



FIREFIIGHTERS RETIREMENT SYSTEM

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MEETING OF THE BOARD OF TRUSTEES **August 13, 2009**

A meeting of the board of trustees was held on August 13, 2009, at the Public Safety Building in Baton Rouge. Mr. Charles Fredieu, Chairman, called the meeting to order at 8:35 a.m.

Mayor Durbin gave the invocation and Mr. Birdwell led the pledge of allegiance.

Ms. Kelli Chandler called the roll.

MEMBERS PRESENT

Mr. Charles Fredieu, Chairman
Mr. Stacy Birdwell, Vice Chairman
Mayor Randy Roach
Mayor Jimmy Durbin
Mr. Sammy Halphen
Mr. Paul Smith
Ms. Barbara Goodson
Mr. John Broussard

OTHERS PRESENT

Mr. Steven Stockstill
Ms. Kelli Chandler
Mr. Jason Starns
Ms. Wanda Hofstad
Mr. Gary Curran
Mr. Joe Meals
Mr. Mike Gallagher
Mr. Kirk Reasonover
Mr. Joseph C. Pciffer

MINUTES

MOTION: Mr. Birdwell moved to adopt the minutes of the board meeting held on July 20, 2009, with certain technical corrections. Mayor Durbin seconded. The motion passed.

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APPLICANTS

- New Members

PROCEDURE: Each enrollment application is reviewed by staff to determine eligible job classification, date of hire, employer certification, and medical waiver information. Each application for membership was complete and submitted in accordance with all applicable state laws.

Mr. Jason Starns presented the list of new member applicants. (see attached Exhibit #1) He stated that all applications were in order.

MOTION: Mr. Birdwell moved to approve the new member applicants. Mayor Durbin seconded. The motion passed.

- Retirees

PROCEDURE: Written notification of retirement is received and the member's file is reviewed for proper documentation and to determine that the applicant meets the legal criteria necessary to receive payment in the form of a monthly retirement benefit. Calculations for retirement are performed by the benefit analyst and verified by the system's administrator. All retirement applications were submitted and benefits calculated in accordance with all applicable state laws.

Mr. Starns presented the list of new retirees. (see attached Exhibit #2.) He stated that all applications were in order.

MOTION: Mr. Birdwell moved to approve the new retiree applicants. Mayor Durbin seconded. The motion passed.

- Survivor Applications

PROCEDURE: Survivors applying for benefits must furnish the retirement office with a notarized application for survivor benefits, a copy of the member's death certificate, a marriage license (if beneficiary is a spouse), and the beneficiary's birth certificate. Once received, the deceased member's retirement application is reviewed and the designated beneficiary's information is verified to match the documents submitted. [NOTE: Individuals who retired under another retirement system where FRS is a third party administering payments as a result of a merger, and where the individual becomes deceased after the merger, the beneficiary or survivor is still required to submit all necessary documents; however, payment is made as set forth in the merger agreement (contract) affecting beneficiaries and survivors.] (R.S. 11:2256 and R.S. 11:2259)

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Mr. Starns presented the application for survivor DROP benefits of Mrs. Edna Crenshaw-Brown, beneficiary of Mr. Bobby Lee Crenshaw.

Mr. Birdwell noted that the DROP benefit amount was \$20,000.

MOTION: Mr. Birdwell moved to approve the DROP benefit for Mrs. Edna Crenshaw-Brown. Mayor Durbin seconded. The motion passed.

Chairman Fredieu asked for an update from Mr. Stockstill relative to his findings on whether or not the board could legally approve job-related disability benefits for an applicant who filed his disability application after separation from service. Mr. Stockstill responded that, based on the facts of this particular case, there was nothing in the law to inhibit the board from approving benefits.

ELECTION OF VICE-CHAIRMAN OF THE FRS BOARD OF TRUSTEES

Ms. Goodson nominated Mr. Birdwell to serve as vice-chairman of the board of trustees of the Firefighters' Retirement System. There being no other nominations, Mr. Birdwell was unanimously elected as vice-chairman of the board.

