of value for the subject would be less than $142.93 per SF.

Ranking Analysis is defined as follows:

> "A qualitative technique for analyzing comparable sales; a variant of relative comparison analysis in which comparable sales are ranked in descending or ascending order of desirability and each is analyzed to determine its position relative to the subject." [1]

Sale	Superior or Inferior	Price Per SF
No. 3	Superior	$144.20
No. 5/Subject	Superior	$142.93
No. 1	Superior	$141.51
No. 2	Superior	$113.22
Subject	**–**	**–**
No. 4	Inferior	$87.76

Conclusions

The Sales 5 indicated a range of values from $87.76 to $144.20 per SF. The range was further reduced to between Sale No. 4 at $87.76 and Sale No. 2 at $113.22. The subject does not appear to be more similar to either of Sale No. 4 or Sale No. 2. A per unit value of $100.00 per SF for the subject was deemed appropriate.

SIZE		x	PRICE PER UNIT		=	VALUE
95,853	SF	x	$100.00	Per SF	=	$9,585,300

INDICATED BY THE SALES COMPARISON APPROACH
$9,585,000 (rounded)

[1] *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute), 2015. Page 186.

RECONCILIATION OF VALUE INDICATIONS AND FINAL OPINION OF VALUE

> "In reconciliation the appraiser analyzes alternative conclusions and selects a final opinion of value from among two or more indications of value. A thorough review of the entire valuation process may precede reconciliation.
>
> In reconciliation an appraiser draws upon his or her experience, expertise and professional judgment to resolve differences among the value indications derived from the application of the approaches. The appraiser weighs the relative significance, applicability and defensibility of each approach and relies most heavily on those most appropriate to the intended use of the appraisal. The conclusion drawn is based on the appropriateness, accuracy and quantity of all the evidence in the appraisal. When a final opinion of value has been derived, the immediate objective of the valuation process has been accomplished. However, an appraisal assignment is not completed until the conclusions and findings have been stated in a report and communicated to the client." [1]

The subject of this appraisal is the Harvey Parkway Office Building located at 301 NW 63RD Street in Oklahoma City. The building was constructed in 1983 and has a gross building area of 95,853 SF± (per assessor) contained in six floors. There are an additional 20,300 SF± of basement level parking and storage. The building is of reinforced concrete construction with a metal-clad exterior. The improvement is situated on a rectangular shaped site containing 166,142 SF±, according to assessor records. Site improvements include a brick-paved outdoor common area, asphalt parking lot, and landscaping.

The three approaches to value (Cost, Sales Comparison, and Income Capitalization) were considered in the valuation of the subject. The Cost Approach was excluded due to the difficulty in accurately analyzing and measuring accrued depreciation. The Income Capitalization and Sales Comparison Approaches were completed and provided the following value indications:

Indication of Values	
Cost Approach	N/A
Sales Comparison Approach	$9,585,000
Income Capitalization Approach	$10,080,000

The value estimated in this appraisal report was based on market data and conditions as of the date of the appraisal report. The appraisers analysis is based primarily on historical data to project the value of a property that is dependent on the future benefits that a property may bring to its owner. There is currently an amount of uncertainty in the short term. It is impossible to accurately anticipate the future conditions that could influence the value. Any substantial changes in market conditions could have a favorable

[1] Understanding the Appraisal, Appraisal Institute, 2013.

or unfavorable influence on the value. We accept no responsibility regarding future changes in the market that could not be anticipated as of the date of the appraisal report.

The reconciliation process requires the application of three different criteria (appropriateness, accuracy, and quantity of evidence) in determining a final value estimate for the subject property.

In final reconciliation, consideration was given to the value indications from two approaches. The value indications from both approaches were more than our last appraisal (June 30, 2020) due to the increase in the occupancy rate which has a significant impact on the net income of the property. The subject building is in a prime location, and it offers amenities not found in many other competing properties.

There is a lack of financial information from the sales comparables making economic adjustments difficult. The subject is an income producing property. If sold, the most likely buyer would be an investor, making the Income Capitalization Approach more important.

It is our opinion that the estimated value of the subject property is:

Final Estimate of Value
$10,080,000

Exposure Period

Exposure Time is defined as:

> 1. The time a property remains on the market.
> 2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. [1]
> USPAP, 2016-2017

In studying the exposure period for the subject property, consideration was given to the sales included in the Sales Comparison Approach. For this reason, if the subject property were offered for sale and professionally marketed, a six to twelve month exposure time should have been sufficient to sell the property at market value.

[1] *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute), 2015.

SCHMOOK APPRAISAL COMPANY, LLC

Real Estate Appraisers and Consultants

Alan M. Schmook, MAI, SRA • OK State Gen. Cert. No. 10148

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CERTIFICATION

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
- Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Foundation and the Appraisal Institute.
- We certify that, to the best of our knowledge and belief, our analyses, opinions and conclusions were developed, and this report complies with, the Code of Professional Ethics and Standards of Valuation Practice of the Appraisal Institute.
- We made a personal inspection of the property that is the subject of this report.
- No one provided significant professional assistance to the persons signing this report.
- This appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

- Schmook Appraisal Company, LLC has been contracted for annual appraisals of the subject property. The effective dates our prior appraisals wwere January 3, 2018 and June 30, 2019.

- As of the date of this report, I, Alan M. Schmook, have completed the continuing education program of the Appraisal Institute.

It is the opinion of these appraisers that the estimated leased fee market value of the subject property as of June 30, 2021 was:

TEN MILLION EIGHTY THOUSAND DOLLARS $10,080,000

Respectfully submitted,

Alan M. Schmook, MAI, SRA
OK State Gen. Cert. No. 10148

David Ohl,
Associate Appraiser

AMS/do

Alan M. Schmook, MAI

3555 NW 58th St., Ste. 300, Oklahoma City, OK 73112-4727 *(405)-947-7600*
E-Mail: Schmook@coxinet.net Web Site: www.SchmookAppraisal.com

HISTORY OF PROFESSIONAL AND MANAGEMENT EXPERIENCE:

Schmook Appraisal Company was founded in 1968 by my father, John E. Schmook, MAI, who had been in the appraisal business since 1959. He operated the company alone until 1976, when I joined the company. I acquired ownership of the company in 1985. The following is my personal appraisal experience:

1976-1978	Partnership with John E. Schmook, MAI, SRPA
1979-1980	Residential real estate sales
1978-1980	Independent appraisal practice
1980-1985	Office manager for Schmook Appraisal Company
1985-Present	Owner of Schmook Appraisal Company, LLC

PROFESSIONAL SKILLS:

- Defining problems and systematic problem resolution
- Advanced internet research capabilities
- Critical analysis of private, public, and/or published information
- Technical report writing
- Analytical journal writing

COMPANY GOALS AND ACHIEVEMENTS:

Schmook Appraisal Company, LLC specializes in appraising all types of commercial real estate including offices, industrial, retail, apartments, agricultural, and special purpose projects such as bowling centers, golf courses, nursing homes, retirement facilities, restaurants, motels/hotels, churches, schools, and agricultural processing plants. Our goal is to remain one of the most well respected commercial appraisal firms in the state of Oklahoma. Achievements include:

- Appraise properties all over the state of Oklahoma and the six surrounding states
- Research, set up, maintain, and provide continuing training for a large, multi-state database of agricultural sales
- Appraise properties for many federal and state agencies, as well as for many large local corporations (see 'Clients and References')
- Serve as expert witness in many federal/state and county court cases

PROFESSIONAL TRAINING AND EDUCATION:

Professional training includes over 700 classroom hours of specialized training from 1976 to the current time, presented by the American Institute of Real Estate Appraisers, Society of Real Estate Appraisers, Marshall & Swift, American Society of Farm Managers and Rural Appraisers, and the Appraisal Institute. This training covers the following subjects:

- Cost Analysis
- Cash Flow and Investment Analysis
- Ethics and Professional Standards
- Litigation and Legal Issues
- Agricultural and Agri-business Appraisals
- Techniques for Appraising Special Purpose Properties
- Appraisal Tools

All continuing education requirements of the Appraisal Institute have been met.

Formal Education: Yukon High School; Southwestern Christian University (Bachelor Degree – Business Leadership); and Oklahoma Baptist University (MBA). Listed in 2009 edition of *Who's Who Among Students in American Universities and Colleges*.

