

**Dallas Police and Fire Pension System**  
**Thursday, January 10, 2008**  
**8:30 a.m.**  
**2301 North Akard Street**  
**First Floor Conference Room**  
**Dallas, Texas**

Regular meeting, Gerald Brown, Chairman, presiding:

**ROLL CALL**

**Board Members**

Present: Gerald Brown, Gary W. Edge, John M. Mays, Rector C. McCollum, Steven G. Shaw, George Tomasovic, Steven H. Umlor, and Richard H. Wachsman

Absent: None

**Staff**

Richard Tettamant, Brian Blake, Don Rohan, Everard Davenport, Mike Taylor, Brad Goodsell, Pat McGennis, John Holt, Jerry Chandler, Talal Ellass, Corina Terrazas, Gale Paul, and Linda Rickley

**Others**

Richard W. Brown, Lance McInerney, Gerard Branka, Gary Lawson, Doug Frederick, Mark Flanagan, Tom Evans, John Muse, Andrew Rosen, Charles Bauer, Ken Cooley, Jon Donahue, Brent Kroener, and Marshall Edwards

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The meeting was called to order at 8:30 a.m.

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**A. CONSENT AGENDA**

**1. Approval of Minutes**

- a. Special meeting of December 4, 2007
- b. Special meeting of December 6, 2007
- c. Regular meeting of December 13, 2007
- d. Special meeting of December 18, 2007
- e. Special meeting of December 19, 2007

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**2. Approval of Five-Year Certificates for the Fourth Quarter, 2007**

**Fire**

Rickey S. Alsbrook	November 13, 2007
Jack K. Barr	November 20, 2007
Steven G. Calderon	November 20, 2007
Kyle F. Clark	November 20, 2007
Brad A. Cox	November 20, 2007
Jeffrey T. Dean	November 20, 2007
Jonathan D. Doigg	November 20, 2007
Michael D. Dudley	November 20, 2007
Elliott E. Feliciano	November 20, 2007
Michael T. Gibbs	November 20, 2007
Michael Gonzalez	November 20, 2007
Jason A. Gremminger	October 30, 2007
Derek J. Harrill	November 20, 2007
James R. Hayes	November 20, 2007
Samuel D. Hillin	November 13, 2007
Burl A. Hoggatt	November 20, 2007
Kenneth W. Homer	November 20, 2007
Justin P. Hood	November 20, 2007
Shannon D. Hyder	November 20, 2007
Zane D. Krempin	November 20, 2007
Jessie W. Lee	November 20, 2007
Dennis A. Morris	November 20, 2007
Paul B. Morris	November 20, 2007
Ian R. Pack	November 20, 2007
Clinton D. Page	November 20, 2007
Jerry D. Pritchett	November 20, 2007
Nicolas F. Ravelo	November 20, 2007
Johnathan M. Stewart	November 20, 2007
Brandon M. Terry	November 20, 2007
Joshua P. Thompson	November 13, 2007
Justin L. Treaster	November 20, 2007
Shannon V. Whitaker	November 20, 2007
Sherrod L. Wyatt	November 20, 2007
William E. Young	November 20, 2007

**Police**

Shayla Adams	December 6, 2007
Stacey L. Avila	December 6, 2007
Darryl Barclay	December 6, 2007
Kenneth E. Chapin	December 6, 2007
Damia L. Cummings	December 6, 2007
Guy S. Curtis	December 6, 2007
Marilyn Y. Edwards	January 25, 2007

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**2. Approval of Five-Year Certificates for the Fourth Quarter 2007  
(continued)**

**Police (continued)**

Paul W. Farr	September 28, 2006
Ronnie C. Ferdinand	December 6, 2007
Douglas G. Gannon	December 6, 2007
Mark A. Gonzales	December 6, 2007
Patricia R. Gonzalez	December 6, 2007
Josie L. McEntire	December 6, 2007
Elvia G. Mercado	December 6, 2007
Johann Ortega	December 6, 2007
Eduardo Oviedo	December 6, 2007
Craig M. Redden	December 6, 2007
Brenda E. Rivera	December 6, 2007
Martin J. Rivera	December 6, 2007
Alicia M. Rodriguez	December 6, 2007
Edna D. Carson	December 6, 2007
Sammy P. Shaw	December 6, 2007
Michael W. Taglienti	December 6, 2007
Eva M. Vazquez	December 6, 2007
Kevin M. Wetherington	December 6, 2007

