

Dallas Police and Fire Pension System
Tuesday, September 17, 2002
1:00 p.m.
2301 North Akard Street, Suite 200
Dallas, Texas

Special meeting, Gerald Brown, Chairman, presiding:

ROLL CALL

Board Members

Present: Gerald Brown, Steve Shaw, George Tomasovic, Rector C. McCollum, and Steve Umlor

Absent: Gary Edge, Councilmember Donald Hill, John Mays, Councilmember Maxine Thornton-Reese, and Richard Wachsman

Staff Richard Tettamant, Brian Blake, Jerry Baldree, Jay Jackson, and Linda Rickley

Others Richard Brown, via telephone

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The meeting was called to order at 1:01 p.m.

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DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

Discussion and approval of Prudential Strategic Value Investors

Mr. Tettamant, Administrator, and Mr. Richard Brown (via telephone), of the Townsend Group, discussed the background of the Prudential Strategic Value Investors, LLC Election Notice, as follows:

- The Prudential Strategic Value Investors (SVI) fund is set to expire on or about October 3, 2002.
- The remaining investment in SVI is a 25.6% ownership in a private company known as Strategic Hotel Corporation. This company owns and operates full service hotels throughout the US.

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Discussion and approval of Prudential Strategic Value Investors (continued)

- Prudential has been working with SHC to liquidate the company either through one off sales of hotels, or portfolio sales, or an IPO.
- SHC retained Goldman Sachs to assist in the liquidation process.

The current strategy is to attempt to sell approximately 30% of the hotels for cash, and then merge into one or more existing public companies in exchange for publicly traded securities. Due to the tough financing environment, it is difficult to sell the entire portfolio for cash, but companies are willing to issue stock for assets. Any stock that is taken would be distributed pro rata to investors and would be freely tradable (no restrictions).

Two options were available in the Election Notice, as follows:

Option 1 would extend the life of the company and continue its membership in SVI until such time as the Strategic Hotel Corporation (“SHC”) investment is liquidated and the cash proceeds from such liquidation are distributed. The extension of the fund would be for a one-year term, which would expire on or about October 3, 2003.

Option 2 is as follows:

- Investor agrees to terminate its membership in SVI as of October 3, 2002.
- SHC company would be independently appraised by Houlihan Lokey Howard and Zukin as of October 3, 2002.
- Investors would be given their pro rata share of SHC as of that date based on the updated valuation.
- Investors would have to pay their pro rata share of the Prudential incentive fee on October 3, 2002 even though the investor would receive illiquid securities.
- Payment of the incentive fee would be in shares of SHC.
- Prudential has estimated Dallas’ share of the incentive fee as of August 30, 2002 to be \$850,474. Prudential has estimated Dallas’s value after payment of the incentive fee as of August 30, 2002 is \$9,950,417.

The Townsend Group, the System’s real estate investment consultant, recommended that the Board select Option 1.

After discussion, Mr. Tomasovic made a motion to select Option 1 of the Prudential Strategic Value Investors, LLC Election Notice. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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The Administrator stated that there was no further business to come before the Board. On a motion by Mr. Umlor and a second by Mr. Shaw, the meeting was adjourned at 1:16 p.m.

Gerald Brown
Chairman

ATTEST:

Richard L. Tettamant
Secretary