PROFESSIONAL MEMBERSHIPS & ASSOCIATIONS:

- President, Society of Real Estate Appraisers - OKC Chapter 25 (1983-1984)
- Member, Ethics and Counseling Regional Panel, Appraisal Institute (1989-1995)
- Member, Textbook and Dictionary Revision Committee, Appraisal Institute (1992-1994)
- Assistant Regional Member, Review and Counseling Division, Appraisal Institute (1993-1995)
- President, Central Oklahoma Chapter, Appraisal Institute (1993)
- Member, Oklahoma Real Estate Appraisal Board, Standards and Disciplinary Procedures Committee (2000-2006), (2014-2017)
- Vice President, Great Plains Chapter, Appraisal Institute (2013-2014)
- President, Real Estate Appraisal Data, Inc. [READ, Inc.] (2010-2013)
- President, Great Plains Chapter, Appraisal Institute (2015 and 2016)

ACCREDITATIONS:

- Appraisal Institute - MAI and SRA
- Oklahoma General Certified Appraiser No. 10148

PUBLICATIONS:

- Member of Textbook and Dictionary Revision Committee of the Appraisal Institute (1992 - 1994) (Published *The Appraisal of Real Estate - Tenth Edition*, and *The Dictionary of Real Estate Appraisal - Fourth Edition* during committee tenure)
- KS Dept. of Revenue Grain Elevator Appraisal Guide - published, maintain database, and provide training as needed (2006 to 2007)

CLIENTS AND REFERENCES:

Corporate Clients:

- Arvest Bank, Oklahoma City, OK
- BancFirst, of Oklahoma
- Bank of Oklahoma, Oklahoma City, OK
- Bank of the West, Omaha, NE
- Citizens Bank, Edmond, OK
- F&M Bank, Edmond, OK
- First Fidelity Bank, Oklahoma City, OK
- First National Bank & Trust Co. of Chickasha, Chickasha, OK
- JPMorgan Chase Bank, Oklahoma City, OK
- Kirkpatrick Bank, Edmond, OK
- MidFirst Bank, Oklahoma City, OK
- National Bank of Commerce, Enid and Oklahoma City, OK
- Oklahoma State Bank, Norman, OK
- Republic Bank of Norman, Norman, OK
- UMB Financial Corp., Kansas City, MO
- Wells Fargo Credit Corporation, Walnut Creek, CA

Government Clients:

- City of Norman
- City of OKC
- Dept. of the Army, Corp of Engineers
- Federal Aviation Administration
- U.S. Dept. of the Air Force, Tinker Air Force Base
- U.S. Dept. of the Navy
- General Service Administration
- Internal Revenue Service
- Kansas Department of Revenue
- National Oceanic and Atmospheric Administration
- Oklahoma State Department of Transportation
- Oklahoma Tourism & Recreation Department
- Oklahoma Turnpike Authority

David Ohl

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PROFESSIONAL EXPERIENCE

Schmook Appraisal Company
Oklahoma City, OK
Associate Appraiser

BD Unique Restorations, LLC
Home Renovation and Rehabilitation
Project Manager/Owner
Oklahoma City, OK

Franklin Electric/Little Giant Pump
Purchasing Manager/Production Manager
Oklahoma City, OK

EDUCATION

Yale University
Bachelor of Science, Business Administration, Organizational Behavior
New Haven, CT

Career Web School,
Basic Appraisal Principles
Basic Appraisal Procedures
15 Hour USPAP

Appraisal Institute, (Chicago, IL)
General Appraiser Site Valuation and Cost Approach
General Appraiser Income Approach Parts 1 & 2
General Appraiser Sales Comparison Approach
General Appraiser Market Analysis, Highest and Best Use

McKissock Learning
General Appraiser Report Writing & Case Studies
General Appraiser Site Valuation & Cost Approach
General Appraiser Statistics, Finance, & Modeling
General Appraiser Commercial Appraisal Review
Expert Witness for Commercial Appraisers

ADDENDUM

LEGAL DESCRIPTION

Surveyor's Note:

The utilities shown hereon have been located in the field by above ground inspection only. The underground utilities shown hereon have been located from field survey information and existing drawings. The surveyor makes no guarantees that the underground utilities shown hereon comprise all such utilities in the area, either in service or abandoned. The surveyor further does not warrant that the underground utilities shown hereon are in the exact location indicated although he does certify that they are located as accurately as possible from the information available. The surveyor has not physically located the underground utilities.

Basis of Bearing: The South line of the Southeast Quarter (SE/4) of Section Four (4), Township Twelve (12) North, Range Three (3) West of the Indian Meridian, having a bearing of South 89°35'11" West.

Address: 301 N.W. 63rd Street, Oklahoma City, Oklahoma

Legal Description:

A part of the Southwest Quarter *(SW/4)* of the Southeast Quarter *(SE/4)*, of Section Four (4), Township Twelve (12) North, Range Three (3) West of the Indian Meridian, Oklahoma County, Oklahoma, more particularly described as follows:
COMMENCING at the Southeast corner of the Southwest Quarter of Section 4, Township 12 North, Range 3 West of the Indian Meridian, Oklahoma County, Oklahoma:
THENCE West along the South line of aid Southwest Quarter of the Southeast Quarter of Section 4, a distance of 825.00 feet to the POINT OF BEGINNING, which point is 30 Rods east of the Southwest corner of said Southwest Quarter of the Southeast Quarter of Section 4;
THENCE North and parallel with the East line of said Southwest Quarter of the Southeast Quarter of Section 4, a distance of 411.18 feet;
THENCE East and parallel with the South line of said Southwest Quarter of the Southeast Quarter of Section 4, a distance of 460.00 feet;
THENCE South and parallel with the East line of said Southwest Quarter of the Southeast Quarter of Section 4, a distance of 411.18 feet;
THENCE West along the South line of said Southwest Quarter of the Southeast Quarter of Section 4 a distance of 460.00 feet to the POINT OF BEGINNING
LESS & EXCEPT:
A strip, piece of parcel of land lying in part of the Southwest Quarter or the Southeast Quarter of Section 4, Township 12 North, Range 3 West, in Oklahoma County, Oklahoma. Said parcel of land being described by metes and bounds as follows:
BEGINNING at a point on the South line of said Southwest Quarter of the Southeast Quarter a distance of 368.19 feet (112.416 meters) West of the Southeast corner of said Southwest Quarter of the Southeast Quarter;
THENCE West along said South line a distance of 359.41 feet (109.548 meters);
THENCE North a distance of 50.00 feet (15.240 meters);
THENCE North 89°32'34" East a distance of 359.88 feet (109.690 meters);
THENCE South a distance of 50.00 feet (15.241 meters) to the POINT OF BEGINNING.

There are 238 regular and 8 handicap parking spaces on this tract.

Bldg. Code	04177	Type:	Office
Name:	Harvey Parkway	Square Feet:	97,685
Address:	301 NW 63rd		
City:	Oklahoma City		
State:	Oklahoma		