**3. Approval of Vested Rights Letters**

Thomas L. White, Police Officer

**4. Approval of Refunds of Contributions for the Month of December 2007**

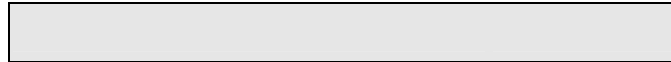
<b>Refund of Combined Pension Plan, Section 6.02 Group B Contributions</b>
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<b><u>EMPLOYEE NAME</u></b>	<b><u>DEPT.</u></b>	<b><u>REFUND DATE</u></b>
Alex B. Black	Fire	December 14, 2007
Brian M. Poulston	Fire	December 21, 2007
Jeremichael Williams	Fire	December 7, 2007
Johnny S. Baker	Police	December 7, 2007
William T. Broyles	Police	December 21, 2007
Yadira I. Camacho	Police	December 21, 2007
Chari L. Collins	Police	December 21, 2007
John D. Comito, Jr.	Police	December 7, 2007
Rolando R. Guerrero	Police	December 7, 2007
Latasha Hunter	Police	December 14, 2007

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**5. Approval of Activity in the Deferred Retirement Option Plan (DROP)  
for January 2008**

**New DROP Participants**



Rett L. Blankenship	Fire
Mitchell W. Box	Fire
Albert Culton	Fire
Kennieth L. Hatley	Fire
Claude L. Hight	Fire
James L. Jones	Fire
Tracy L. Landess	Fire
Abel C. Ramirez, Sr.	Fire
Jerry H. Skelton	Fire
Perin M. Warren	Fire
Guy Bietendorf	Police
Kimberly M. Crawford	Police
Paul V. Ellzey, Jr.	Police
Scot I. Jenkins	Police
Gregory L. Lowe	Police
Leslie J. Oelke	Police
Donald R. Randle	Police

**Transfer Funds from DROP to 401(k)**



Kenneth R. Hollins	Fire
Robert Smith	Fire
Jerome C. Zabojnik	Fire
Nicky L. Earwood	Police
James A. Wallace	Police

**6. Approval of Estate Settlements**



**(P) or Survivor (S))**

Helen T. Cash(S)	Fire	Dec. 17, 2007	Morgan G. Cash
Burton F. King(P)	Fire	Dec. 7, 2007	Suzanne Roberts and Sally Allen
Maryleen R. McGee(S)	Police	Nov. 9, 2007	Bryan A. McGee, Vicki L. Cobb, Glenda K. Bretz, and Gary W. McGee

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**7. Approval of Survivor Benefits - Deceased Retirees**

				<b>Payment</b>
Harold F. Black	Fire	Dec. 2, 2007	Joyce F. Black	Yes
Omer A. Moore	Fire	Dec. 20, 2007	Cynthia J. Moore	Yes
Kyge C. Edmonds	Police	Dec. 6, 2007	Shelia J. Edmonds	Yes
Emerson W. Smith	Police	Dec. 13, 2007	Nancy F. Smith, Spouse and GDN Adam J. Smith and Alexander H. Smith	Yes

**8. Approval of Service Retirements**

Ronald E. Hoggatt	Fire	Jan. 9, 2008
Jimmy L. Patton	Fire	Jan. 9, 2008
Clint W. Askew	Police	Jan. 6, 2008
Harold F. Brown	Police	Jan. 5, 2008
Walter A. Burrows	Police	Dec. 26, 2007
Steven E. Eisenberg	Police	Jan. 9, 2008
Gary W. Grable	Police	Jan. 3, 2008
Troy M. Hanks	Police	Jan. 4, 2008
Melinda K. Harbour	Police	Dec. 14, 2007
Daniel F. Krieter	Police	Jan. 9, 2008
Michael R. Wilson	Police	Jan. 1, 2008