MONTHLY FLASH REPORT - JULY 2009

Mr. Meals presented the monthly flash report for July 2009. (see attached Exhibit #3) He began by noting that the overall fund was up/down as follows: +4.7% for the month of June as compared to the blended index of +5.2%; -14.7% for the trailing 12 months as compared to the blended index of -9.0%.

COMMITTEE REPORT - INVESTMENT COMMITTEE

[NOTE: The Investment Committee met on August 12, 2009, at the FRS office in Baton Rouge at 3:00 p.m. to discuss the business set forth in its posted agenda. Committee members present included committee Chairman Stacy Birdwell, Mr. Sammy Halphen, Mr. Paul Smith, Ms. Barbara Goodson, Mayor Randy Roach, Mr. Charles Fredieu, ex officio, and Mr. John Broussard, alternate.]

• Market Update

Mr. Meals turned the board's attention to a document entitled "Asset Class Return Comparisons and Market Environment Commentary." (see attached Exhibit #4) Referring to the exhibit, Mr. Meals briefly discussed the following: key economic and market indicators, including Credit risk, (TED Spread), Corporate debt, Market volatility, Mortgage delinquencies, Employment growth, Consumer spending, and Economic expansion; The Aftermath of the Housing Bubble; Treasury Yield Curves; Historical Yield Curve - 12/31/08 to 6/30/09; Barclay's High Yield Index as of July 31, 2009;

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Barclay's Investment Grade; SPX Index - 8/20/04 to 8/7/09; S&P500 Return Computation Table - 3-Year Horizon; and Equities - Returns by Sector. Mr. Meals pointed out that he believed the 14.04% figure depicted on the Barclay's High Yield Index to be a mistake and was of the opinion that yields were not that low. When referring to the SPX Index, he noted that, since March 6, 2009 to August 7, 2009, the market has rallied 51.5%; however, FRS is still down 37% from the high. Mr. Meals stated that it may be the case that the recession is over, but it does not necessarily mean that boom times are right around the corner.

NOTHING LEFT TO PROVE

Mr. Meals distributed to the members of the board a letter from Land Baron Investments dated August 12, 2009, in which he and Mr. Stockstill were informed by the principals of Land Baron that they had been able to negotiate a \$6 million reduction from the \$21 million principal balance on the note for the Nothing Left To Prove property. (see attached Exhibit #5) Mr. Meals told the members of the board that, before negotiations had been finalized, Land Baron had requested from Mr. Meals and Mr. Stockstill an agreement for compensation of 3% of the dollar amount saved. Land Baron was informed at that time that compensation would require approval from the FRS board of trustees, and since negotiations had already begun, there would not be time to wait for approval before completing negotiations with the bank. In addition, as manager of the fund, if Land Baron felt it could negotiate a reduction, it was their obligation to do so, and, if successful, they could then request compensation.

Upon questioning by Mayor Roach, Mr. Meals explained that the \$6 million savings is realized now, but the \$15 million invested will not be realized until the property is sold or an opportunity in the future to refinance at a lower rate than 9.25% presents itself. Also, when the property is sold, FRS would receive the equity it has in the property; however, that could be three or four years from now.

Mayor Roach commented that he did not feel compensation to Land Baron should be forthcoming until FRS has actually made money on the investment.

It was noted by Mr. Meals and Mayor Roach that the \$6 million savings benefits Land Baron as well as FRS.

Mayor Durbin added that FRS created a savings to Land Baron when the system provided \$21 million to pay off the loan on the Nothing Left To Prove property.

MOTION: Mr. Broussard moved to decline the request by Land Baron Investments to be compensated 3% of the \$6 million saved due to its negotiations in reducing the principal balance on the note for the Nothing Left to Prove property. Mayor Durbin seconded. The motion passed.

FRS-LB LLC

Mr. Meals reminded the members of the board that, in previous meetings, Land Baron had asked the board to consider investing \$4 million in a Las Vegas project. He stated that Land Baron would like to attend the September meeting to further discuss and explain the project.

A discussion on this issue ensued regarding the real estate market in Las Vegas.