OKLAHOMA
Teachers' Retirement System

		FY 2021-2022 Budget	FY 2020-2021 Actual	Variance	Comments
INCOME					
	Base Rent Income	1,115,486	847,516	267,970	Occupancy begins at 69.22% and is projected to end at 77.65% occupancy.
	Storage/Signage	10,200	7,700	2,500	Stump Signage Revenue is the projected increase in revenue.
	Estimated Recovery	-	(524)	524	Expenses for FY 2022 are projected to be less than base year expenses.
	S/L Rent Adjustment	27,385	(5,705)	33,090	S/L Rental rate adjustment is use to equalize rental rates that change over the life of the lease.
	Gym Revenue	-	269	(269)	
	Parking	13,545	10,795	2,750	An increase in parking garage usage is projected.
	TOTAL INCOME	**1,166,616**	**860,050**	**306,566**	
EXPENSES					
	Cleaning	73,676	43,128	30,548	Variance is due to: 1) increased occupancy, 2) window cleaning that was not done in 2020, and 3) cleaning of vacant spaces on a quarterly basis
	Repairs & Maintenance	172,364	108,334	64,030	Budget assumes full-time engineer, rather than part time and the purchase of 4 new heat pumps
	Utilities	116,219	105,654	10,565	10% increase to the previous year's utilities due to increase in occupancy and people in the building
	Roads & Grounds	34,625	32,815	1,810	Reflects snow removal / ice melt/ landscaping/ concrete repairs to lower level parking garage
	Security	5,580	5,319	261	
	Administration	48,393	30,472	17,922	Management fees based on 2% of rental income. Increase includes $1 psf for space planning that may not result in a lease
	Real Estate Taxes	-	-	-	TRS is exempt from RPT
	Insurance	23,136	19,073	4,063	Allocation based upon Owner's annual contribution
	TOTAL RECOVERABLE EXPENSES	**473,993**	**344,795**	**129,198**	
NET OPERATING INCOME		**692,623**	**515,256**	**177,367**	
CAP EX					
	Tenant Improvements	141,138	421,177	(280,039)	TIA for Suites 120 and 650
	Leasing Commissions	40,982	13,150	27,833	Commissions for Suites 120 and 650
	Capital Expenses	626,692	140,000	486,692	$130k Conference Room (carry over from 2021) $16,700 6th Floor Common Area Separation $180k Renovation of 4 restrooms (2 floors) $300k Pedestrian Ramps
	TOTAL CAPITAL EXPENDITURES	**808,812**	**574,327**	**234,486**	
NET CASH FLOW		**(116,189)**	**(59,071)**	**(57,118)**	

OKLAHOMA
Teachers' Retirement System

Memorandum

To: Board of Trustees of the Teachers' Retirement System

From: Sarah Green, Executive Director

Re: Harvey Parkway, FY22 Proposed Budget

Date: July 21, 2021

Overview

Outlook at the Harvey Parkway building has improved greatly from the prior year. Occupancy is currently **69.22%** and projected to increase to **77.65%** due to another tenant moving in. Effective June 1, 2021, we opened the gym to building tenants to purchase memberships. Effective July 12th we opened gym memberships to TRS staff as well. We are in the final stages of approving a floorplan and scope of work for the shared conference room and kitchen space on the first floor. We are looking at ways to provide light food and beverage onsite for purchase by tenants either by bringing in a vendor for the café on the first floor or through bringing in vending machines.

Income

Building income is projected to increase from $847,516 in FY21 to $1,115,486 for a total increase of **$267,970** in FY22 due to increased occupancy, income from street signage, and increased use of garage parking.

Expenses

Building expenses will naturally increase with increased occupancy. Expenses are projected to go from $344,795 in FY21 to $473,993 in FY22, an increase of **$129,198.** The increase in expenses is attributable in large part to an increase in cleaning services, utilizing a full-time engineer (for FY21 we had an engineer onsite half-time), a projected 10% increase in utilities, and an increase in management fees (2% of rental income for new tenants).

Net Operating Income

FY21 $515,256 compared to FY22 $692,623 for an increase of **$177,367**

Capital Expenditures

Capital expenditures are expected to increase from $574,327 in FY21 to $808,812 in FY22 for a total increase of **$234,486**. This increase includes projected tenant

improvement allowances for suites 650 and 120 as well as commissions for both suites, build-out of the first floor conference room (carried over from FY21), 6TH floor corridor build-out, possible renovation of 4 restrooms (scheduling 4 per year for the next three years), and renovation of the pedestrian ramps accessing the second floor of the building.

Net Cash Flow

FY21 ($59,071) comparted to FY22 ($116,189) for an increase of **($57,118)**

Staff would recommend the following motion:

To adopt the proposed budget for the Harvey Parkway building for FY22.

OKLAHOMA
Teachers' Retirement System

Evaluation of the General Counsel

1. While the Board of Trustees has all final decision-making authority regarding the employment of the General Counsel, the Board has placed the General Counsel under the administrative supervision of the Executive Director. The performance evaluation of the General Counsel recognizes these relationships in the process.

2. By August 1 of each year, the Executive Director will complete and provide to the Board a draft performance evaluation of the General Counsel using the Performance Management Process (PMP) evaluation form adopted by the Board of Trustees.

3. The draft of the PMP evaluation shall be presented to the Board in Executive Session by the Executive Director at the next regularly scheduled Board meeting. The Board shall make any changes it deems necessary to the draft (if any) and adopt the final document. The Executive Director shall meet with the General Counsel and review the adopted PMP.

OKLAHOMA
Teachers' Retirement System

GENERAL COUNSEL

At Will Position
Recruitment Notice: **2021-**
FLSA Status: **Exempt**
Salary: **$90,983 to $154,671**
Posting Date: **7.21.21 (open until filled)**

The Teachers' Retirement System of Oklahoma ("TRS" or "the System") is seeking to fill the position of General Counsel (Chief Legal Officer). This is a full-time position in State Government and is eligible for a generous benefits package. Benefits include medical, dental, life and disability insurance products as well as a defined benefit retirement plan (pension), a deferred compensation plan, and pay for performance incentives. Employees earn 3 weeks of paid annual leave and 3 weeks of paid sick leave in the first year as well as enjoy 11 paid holidays and longevity pay.

TRS was established in 1943 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The System is a part of the State of Oklahoma financial reporting entity, which is combined with other similar funds to comprise the fiduciary-pension trust funds of the State of Oklahoma. The System administers a cost-sharing multiple-employer pension plan which is a defined benefit pension plan (the "DB plan") and a cost-sharing multiple-employer plan providing post-employment benefits other than pensions (the "OPEB plan"). TRS currently serves 184,000 members and beneficiaries in 600 school districts in Oklahoma.

DEFINITION

The Board of Trustees of the Teachers' Retirement System (TRS) selects the General Counsel. The Board has delegated administrative oversight of the General Counsel to the Executive Director. This position provides legal advice and representation to the TRS staff, the Executive Director, and the Board of Trustees.

DESCRIPTION OF DUTIES

This list is neither all inclusive nor restrictive. The Board of Trustees reserves the right to further define duties based on operational needs. Duties include, but are not limited to, the following:

- Has primary responsibility to ensure legal and regulatory compliance of agency operations.
- Attends all Board of Trustee meetings and provides legal counsel to Board of Trustees – ensuring compliance with Oklahoma Open Meetings Act.
- Represents the agency in all legal matters arising in all Oklahoma tribunals.
- Provides legal guidance to TRS employees on matters arising in connection with the execution of their duties, including regular review of Information Center database and training for staff on changes in law.
- Coordinates and oversees work of specialized counsel in matters of tax and securities litigation, bankruptcy matters, and private markets investments.
- Participates as member of the administrative staff in the development of agency operations, policy, procedures and regulations.
- Oversight of Legislative and Policy Director - primary responsibility of drafting of legislation and administrative rules affecting the agency.
- Oversight of Human Resources Director - assisting with issues to include FSLA, FMLA, ADA, workers' compensation and other personnel related issues.
- Consults with administrators and supervisors on personnel and administrative issues providing legal guidance as is appropriate; discusses program and policy changes having state-wide impact.

- Reviews and responds to Open Records Requests.
- Other duties as assigned by the Chairman of the Board and the Board of Trustees.

KNOWLEDGE AND SKILLS

Knowledge of federal and state laws and regulations relating to public administration, public pension systems, state government, employment law; comprehensive knowledge of the principles, methods and practices of the various programs being administered; comprehensive knowledge of the organization, development and administration of the programs managed. Skill in establishing and maintaining effective relationships with state officials, employees, applicants and the public; in oral and written communications of all types; and in interpreting, analyzing and resolving highly complex administrative and legal issues.

EDUCATION AND EXPERIENCE

Completion of the curriculum requirements and awarding of a Juris Doctorate degree, admission to the Oklahoma Bar, and minimum of seven (7) years of law practice required.

SELECTIVE QUALIFICATIONS

Prior legal experience is preferred in one or more of the following entities: state government, public pension, public trust, or similar type entity. Strong background in employment law, the legislative process, and previous managerial experience is preferred.

SPECIAL REQUIREMENT

Applicants must be willing and able to fulfill all job-related travel normally associated with this classification.