After discussion, Mr. Shaw made a motion to approve the items on the Consent Agenda, subject to the final review and approval of the Administrator. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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**B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION**

**1. Pyramis Global Advisors**

- a. Company update
- b. Status of existing portfolio and plans for future activities with regard to that portfolio

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**1. Pyramis Global Advisors (continued)**

Lance McInerney, Institutional Portfolio Manager, and Gerard Branka, Relationship Manager, were present from Pyramis Global Advisors, a Fidelity Investments Company, to discuss the international equity account. The international equity account is approximately \$269.8 million as of November 30, 2007 and has been managed by the advisor since March of 2002. The return through November 2007 is 17.77% annualized since inception (March 2002) and is approximately 2.11% over the MSCI EAFE benchmark gross of fees over the same time period.

Pyramis also discussed a company update and the status of existing portfolio and plans for future activities with regard to that portfolio.

After discussion, Mr. McCollum made a motion to receive and file the reports by Pyramis Global Advisors. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 9:10 a.m.

The meeting was reconvened at 9:18 a.m.

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**2. Reports and recommendations of The Townsend Group, real estate investment consultants**

- a. Quarterly real estate investment performance report for the third quarter ended September 30, 2007
- b. Bentall and Kennedy Associates update
- c. Lone Star Funds
- d. Forest Investment Associates

Richard Brown, Principal, from The Townsend Group, the System's real estate investment consultant, discussed the quarterly real estate investment performance report for the third quarter ended September 30, 2007. The real estate investment performance was as follows:

<b>Portfolio Return</b>	<b>Third Quarter 2007</b>	<b>1-year</b>	<b>3-year</b>	<b>5-year</b>	<b>10-year</b>
<b>Before Fee</b>	2.50%	13.39%	20.77	17.43%	12.65%
<b>After Fee</b>	1.92%	11.54%	18.35%	15.39%	10.96%

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**2. Reports and recommendations of The Townsend Group, real estate investment consultants (continued)**

After discussion, Mr. Wachsman made a motion to receive and file the quarterly real estate investment performance report for the third quarter ended September 30, 2007. Mr. Mays seconded the motion, which was unanimously approved by the Board.

Richard Brown also reviewed and updated the Board on organizational changes regarding Bentall and Kennedy Associates Real Estate Counsel, LP.

After discussion, Mr. Edge made a motion to accept the recommendation by The Townsend Group, the System's real estate consultant, to accept Bob Ratliffe as the portfolio manager for the Kennedy Associates separately managed account. Mr. Mays seconded the motion, which was unanimously approved by the Board.

Richard. Brown reviewed the Lone Star Funds for a possible new investment regarding Lone Star Fund VI, L.P. and Lone Star Real Estate Fund, L.P.

After discussion, Mr. Wachsman made a motion to approve investments of \$25 million each in the Lone Star Fund VI, L.P. and Lone Star Real Estate Fund, L.P., subject to successful due diligence, contract negotiations, and the final approval of the Administrator and legal counsel, to authorize the Chairman to execute the contract, and to authorize the Administrator to perform all necessary acts and exercise all appropriate discretion to consummate the investment and ongoing operation. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

Richard Brown discussed a change of ownership in Forest Investment Associates, one of the System's timberland investment managers.

After discussion, Mr. Edge made a motion to accept the recommendation by The Townsend Group to approve the consent letter from Forest Investment Associates regarding the ownership changes. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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**3. Amendment to the Merit Energy contracts for Fund E and Fund F**

Mr. Tettamant stated that the System has two private oil and gas investments known as MEP E-I, L.P. and MEP F-I, L.P through Merit Energy Company. The General Partner has requested an amendment that will allow Merit Energy to use some leverage in the form of a preferred equity to enhance returns.

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**3. Amendment to the Merit Energy contracts for Fund E and Fund F  
(continued)**

The System has a \$15,000,000 capital commitment to MEP E-I, L.P. The amount that is remaining to be called in E-I is approximately \$9,531,000. The System also has a \$40,000,000 capital commitment to MEP F-I, L.P. The amount that is remaining to be called in F-I is approximately \$33,111,000.