Turning the members attention to the Flash Report, Mr. Stockstill explained that, when FRS-LB LLC (FRS-LB) was created by the FRS board and the Articles of Incorporation were filed with the Secretary of State, the \$25 million that had been approved by the board for investments became the legal framework of FRS-LB. Subsequently, an additional \$15 million has been allocated to a loan that in all likelihood should be considered as part of the \$25 million unless and until FRS receives a return of the money. Mr. Stockstill stated that he had not yet researched whether or not it was necessary to amend the FRS-LB Articles of Incorporation to account for the \$15 million allocation. Also, notwithstanding the allocation of an additional \$15 million, FRS has actually spent \$22.8 million, which provides an approximate \$2.1 million cushion. He expressed concern that any allocation that causes the total funds invested to exceed \$25 million would be ultra vires, which means the board would be acting beyond its corporate authority. However, the board could vote to approve an amendment to the Articles of Incorporation. Mr. Stockstill expressed his opinion that it was important that the system keep a cushion to cover any unforeseen expenditures.

Upon questioning by Mayor Roach, Mr. Stockstill explained that it would be necessary for the FRS board to authorize the allocation of additional funds to FRS-LB LLC, and in order for those monies to be infused into the corporation and invested, the board would then need to take action as a member of the corporation.

Mr. Meals remarked that, at this time, all that was necessary was for the board to decide if there was enough interest in the Las Vegas project to have Land Baron appear before the Investment Committee to make a presentation on the proposal.

Mr. Birdwell stated that, if such an investment would realize a return in short order, he would be interested in a presentation by Land Baron.

A brief discussion was had by the board relative to the progress on other real estate investments with Land Baron.

Mr. Meals stated that he receives quarterly updates from Land Baron consisting of a one-page summary of activities on the properties and Land Baron's assessment of their value. He stated he would begin forwarding those updates to the members of the board. In addition, he would request that Land Baron make site inspections and provide pictures of the property.

Mr. Meals stated that he would provide the board with the package he received from Land Baron, and the board could make a decision as to whether or not it wished for Land Baron to appear and provide a presentation at a future meeting.

Mayor Durbin suggested that Land Baron attend the October board meeting.

The discussion on this matter was concluded with no action being necessary or taken.

- **Commonwealth Advisors, Inc. and Sand Springs Capital III**

Mr. Meals reminded the members of the board that, in its meeting held on July 20, 2009, a presentation was provided by Mr. Walter Morales regarding Commonwealth and the restructuring of its Sand Springs Capital III portfolio to accommodate some of its investors who needed liquidity. At that time, there were concerns with errors contained in the presentation. Due to those concerns, Commonwealth corrected the errors and appeared before the Investment Committee in its meeting held on August 12, 2009, with a revised presentation. (see attached Exhibit #6) Mr. Meals stated CSG recommended to the Investment Committee that it elect to become a non-liquidating interest holder in the restructured fund, to which the Investment Committee approved such recommendation.

MOTION: Mr. Halphen moved the recommendation in the form of a motion. Mayor Durbin seconded. The motion passed.

- **Sail Venture Partners II**

Mr. Meals discussed the presentation provided by Mr. Walter Schindler, Sail Venture Partners LLC, a clean technology equity firm, to the Investment Committee. (see attached Exhibit #7 in globo) He stated that Sail Venture Partners II is a private equity fund to which FRS has a \$20 million commitment, with roughly \$10 million being invested in four companies to date. Sail Venture Partners II has four other companies it will be investing in, as well as additional investments through the current companies, and it is anticipated that there could be an additional capital call in the next six months. Referring to the FRS Asset Allocation Proposed Adjustments (see attached Exhibit #8), Mr. Meals stated that an additional capital call in the amount of \$15.6 million has been taken into consideration, with an approximate \$2 million in additional capital calls to Sail Venture II expected right away. According to Mr. Meals, Sail's is projecting that, in three or four years, they would sell the companies that they currently own for a 20x multiple of what they have invested in them, and although there is room for error in their projections, worst case scenario is projected to be at 7x or 8x multiple of initial investments.

Mr. Meals went on to say that his recommendation that commitment to the fund be increased by another \$10 million was approved by the Investment Committee.