APPLICATION PROCEDURES:

To apply, go to www.oklahoma.gov/TRS and follow the application procedures under the "Employment" tab. **Only applications submitted in accordance with these procedures will be considered.**

OKLAHOMA
Teachers' Retirement System

Memorandum

To: Board of Trustees of the Teachers' Retirement System

From: Sarah Green, Executive Director

Re: Additional Meeting Dates for Trustee Retreat

Date: July 21, 2021

The biennial strategic planning retreat of the Board of Trustees of the Teachers' Retirement System is set for October 18-20 at Oklahoma State University in Stillwater, OK.

We currently have an Investment Committee Meeting scheduled for October 19th at 2pm with a Board Regular Meeting scheduled the following day on October 20th and 9am. Both meetings are scheduled to take place at the Harvey Parkway Building in Oklahoma City, OK. Considering the Board Retreat, we are recommending *canceling* the Investment Committee meeting and *adding* a Board Special Meeting for Monday, October 18th thru Tuesday, October 19th to take place at OSU. We are also recommending moving the location of the Board Regular meeting on Wednesday, October 20th to OSU.

The tentative format of the retreat is as follows:

Monday, October 18th

12:00p – Lunch / Convene Board Special Meeting

5:00p - Adjourn meeting until 9am on October 19th

6:30p – Trustee Dinner

Tuesday, October 19th

8:00a – Breakfast (come and go)

9:00a – Reconvene Board Special Meeting

12:00p – Break for Lunch (come and go)

1:00p – Reconvene Board Special Meeting

5:00p – Adjourn Board Special Meeting

6:30p – Trustee Dinner

Wednesday, October 20th

8:00a – Breakfast (come and go)

9:00a – Convene Board Special Meeting

12:00p – Adjourn Meeting / Lunch (come and go)

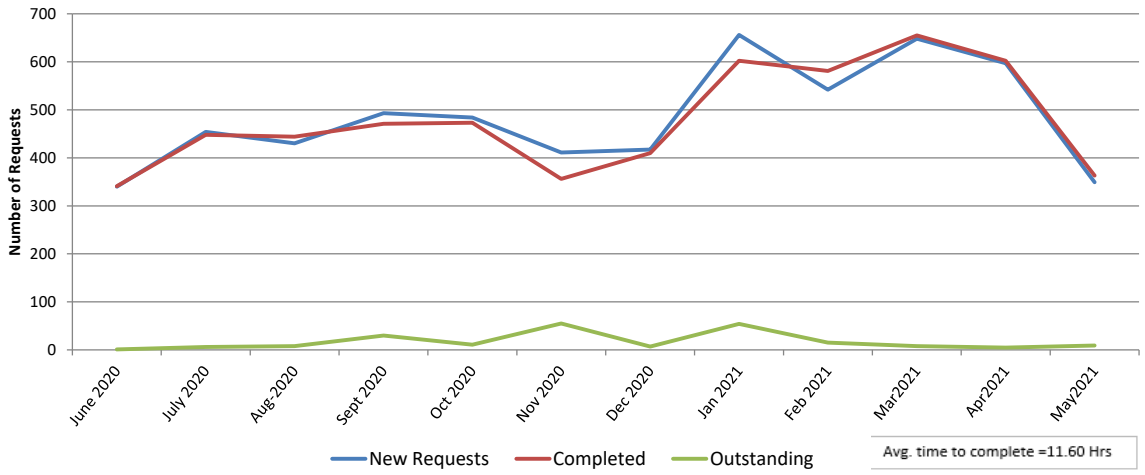
To achieve this schedule, staff would recommend the following motion:

To cancel the Investment Committee Meeting on October 19th, schedule a Board Special Meeting for October 18th and 19th to take place at OSU, and to move the location of the Board Regular Meeting on Oct 20th from OKC to OSU for purposes of having a strategic planning retreat.

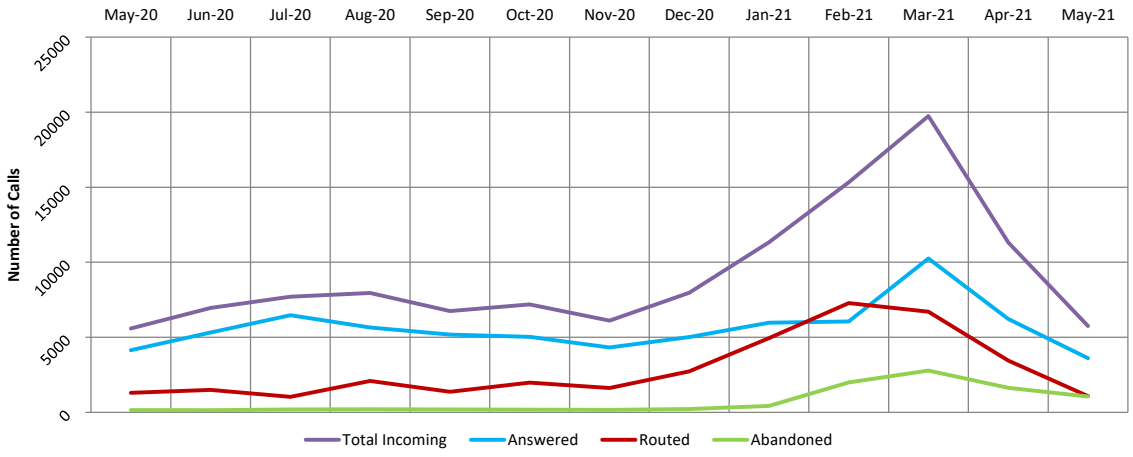
OKLAHOMA
Teachers' Retirement System

CLIENT SERVICES PERFORMANCE METRICS THROUGH MAY 2021

ESTIMATE REQUESTS THROUGH MAY 2021



INCOMING CALLS SERVED THROUGH TRS MAIN NUMBER

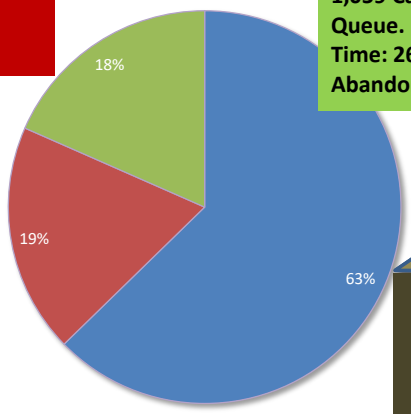


INFORMATION CENTER PERFORMANCE MAY 2021

1,087 Calls Routed Through Menu Options.

1,059 Callers Abandoned in Queue. Average Abandon Time: 26 seconds. 628 Calls Abandoned Pre-Queue

TOTAL CALLS QUEUED THROUGH THE OTRS MAIN LINE : 5,754



INCOMING E-MAILS: 615

3,608 Calls Answered. Average Speed of Answer: 38 seconds. Target Speed: 20 Seconds

CONFIRMED PORTAL PINs

4/31/2021:	*40,553*
May 2021	*+ 714*
Total Confirmed:	*41,267*

OKLAHOMA
Teachers' Retirement System

Monthly Retirement Status Report

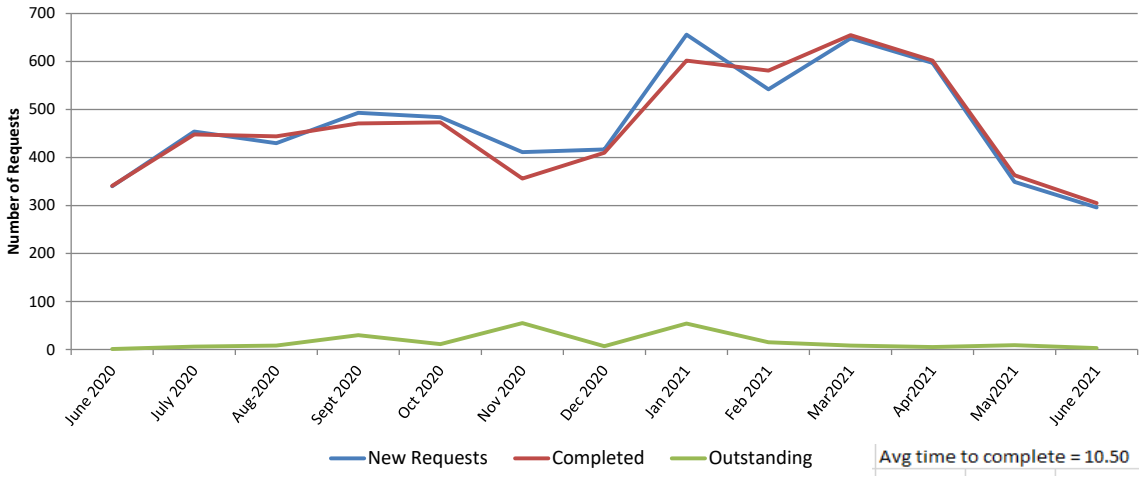
From 6/1/2021 to 6/30/2021

New Retirements	Count	Benefit Total	Average Benefit	Average Years of Service	Average Age
Disability	8	$14,292.59	$1,786.57	21.56	55.13
Early	68	$75,122.46	$1,104.74	16.97	60.44
Normal	925	$2,470,260.48	$2,670.55	29.02	62.91
Total	1001	$2,559,675.53	$2,557.12	28.14	62.68
Terminated Annuities	233	($334,283.19)	$1,434.69	23.10	81.71

