



HISTORIC  
FRANKLIN  
TENNESSEE

Item #12  
BOMA  
01/28/2014

## MEMORANDUM

---

January 17, 2014

**TO:** Board of Mayor and Aldermen

**FROM:** Eric S. Stuckey, City Administrator *ES*  
Russell Truell, Assistant City Administrator / CFO

**SUBJECT:** Consideration of consent to Southern Sun Asset Management

### Purpose

The purpose of this agenda item is to consider giving consent to the assignment of the Pension Plan's investment advisory agreement with Southern Sun Asset Management, LLC.

### Background

Southern Sun Asset Management LLC (Southern Sun) is the investment manager for the small and mid-cap equity allocation of the City of Franklin Employees' Pension Plan assets. The details of their advisory relationship is contained in an agreement with the City that was previously approved by the Board of Mayor & Aldermen. Southern Sun has requested the City's consent to assignment of the agreement with the City.

The City's Plan has its investments divided among several managers, and from time to time there are changes in the business organization of the various managers. Southern Sun has announced a proposed acquisition of a majority interest in the firm by a subsidiary of Affiliated Managers Group, Inc. (AMG). Southern Sun has stated that there is no change anticipated in the management team or the investment philosophy applied to the City's account assets.

After consulting with our pension investment advisor, who monitors the status and performance of the various managers, it appears that there is no major impact of the proposed change. Barry Bryant of Dahab Associates advised that ownership changes are frequent in the management firms and, according to their affirmation that there will be no change in the active management of the firm, there is no need to make a management change at this time.

### Financial Impact

There is no direct impact on the Pension Plan or on the City of Franklin.

### Options

Grant consent or take no action.

### Recommendation

Staff recommends granting the City's consent to the proposed acquisition of Southern Sun.



December 19, 2013

To our valued clients:

We are pleased to announce that we are entering into a partnership with Affiliated Managers Group, Inc. ("AMG"). AMG is a publicly listed (NYSE: AMG) global asset management company with a market capitalization of \$12 billion. For two decades, AMG has successfully partnered with leading independent boutique investment management firms ("Affiliates"), through a unique framework in which each Affiliate's management team continues to operate autonomously and retains substantial ownership in its firm. AMG's track record in this regard is, in our opinion, unmatched.

As you may remember, SouthernSun's successful partnership with Rosemont Investment Partners is scheduled to end in 2014. In preparation for this event, the SouthernSun management team has engaged in a thorough and comprehensive process to clarify our near- and long-term goals, and we have considered a broad range of options as we looked for a sustainable, permanent ownership plan that will preserve our independence and our culture for generations ahead. We have long considered AMG to be the benchmark in global asset management, and we are honored to become an AMG Affiliate. While AMG will be purchasing a majority interest in our firm, current and future employee-owners will retain a significant economic stake in our business.

We believe that this partnership provides three primary benefits to SouthernSun and our clients:

1. **We will retain autonomy over our investment process and the day-to-day operations of our firm.** Following the transaction, we will remain in control of our investment philosophy and process, to which we have faithfully adhered for nearly 25 years. Similarly, we will continue to have autonomy over the firm's strategic goals, client service and operations.
2. **The partnership promotes organizational continuity and the retention of current key employees.** Long-term employment agreements are now in place for every member of our Management Team and Investment Team. I have personally signed a 10-year employment contract with the firm, along with Phillip Cook, William Halliday, and Michael Cross. We will also remain substantial shareholders of the firm following the transaction, having agreed to significant restrictions on the future sale of our equity interests.
3. **The transaction establishes a permanent solution for future ownership transfers.** We strongly believe in the merits of broad ownership among our key employees, and, as you know, in recent years, we have been able to place equity in the hands of all of our investment and management team members. As part of the initial partnership structure, we will also establish an additional equity incentive pool, which will be made available over time to next-generation partners.

We are excited to have a partner in AMG that understands what makes our firm unique and allows us to retain control over the management of our investment process and day-to-day operations going forward.

We look forward to discussing this development with you, and we will be contacting you after the holidays to seek your consent to the transaction. Thank you for your continued trust in SouthernSun and we look forward to many years ahead together.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Michael W. Cook, Sr.', written over a faint, larger version of the same signature.

Michael W. Cook, Sr.

Chief Executive Officer and Chief Investment Officer

*For more information on AMG, please visit their website at <http://www.amg.com>*



**CONSENT TO ASSIGNMENT**

The proposed acquisition by a subsidiary of Affiliated Managers Group, Inc. (AMG) of a majority interest in SouthernSun Asset Management, LLC (SouthernSun) will constitute an "assignment" of your investment advisory agreement with SouthernSun under applicable law and under the investment advisory agreement. The purpose of this letter is to request your consent to such assignment and to the continued management of your account by SouthernSun after the closing of the transaction.

We do not expect to make any changes to the investment management team or investment philosophy and process used by SouthernSun in managing your account.

Please complete, sign, and return this form by January 31, 2014, indicating your consent. Once signed, you may choose one of the following methods to return it to us:

- Option 1: Send a scanned copy to [consent@southernSunam.com](mailto:consent@southernSunam.com)
- Option 2: Fax a copy to 901.333.6981
- Option 3: Mail a copy to: William P. Halliday III  
SouthernSun Asset Management  
6070 Poplar Avenue, Suite 300  
Memphis, TN 38119

We appreciate the opportunity to serve you and look forward to continuing our relationship in the future.

By signing below, the undersigned consents on behalf of the named Client to the assignment of the Client's investment advisory agreement and to the continued management of the Client's account by SouthernSun Asset Management, LLC after the closing of the transaction, as described herein.

Client Name \_\_\_\_\_

Client Signature \_\_\_\_\_

Printed Name of Signatory \_\_\_\_\_

Capacity of Signatory \_\_\_\_\_

Date \_\_\_\_\_