After discussion, Mr. Wachsman made a motion to approve the requested amendments for MEP E-I and MEP F-I, subject to the final approval of the Administrator and legal counsel. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

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**4. Levine Leichtman investment**

Mr. Tettamant explained that the Board reviewed a private equity investment in Levine Leichtman Capital Partners IV, L.P. at the November 8, 2007 Investment Advisory Committee (IAC) meeting. At that meeting, several key employees of Levine Leichtman Capital Partners made a presentation to the IAC regarding this new investment. The Board requested that staff come back at a later Board meeting and make a final recommendation regarding this fund.

Staff recommended that the Board approve the Levine Leichtman Capital Partners IV, L.P. for a \$50,000,000 capital commitment. The funding for this investment should come from the domestic equity managers.

After discussion, Mr. Shaw made a motion to approve the Levine Leichtman Capital Partners IV, L.P. for a \$50,000,000 capital commitment, subject to successful due diligence, contract negotiations, and the final approval of the Administrator and legal counsel, to authorize the Chairman to execute the contract, and to authorize the Administrator to perform all necessary acts and exercise all appropriate discretion to consummate the investment and ongoing operation. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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**5. Investment and financial reports**

- a. Group Trust's monthly asset allocation report and recommendations for rebalancing the Group Trust's investment portfolio
- b. Group Trust's monthly unitization report
- c. Unaudited draft monthly investment performance (Flash) report
- d. Financial statements

Staff discussed the above reports with the Board.

The Asset Allocation Monitoring Reports and the Real Estate Portfolio Reports for January 2008 are included in Minute Book Number 37 on pages \_\_\_\_\_.

The staff stated that all of the asset classes are within their respective asset allocation ranges. There is a need for \$14,000,000 in cash, which will be taken from Mondrian Investment Partners and Brandywine evenly.

After discussion, Mr. Edge made a motion to approve the January 2007 monthly asset allocation report and approve the staff recommendations. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Wachsman made a motion to receive and file the Group Trust monthly unitization report. Mr. Edge seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Shaw made a motion to receive and file the unaudited draft monthly investment performance (Flash) report. Mr. Edge seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Shaw made a motion to receive and file the October 2007 monthly financial statements. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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**6. Legal issues including, but not limited to:**

- a. Police Officer and Firefighter pay lawsuits
- b. Citrus Queensland PTY LTD & ORD v. Sunstate Orchards PTY LT

Legal counsel reported no new developments on current legal issues.

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**DALLAS POLICE & FIRE GROUP TRUST**