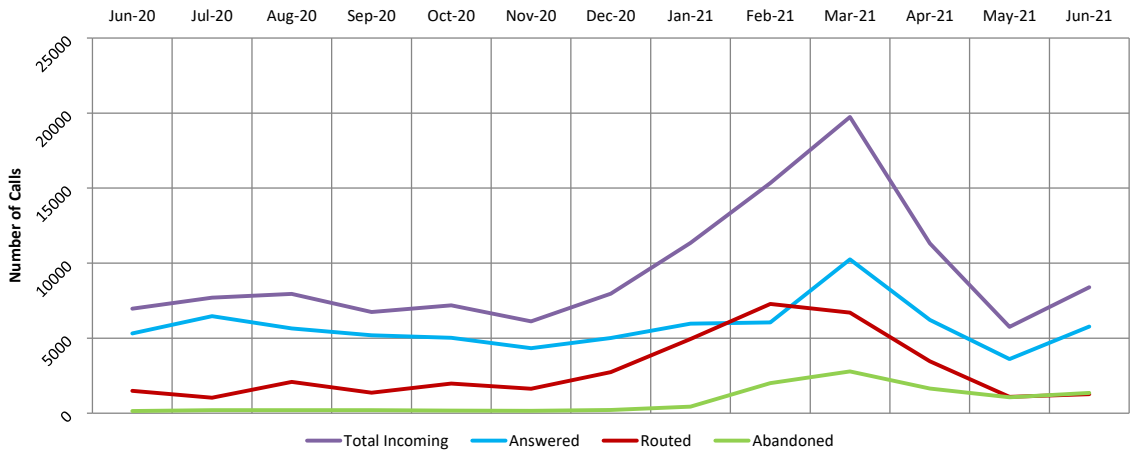
OKLAHOMA
Teachers' Retirement System

CLIENT SERVICES PERFORMANCE METRICS THROUGH JUNE 2021

ESTIMATE REQUESTS THROUGH JUNE 2021



INCOMING CALLS SERVED THROUGH TRS MAIN NUMBER

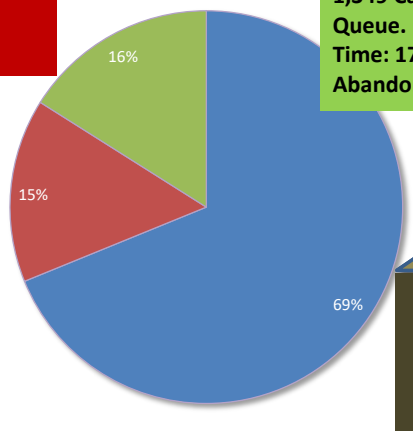


INFORMATION CENTER PERFORMANCE JUNE 2021

1,269 Calls Routed Through Menu Options.

1,349 Callers Abandoned in Queue. Average Abandon Time: 17 seconds. 835 Calls Abandoned Pre-Queue

TOTAL CALLS QUEUED THROUGH THE OTRS MAIN LINE : 8,391



INCOMING E-MAILS: 598

5,776 Calls Answered. Average Speed of Answer: 21 seconds. Target Speed: 20 Seconds

CONFIRMED PORTAL PINs

5/31/2021:	*41,267*
June 2021	*+ 629*
Total Confirmed:	*41,896*

OKLAHOMA
Teachers' Retirement System

Monthly Retirement Status Report

From 7/1/2021 to 7/31/2021

	Count	Benefit Total	Average Benefit	Average Years of Service	Average Age
New Retirements					
Disability	12	$21,088.08	$1,757.34	20.21	53.83
Early	58	$65,695.40	$1,132.68	16.34	59.98
Normal	699	$2,064,740.54	$2,953.85	26.43	63.87
Total	769	$2,151,524.02	$2,797.82	25.57	63.42
Terminated Annuities	200	($295,233.29)	$1,476.17	23.37	82.07

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

HR STATUS REPORT
July 21, 2021

HR STATUS REPORT

- **New Hires (May and June):**

  n/a

- **Resignations/Terminations/Retirements (May and June):**

  Employee: 111595
  Title: Director of Finance/Chief Financial Officer
  Salary: $96,100
  Effective: 5/6/2021

- **Promotions/Transfers/Salary Adjustments/Changes (May and June):**

  Employee: 116889
  Title: *FROM:* Assistant Chief Financial Officer *TO:* Acting Director of Finance/CFO
  Salary: *FROM:* $85,337 *TO:* $96,100
  Effective: 5/6/2021

  Employee: 333681
  Title: Senior Investment Officer
  Salary: $78,631 to $135,000
  Effective: 6/1/2021