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MOTION: Mr. Smith moved to approve the recommendation of the Investment Committee to commit an additional \$10 million to Sail Venture Partners II. Mr. Halphen seconded. The motion passed by a vote of 7-1, with Mr. Broussard in opposition.

Mr. Broussard explained that he was opposed to increasing the system's allocation of funds in alternative investments.

- **Louisiana Fund I LP Update - August 2009**

Mr. Meals referred to a handout which provides an update on the status of the fund, portfolio company highlights, and the status of the venture capital industry. (see attached Exhibit #9) He commented that Mr. Joe Lovett, managing general partner of the fund, provided a brief update to the Investment Committee. Mr. Meals stated that most of the investments seemed to be performing adequately and action by the board was not necessary at this time. He commented that Mr. Lovett requested an opportunity to appear before the committee in the near future regarding a proposal for investment in a second fund.

The discussion on this matter was concluded with no action being necessary or taken.

- **Resource America**

Mr. Meals briefly discussed a presentation provided to the Investment Committee by Resource America, a new private equity fund manager. A document containing an overview of the company, as well as information relative to investing in banks and other financial institutions, was provided to the members of the board. (see attached Exhibit #10) Mr. Meals stated that the Investment Committee had no recommendation for investing in the strategy proposed by Resource America.

Mr. Birdwell commented that only three members were present at the committee meeting during the presentation by Resource America. He asked if the board would like Mr. Meals to elaborate on the presentation.

Chairman Fredieu was of the opinion that, at this point in time, too much risk was involved.

The discussion on this matter was concluded with no action being necessary or taken.

The Investment Committee report was concluded at this time.

NORTHERN TRUST INDEX FUND

[NOTE: In the meeting held on July 20, 2009, the FRS board voted unanimously to initiate litigation against Northern Trust, with the legal fees and terms of the contract with the attorney hired to

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represent FRS to be negotiated to the satisfaction of the board. In addition, an ad hoc committee was formed to make a recommendation in this matter.]

Chairman Fredieu noted that, based on the results of Mr. Stockstill's negotiations, the ad hoc committee met on August 12, 2009, to discuss the various issues with regard to hiring a legal firm to represent FRS in its litigation against Northern Trust.

Mr. Stockstill stated that the ad hoc committee's recommendation included specific terms. It was recommended that any settlement could only occur with mutual consent and such consent could not be unreasonably withheld. Also, the contract would contain a bullet point listing certain factors the court uses for determining reasonableness when it comes to awarding attorneys fees.

MOTION: Mr. Birdwell moved to approve the contract subject to the recommendation made by the ad hoc committee. Mr. Halphen seconded. The motion passed.

LAPERS CONFERENCE

Mr. Stockstill noted that the law requires the board of trustees to obtain a certain amount of education each year in certain categories. Every year, the FRS board attends the LAPERS conference en banc to achieve the educational hours as required by law. The staff of FRS also attends the conference. He stated that board approval is necessary for the board and staff to attend the LAPERS Conference and to expend such funds as necessary for that purpose.

MOTION: Mr. Birdwell moved to approve attendance at the LAPERS Conference for board members and staff and the expenditure of funds for that purpose. Mayor Durbin seconded. The motion passed.

Mr. Stockstill suggested that the board consider FRS conducting its own in-house seminar next year, and a brief discussion on this matter followed.

ANNOUNCEMENTS

Mr. Stockstill introduced the new employee, Ms. Wanda Hofstad, administrative secretary, to the board of trustees. Ms. Hofstad was warmly welcomed by the board.

ADJOURNMENT

There being no further business, the meeting was adjourned.

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FUTURE MEETINGS

**FRS Investment Committee
Public Safety Building
3100 Brentwood Drive
Baton Rouge, Louisiana
Wednesday, September 9, 2009**

**FRS Board of Trustees
Public Safety Building
3100 Brentwood Drive
Baton Rouge, Louisiana
Thursday, September 10, 2009**

SUBMITTED BY:

APPROVED BY:

Janet Picard, Transcriptionist

Charles Fredieu

Mr. Charles Fredieu, FRS Chairman