As of January 7, 2008

**ASSET ALLOCATION**

Asset Class		Target		Actual		Range		Difference vs.	
		\$	%	\$	%	Minimum	Maximum	Target	\$
<b>EQUITY</b>									
<b>US Large Cap</b>									
S & P Enhanced Index	INTECH	118.57	3.50%	143.14	4.23%	2.50	4.50	24.57	
S & P Enhanced Index	T Rowe Price	118.57	3.50%	129.99	3.84%	2.50	4.50	11.42	
Large Cap Growth	INTECH	67.75	2.00%	67.86	2.00%	1.50	2.50	0.11	
Large Cap Growth	T Rowe Price	67.75	2.00%	65.03	1.92%	1.50	2.50	(2.72)	
Large Cap Value	AllianceBernstein	101.63	3.00%	128.73	3.80%	2.00	4.00	27.10	
Energy	Mitchell Group	50.81	1.50%	51.56	1.52%	0.00	2.00	0.75	
Energy	Orleans Capital	50.81	1.50%	49.63	1.47%	0.00	2.00	(1.18)	
<b>Total US Large Cap</b>		<b>575.89</b>	<b>17.00%</b>	<b>635.94</b>	<b>18.77%</b>			<b>60.05</b>	
<b>US Small Cap</b>									
	Eagle Asset Management	169.38	5.00%	155.69	4.60%	4.00	6.00	(13.69)	
<b>Total US Small Cap</b>		<b>169.38</b>	<b>5.00%</b>	<b>155.69</b>	<b>4.60%</b>	<b>4.00</b>	<b>6.00</b>	<b>(13.69)</b>	
<b>Private Equity</b>									
	NTOF	0.00	Committed	4.34	0.13%	0.00	0.00	0.00	
	Huff Alternative Fund	100.00	Committed	97.52	2.88%	0.00	0.00	0.00	
	Merit Energy	55.00	Committed	14.55	0.43%	0.00	0.00	0.00	
	Levine Leichtman Capital Partners	75.00	Committed	37.58	1.11%	0.00	0.00	0.00	
	Huff Energy Fund LP	100.00	Committed	30.26	0.89%	0.00	0.00	0.00	
	Lone Star Growth Capital	16.00	Committed	12.20	0.36%	0.00	0.00	0.00	
	JPMorgan Infrastructure	20.00	Committed	20.00	0.59%	0.00	0.00	0.00	
	RREEF Infrastructure	50.00	Committed	50.85	1.50%	0.00	0.00	0.00	
	Pharos	30.00	Committed	24.58	0.73%	0.00	0.00	0.00	
	BankCap Partners	20.00	Committed	8.47	0.25%	0.00	0.00	0.00	
<b>Total Private Equity</b>		<b>338.76</b>	<b>10.00%</b>	<b>300.35</b>	<b>8.87%</b>	<b>8.00</b>	<b>12.00</b>	<b>(38.41)</b>	
<b>Total Domestic Equity</b>		<b>1084.03</b>	<b>32.00%</b>	<b>1,091.98</b>	<b>32.23%</b>				
<b>International Equity</b>									
Active Large Cap	Bank of Ireland	135.50	4.00%	126.65	3.74%	3.00	5.00	(8.85)	
Active ACWI x US	Clay Finlay	135.50	4.00%	137.41	4.06%	3.00	5.00	1.91	
Active Enhanced EAFE	Pyramis (Fidelity)	271.01	8.00%	256.44	7.57%	6.00	10.00	(14.57)	
<b>Total International Equity</b>		<b>542.02</b>	<b>16.00%</b>	<b>520.50</b>	<b>15.36%</b>			<b>(21.52)</b>	
<b>Global Equity</b>									
	AllianceBernstein	84.69	2.50%	71.31	2.11%	1.50	3.50	(13.38)	
	OFI	84.69	2.50%	77.71	2.29%	1.50	3.50	(6.98)	
<b>Total Global Equity</b>		<b>169.38</b>	<b>5.00%</b>	<b>149.02</b>	<b>4.40%</b>			<b>(20.36)</b>	
<b>Total Equity</b>		<b>1795.43</b>	<b>53.00%</b>	<b>1761.50</b>	<b>52.00%</b>			<b>(33.93)</b>	
<b>FIXED INCOME</b>									
<b>Global Aggregate Bonds</b>									
	Mondrian Investment Partners	118.57	3.50%	128.81	3.80%	2.50	4.50	10.24	
	Brandywine	118.57	3.50%	128.94	3.81%	2.50	4.50	10.37	
<b>Total Aggregate Global Bonds</b>		<b>237.13</b>	<b>7.00%</b>	<b>257.77</b>	<b>7.61%</b>			<b>20.64</b>	
<b>Global Opportunistic FI</b>									
Global Opportunistic Funds	Huff Alternative Income	0.00	0.00%	0.13	0.00%	0.00	0.00	0.00	
	Oaktree	33.88	1.00%	38.93	1.15%	1.00	3.00	5.05	
	W.R. Huff High Yield	101.63	3.00%	92.72	2.74%	2.00	4.00	(8.91)	
	Ashmore	67.75	2.00%	75.00	2.21%	1.00	3.00	7.25	
	Ashmore GSSF 4	0.00	0.00%	14.00	0.41%	0.00	0.00	0.00	
	Highland Crusader Fund	101.63	3.00%	85.69	2.53%	2.00	4.00	(15.94)	
	Highland Credit Opportunities CDO, L.P	33.88	1.00%	36.10	1.07%	0.00	2.00	2.22	
GOFI Separate Account	Loomis Sayles	169.38	5.00%	177.13	5.23%	4.00	6.00	7.75	
<b>Total Global Opportunistic FI</b>		<b>508.14</b>	<b>15.00%</b>	<b>519.70</b>	<b>15.34%</b>			<b>11.56</b>	
<b>Total Fixed Income</b>		<b>745.27</b>	<b>22.00%</b>	<b>777.47</b>	<b>22.95%</b>			<b>32.20</b>	
<b>GAA</b>									
	Bridgewater	56.57	1.67%	56.23	1.66%	1.00	2.40	(0.34)	
	Mellon	56.23	1.66%	50.40	1.49%	1.00	2.40	(5.83)	
	GMO	56.57	1.67%	51.72	1.53%	1.00	2.20	(4.85)	
<b>Total GAA</b>		<b>169.38</b>	<b>5.00%</b>	<b>158.35</b>	<b>4.67%</b>			<b>(11.03)</b>	
<b>REAL ESTATE</b>									
<b>Total Real Estate</b>	All Real Estate	<b>677.52</b>	<b>20.00%</b>	<b>672.02</b>	<b>19.84%</b>	<b>17.00</b>	<b>22.00</b>	<b>(5.50)</b>	
		<b>677.52</b>	<b>20.00%</b>	<b>672.02</b>	<b>19.84%</b>			<b>(5.50)</b>	
<b>SHORT TERM INVESTMENTS</b>									
		0.00	0.00%	18.26	0.54%	0.00	0.00	18.26	
<b>Total Assets</b>		<b>3,387.60</b>	<b>100.00%</b>	<b>3,387.60</b>	<b>100.00%</b>			<b>0.00</b>	