MISCELLANEOUS PAYMENTS

- **Severance Payments:**

  n/a

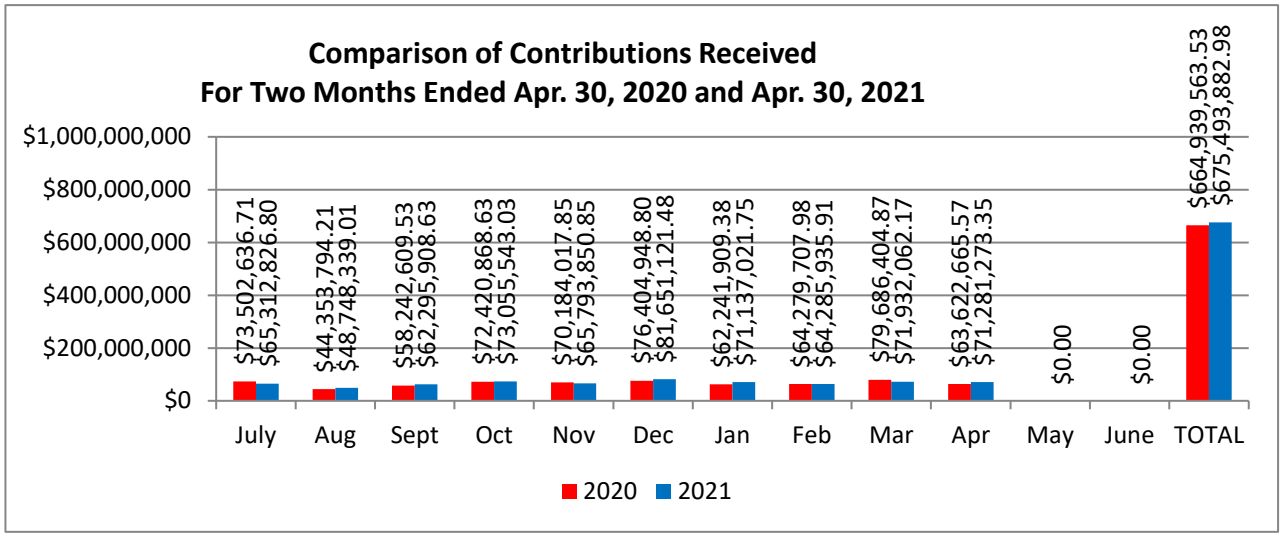
NEW HIRES, RESIGNATIONS, RETIREMENTS OR OTHER CHANGES PENDING

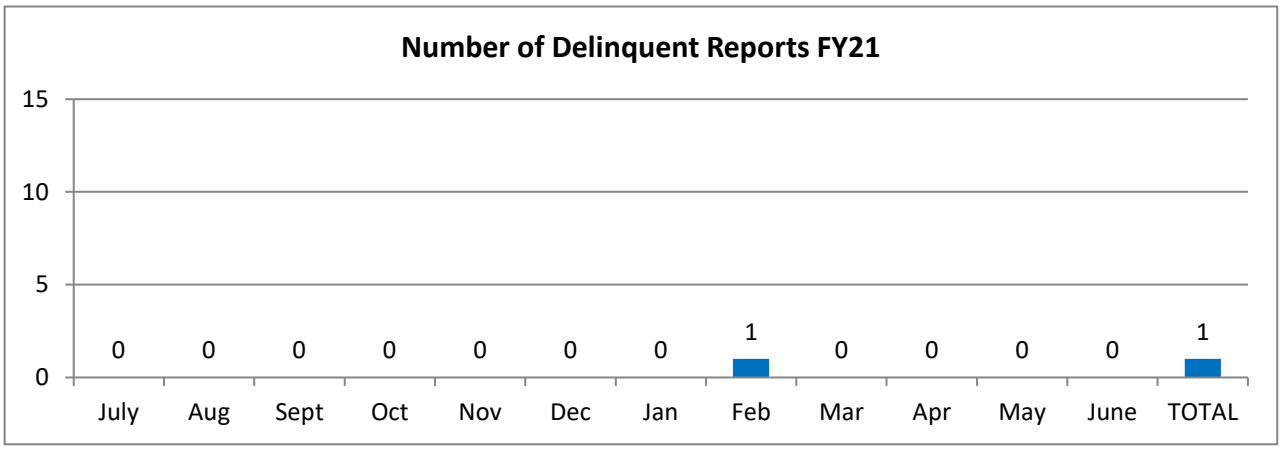
- Executive Director (retirement eff 7/1/2021 and new Executive Director named 7/12/2021) (Aug Board Report)
- Human Resources Director (retirement eff 7/1/2021) (Aug Board Report)
- Deputy Director of Operations (Interim Executive Director - temporary salary increase – eff 7/1/21) (Aug Board Report)
- Business Manager (temporary increase to handle payroll and insurance – eff 7/1/2021) (Aug Board Report)

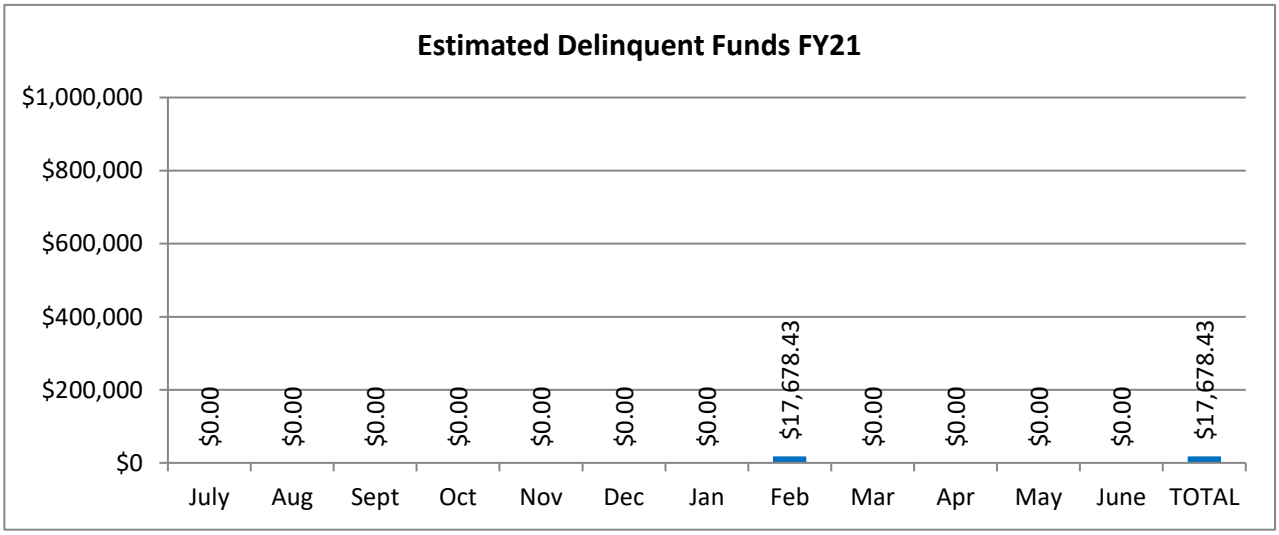
OKLAHOMA
Teachers' Retirement System

Employer Reporting

Analysis of Employee and Employer Contributions Received







OKLAHOMA
Teachers' Retirement System

BALANCE SHEET
MAY 31, 2021

CURRENT ASSETS:	
Cash Not Available For Investment	$6,122,665.56
Equities (At Market Value)	16,702,329,669.26
Fixed Income (At Market Value)	4,293,489,121.72
Short-Term Investment Account	595,959,007.05
Due From/(To) Broker	(88,533,960.13)
Accounts Receivable Installment Payments	910,322.52
Accrued Income	69,351,058.07
Total Current Assets	21,579,627,884.05
CAPITAL ASSETS:	
Office Furniture and Equipment	5,609,644.17
Accumulated Depreciation	(1,408,410.00)
TOTAL ASSETS	$21,583,829,118.22

CURRENT LIABILITIES:	
Teachers' Savings Fund	$6,024,068,616.98
Retirement Benefit Fund	10,398,647,689.34
Interest Fund	5,078,522,156.49
Expense Fund	13,632,472.78
Suspense Fund	63,158,245.14
Total Current Liabilities	21,578,029,180.73
TRS Capital Investment	5,799,937.49
TOTAL LIABILITIES AND CAPITAL INVESTMENT	$21,583,829,118.22

OKLAHOMA
Teachers' Retirement System

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES FOR THE ELEVEN MONTHS ENDED MAY 31

	Year to Date (FY 2021)	Year to Date (FY 2020)	% Change
Balance of Cash and Investments Net Position, Beginning of Year	$16,924,877,274.62	$17,105,220,217.46	
RECEIPTS:			
Members' Deposits	272,483,468.89	272,296,354.88	0.07%
Employer Contributions	411,381,482.68	410,240,282.27	0.28%
State Credits	32,550,507.43	32,376,602.05	0.54%
Reimbursed Administrative	2,891.40	2,689.82	7.49%
Matching Funds from Schools	28,626,926.12	25,751,997.84	11.16%
Lottery Revenue	2,913,964.00	3,161,476.99	-7.83%
Cigarette Sales Tax Revenue	1,343,865.88	1,310,002.11	2.59%
Dedicated Revenue	249,747,716.27	304,159,151.70	-17.89%
Total Retirement Receipts	**999,050,822.67**	**1,049,298,557.66**	**-4.79%**
Interest Income (Fixed Income and Short-Term)	146,809,066.14	166,371,484.70	-11.76%
Dividend Income	183,730,660.61	171,934,876.42	6.86%
Net Realized Gain/(Loss)	970,590,634.38	371,843,541.34	161.02%
Net Unrealized Gain/(Loss)	3,807,363,211.70	(711,966,634.28)	634.77%
Investment Operations Income:			
Class Action Lawsuit Proceeds	132,368.66	69,868.74	89.45%
Other Income	(538,442.48)	36,239.25	-1585.80%
Securities Lending Income	4,171,998.97	5,933,546.78	-29.69%
Total Investment Income	**5,112,259,497.98**	**4,222,922.95**	**120959.74%**
TOTAL RECEIPTS	**6,111,310,320.65**	**1,053,521,480.61**	**480.08%**
DISBURSEMENTS:			
Retirement Benefits	1,336,566,062.57	1,257,521,538.39	6.29%
Insurance Premiums Paid for Retirees	31,892,964.30	32,855,948.47	-2.93%
Death Benefits	18,606,594.13	20,654,357.48	-9.91%
Withdrawals of Accounts	29,236,554.77	33,444,659.40	-12.58%
Total Benefit Payments	**1,416,302,175.77**	**1,344,476,503.74**	**5.34%**
Administrative Expense:			
General Operations	5,108,440.29	4,979,698.62	2.59%
Investment Expense	35,149,095.16	39,565,030.74	-11.16%
Total Administrative Expenses	**40,257,535.45**	**44,544,729.36**	**-9.62%**
TOTAL DISBURSEMENTS	**1,456,559,711.22**	**1,389,021,233.10**	**4.86%**
NET INCREASE/(NET DECREASE)	**4,654,750,609.43**	**(335,499,752.49)**	**1487.41%**
Balance of Cash and Investments, May 31	$21,579,627,884.05	$16,769,720,464.97	

OKLAHOMA
Teachers' Retirement System

Wednesday, July 21, 2021

SCHEDULE I
Comparison of Actual Expenditures Fiscal Year 2020 and Fiscal Year 2021
12 Months Ended June 30, 2021

Object of Expenditure	FY-2020 YTD Actual Expenditures 6/30/2020	FY-2021 YTD Actual Expenditures 6/30/2021	Increase (Decrease) Amount	Increase (Decrease) Percentage
Personnel Services				
Salary and Longevity Pay Expenses	2,563,192	2,597,163	33,971	1.3%
Taxes, Benefits, and Other Expenses	1,247,984	1,209,127	(38,857)	-3.1%
Subtotal Personnel Services	**3,811,176**	**3,806,290**	**(4,886)**	**-0.1%**
Professional Services				
Investment Consultant Expenses	1,063,770	1,095,683	31,913	3.0%
Investment Manager Alternatives Expense	280,000	297,917	17,917	6.4%
Investment Custodian Expenses	28,000	21,000	(7,000)	-25.0%
Pension Commission Expenses	44,498	48,162	3,664	8.2%
Subtotal Investment Expenses	**1,416,268**	**1,462,762**	**46,494**	3.3%
Legal Services - Special Projects	33,616	45,284	11,668	34.7%
Legal Services - Attorney General	0	0	0	0.0%
Administrative Hearings	0	0	0	0.0%
Auditing Services	211,606	217,864	6,258	3.0%
Actuarial Services	102,757	68,532	(34,225)	-33.3%
Medical Hearings	9,400	10,700	1,300	13.8%
Communications Firm	0	15,800	15,800	0.0%
Disability Retirement Management	0	0	0	0.0%
Miscellaneous Services	43,602	55,709	12,107	27.8%
Subtotal Professional Services	**400,981**	**413,889**	**12,908**	3.2%
Total Professional Services	**1,817,249**	**1,876,651**	**59,402**	**3.3%**
Travel and Per Diem Expenses				
Non-Employee Travel Expenses	9,149	57	(9,092)	-99.4%
Employee Training	8,359	2,406	(5,953)	-71.2%
Employee Travel Expenses	12,245	69	(12,176)	-99.4%
Subtotal Travel and Per Diem Expenses	**29,753**	**2,532**	**(27,221)**	-91.5%
Administrative Expenses				
Postage	168,469	202,967	34,498	20.5%
Printing and Binding Contracts	31,411	53,283	21,872	69.6%
Informational Services	17,137	20,042	2,905	17.0%
Rent and Maintenance	170,443	213,685	43,242	25.4%
Office Supplies	20,427	19,731	(696)	-3.4%
Equipment	0	47,405	47,405	0.0%
Office Relocation	0	15,900	(15,900)	0.0%
Miscellaneous Administrative Expenses	24,286	29,133	4,847	20.0%
Subtotal Administrative Expenses	**432,173**	**602,146**	**169,973**	39.3%
Data Processing Expenses				
Professional Services	466,989	518,708	51,719	11.1%
Telecommunication Services	7,484	27,099	19,615	262.1%
Rent and Maintenance	6,777	6,052	(725)	-10.7%
Office Supplies	809	13,677	12,868	1590.6%
Equipment - Telecommunications	38,101	28,563	(9,538)	-25.0%
Informational Services	0	2,417	2,417	0.0%
Subtotal Data Processing Expenses	**520,160**	**596,516**	76,356	14.7%
Total Expenses	**6,610,511**	**6,884,135**	**273,624**	**4.1%**
Total Investment Expenses Only	**1,416,268**	**1,462,762**	**46,494**	**3.3%**
Total Data Processing Expenses Only	**520,160**	**596,516**	**76,356**	**14.7%**
Total except Investment & Data Processing Expenses	**4,674,083**	**4,824,857**	**150,774**	**3.2%**

OKLAHOMA
Teachers' Retirement System

Wednesday, July 21, 2021

SCHEDULE II
Comparison of FY2021 Budget to Actual Expenses
12 Months Ended 6/30/2021 Year to Date Comparison

Object of Expenditure	12 Months FY-2021 YTD Budget	12 Months FY-2021 YTD Actual	Over (Under) Amount	Over (Under) Percentage
Personnel Services				
Salary and Longevity Pay Expenses	3,024,518	2,597,163	(427,355)	-14.1%
Taxes, Benefits, and Other Expenses	1,485,614	1,209,127	(276,487)	-18.6%
Subtotal Personnel Services	**4,510,132**	**3,806,290**	**(703,842)**	**-15.6%**
Professional Services				
Investment Consultant Expenses	1,195,290	1,160,476	(34,814)	-2.9%
Investment Manager Alternatives Expense	325,000	325,000	(0)	0.0%
Investment Custodian Expenses	28,000	21,000	(7,000)	-25.0%
Pension Commission Expenses	70,000	48,162	(21,838)	-31.2%
Subtotal Investment Expenses	**1,618,290**	**1,554,638**	**(63,652)**	-3.9%
Legal Services - Special Projects	100,000	45,284	(54,716)	-54.7%
Legal Services - Attorney General	7,500	0	(7,500)	0.0%
Administrative Hearings	5,000	0	(5,000)	0.0%
Auditing Services	268,200	217,864	(50,336)	-18.8%
Actuarial Services	80,000	68,532	(11,468)	-14.3%
Medical Hearings	15,000	10,700	(4,300)	-28.7%
Communications Firm	100,000	15,800	(84,200)	-84.2%
Disability Retirement Management	50,000	0	(50,000)	0.0%
Miscellaneous Services	23,030	55,709	32,679	141.9%
Subtotal Professional Services	**648,730**	**413,889**	**(234,841)**	**-36.2%**
Total Professional Services	**2,267,020**	**1,968,527**	**(298,493)**	**-13.2%**
Travel and Per Diem Expenses				
Non-Employee Travel Expenses	30,300	57	(30,243)	0.0%
Employee Training	18,889	1,907	(16,982)	-89.9%
Employee Travel Expenses	18,000	69	(17,931)	-99.6%
Subtotal Travel and Per Diem Expenses	**67,189**	**2,033**	**(65,156)**	-97.0%
Administrative Expenses				
Postage	195,000	202,967	7,967	4.1%
Printing and Binding Contracts	100,000	53,283	(46,717)	-46.7%
Informational Services	19,791	20,042	251	1.3%
Rent and Maintenance	237,872	213,685	(24,187)	-10.2%
Office Supplies	30,000	19,731	(10,269)	-34.2%
Equipment	78,500	47,405	(31,095)	-39.6%
Office Relocation	40,000	15,900	(24,100)	-60.3%
Miscellaneous Administrative Expenses	46,305	29,133	(17,172)	-37.1%
Subtotal Administrative Expenses	**747,468**	**602,146**	**(145,322)**	-19.4%
Data Processing Expenses				
Professional Services	1,742,300	518,708	(1,223,592)	-70.2%
Telecommunication Services	10,000	27,099	17,099	171.0%
Rent and Maintenance	67,175	6,052	(61,123)	-91.0%
Office Supplies	5,000	13,677	8,677	173.5%
Equipment - Telecommunications	52,300	28,563	(23,737)	-45.4%
Informational Services	3,960	2,417	(1,543)	-39.0%
Subtotal Data Processing Expenses	**1,880,735**	**596,516**	**(1,282,676)**	-68.2%
Total Expenses	**9,472,544**	**6,975,512**	**(2,495,489)**	**-26.3%**
Total Investment Expenses Only	**1,618,290**	**1,554,638**	**(63,652)**	**-3.9%**
Total Data Processing Expenses Only	**1,880,735**	**596,516**	**(1,282,676)**	**-68.2%**
Total except Investment and Data Processing Expenses	**5,973,519**	**4,824,358**	**(1,149,161)**	**-19.2%**

OKLAHOMA Teachers' Retirement System

CLAIMS FOR AUTHORIZED EXPENDITURES
June 30, 2021

Expenses of Board			
Trustee	Trustee Orientation	$	57.12
			57.12
Communications			
Bancfirst	Remote deposit scanner service charges - May		17.30
Cox Communications	Cable charges - ethernet & cable services: May		1,395.70
JP Morgan Chase Bank, NA	Account analysis bank fees		701.39
NTT Data, Inc.	Laptop Leases		217.30
Office of Management and Enterprise Services	Server, disk storage, scanning & network support, IT consulting		18,677.20
Thomson West	Legal information services subscription		307.35
T-Mobile	Cell phones and cell service for teleworking		340.89
			21,657.13
Contingency, Maintenance, Insurance, Rent, Etc.			
Amazon Marketplace	Office/kitchen supplies/IT accessories		183.36
Dell Marketing, LP	8 - 24" Monitors (P2419H)		1,398.32
Department of Libraries	Records storage: March - April		620.40
FedEx Freight	Shipping - Medical Board packets		31.11
ImageNet Consulting, LLC	Desktop Printer Maintenance		468.28
NAPPA (Nat'l. Assoc. of Public Pension Attorneys)	2021 virtual conference		499.00
NTT Data, Inc.	24 - 24" monitors and 20 docking stations		9,078.76
Summit Technology	Letter opener machine maintenance		122.38
Staples	Office supplies/paper		1,259.93
			13,661.54
Professional Services, Workers Comp Insurance			
EFL Associates	May 2021 - second installment of Executive Director search	$	17,577.97
Gabriel, Roeder, Smith, & Co.	Actuarial services - May		5,825.00
ICE Miller	Legal fees - May 2021		2,955.45
J. P. Livingston, MD	Medical Board - June 2021		300.00
KPMG Limited	Tax Guarantor Service - Taiwan		5,647.19
MY Consulting Inc.	ALICE/Client server development - April-May 2021		51,999.50
Office of Management and Enterprise Services	Interagency mail/postage/printing		375.52
Peyton Osborne, MD	Medical Board - June 2021		300.00
Phillips Murrah, PC	April legal services		465.00
Stinnett & Associates LLC	Internal Audit services: May		6,637.50
			92,083.13
Investment Expenditures			
Andco	Investment Consulting svcs. - May 2021		99,607.53
Meketa Investment Group	Private market admin. svcs. - May 2021		27,083.33
			126,690.86

OKLAHOMA Teachers' Retirement System

CLAIMS FOR AUTHORIZED EXPENDITURES
June 30, 2021

Salaries and Fringe Benefits

Salaries	Administrative department	56,124.29
Salaries	Finance/Accounting department	50,908.25
Salaries	Client Services department	94,773.31
Salaries	Investment department	27,441.06
Salaries	IT department	6,873.75
Longevity Payroll		10,468.71
Excess Benefit Allowance		1,348.47
FICA/MQFE	Social Security and Medicare	19,299.33
Oklahoma State Deferred Savings Incentive Plan	Savings incentive plan and administrative fee	1,035.65
Oklahoma Group Insurance	Employee health, dental, and life	40,776.91
Teachers' Retirement System of Oklahoma	Employees' retirement contributions	47,672.81
		356,722.54
Grand Total		$ 610,872.32

OKLAHOMA
Teachers' Retirement System

Deputy Executive Director of Operations Report

July 2021 Board Meeting

1. Interim Executive Director- In my brief time in the role I was involved in various new issues as expected, learned more about some aspects of TRS, approved invoices and spent time with planning the new conference room layout.

2. ALICE replacement – We have gathered many requirements for the RFP and continue working on refining the hundreds of items in the list. This is a team effort involving several people in multiple divisions.

3. Telephone system – We recently implemented a call-back feature allowing callers to save their place in line and receive a call-back from TRS as if they had remained on hold. This should alleviate some of the complaints about either remaining on hold or being prompted to leave a voice message. We continue to discover areas for improvement in how we handle calls and have more changes planned to improve the customer experience.

4. SB 267 and SB 683 – We were able to implement the process and ALICE enhancements for the two bills for eligible retirees returning to work without earnings limits and for eligible optional employees joining the plan without the 1 year wait which was previously required. We expect to receive the data electronically from employers in the August reports and on a monthly basis for new hires. A communication was sent to retirees who may be eligible for SB 267 to inform them of the opportunity to help promote participation.

5. Workload – Two temporary employees have been working with us to help relieve some of the backlog of scanning documents. We have interviews being scheduled for this month to fill one full time position for a data management position to handle document management. We are also sharing some job duties as time permits between employees.

Workflow Activity

3,000 monthly average per year	2021	2020	Increase
June	2,830	2,738	3.3%
May	2,750	2,284	20%
April	4,194	2,684	56%
March	4,809	4,091	17.6%

For April of last year to this year, Applications to Retire increased 100.4%, Death Notices increased 28% and Estimate Request increased 100.3%

OKLAHOMA
Teachers' Retirement System

GENERAL COUNSEL REPORT

JULY 2021 SARAH GREEN

1. **Harvey Parkway Building**
    a. All rents are current thru July
    b. New tenant for 6th floor – lease date Aug. 1, 2021
    c. Gym open to tenants including TRS staff

2. **Misc.**
    a. Governance audit follow-ups
    b. FCP Fund V docs completed
    c. Member Handbook – updated effective 7.1.21
    d. Employer Manual – updated effective 7.1.21
    e. Agency wide staff training on legislative updates – 2 sessions on June 17th

OKLAHOMA
Teachers' Retirement System

Memorandum

To: Board of Trustees of the Teachers' Retirement System

From: Sarah Green, Executive Director

Re: Executive Director's Report

Date: July 21, 2021

Overview

After officially being named as Executive Director on July 12th, I immediately got to work addressing staffing and organizational issues as well as focusing on communications.

Staffing

I made a slight adjustment in our organizational structure by having the CFO report directly to Executive Director and the finance department reporting directly to the CFO. I am happy to report our Acting CFO, Lisa Van Liew, has accepted the position of CFO permanently. Lisa and I are working to fill one additional vacancy in the finance department.

The Human Resources position will now report directly to the General Counsel. I made an offer to an external candidate for the position of Human Resources Director. He has accepted and his first day at TRS is August 9th. Assuming the Board approves the General Counsel job description, we will post that position this week as well with the goal of having the Board conduct final interviews at the August meeting. Interviews are scheduled for a vacant Data Management position this week. Once that position is filled, we will turn our focus to hiring a Member Services Manager.

Communications

We are updating internal and external communications with a goal of more effective communications and presenting the agency with a more cohesive and professional appearance. We are implementing uniform email signature blocks, presentation backgrounds, the use of the agency logo and letterhead, etc. From an operational standpoint, we are assessing our automated call system for efficiencies and filling vacancies to alleviate workload on our Member Services division.

In the coming days, we will be assessing the status of the pandemic and making decisions on how best to conduct our annual retirement seminars (which have not been

conducted since 2019). We are also assessing our return to work schedules to ensure employee and public safety while providing best in class customer service.

Harvey Parkway

We have opened fitness center memberships to all building tenants including TRS staff. The Whitestar logo on the building has been covered. We are working on street signage as well as internal office signage. We are finalizing the floor plan for the first-floor shared conference space and kitchen. In the coming weeks, investment staff, finance staff, and our investment consultant will be meeting to discuss best practices for overall operations/management of the building not only as TRS headquarters, but also as an asset in the Trust. We are happy our appraised value has bounced back some and will continue to look for tenants for the remaining vacant space on floors 1 and 6.

OPFTEC

The Oklahoma Public Fund Trustee Education Conference is set for Sept. 29 – Oct. 1 at Shangri La Resort in Afton, OK.TRS executive staff will be in attendance. We encourage Trustees to attend as well. Please let Phyllis know if you are interested in attending and have not already registered.

Strategic Planning Retreat

Save the Date: The Board of Trustees Strategic Planning Retreat is set for Oct. 18 20th in Stillwater, OK. Detailed agenda to follow.