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Dallas Police & Fire Group Trust

ASSET ALLOCATION AS OF 01/07/2008

Real Estate Portfolio

Real Estate Manager	Total Market Value	Loan Program	Net Equity	Percentage of Real Estate Assets
<b>Separate Account Managers</b>				
Hancock Agricultural	60,405,545	0	60,405,545	8.99%
Forest Investment Associates	42,693,406	0	42,693,406	6.35%
RMK Timberland Group	36,047,331	0	36,047,331	5.36%
INVESCO	49,743,164	27,054,500	22,688,664	3.38%
Kennedy Associates	39,706,586	0	39,706,586	5.91%
L & B Real Estate Advisors LLP	101,539,298	32,420,000	69,119,298	10.29%
Capmark Investments (GMAC)	83,428,940	36,000,000	47,428,940	7.06%
Land Baron	106,632,491	94,656,987	11,975,504	1.78%
Criswell Radovan	51,225,253	18,000,000	33,225,253	4.94%
RREEF	35,694,913	0	35,694,913	5.31%
CDK Realty Advisors	286,541,217	71,179,513	215,361,704	32.05%
Kundson Luxury Housing	32,000,103	28,800,000	3,200,103	0.48%
<b>Subtotal</b>	<b>925,658,247</b>	<b>308,111,000</b>	<b>617,547,247</b>	<b>91.89%</b>
<b>Opportunistic Partnerships</b>				
Hearthstone (MSIII Homebuilding)	743,626	0	743,626	0.11%
Crow Holdings Realty Partners II	218,734	0	218,734	0.03%
Oaktree Capital Management (OCM Fund B)	4,283,540	0	4,283,540	0.64%
Olympus Real Estate Fund II & III	5,368,406	0	5,368,406	0.80%
Hudson Advisors ( Lone Star I, II, III,IV,V)	43,860,182	0	43,860,182	6.53%
<b>Subtotal</b>	<b>54,474,488</b>	<b>0</b>	<b>54,474,488</b>	<b>8.11%</b>
<b>Total Real Estate</b>	<b>980,132,734</b>	<b>308,111,000</b>	<b>672,021,734</b>	<b>100.00%</b>

Total Real Estate with Loan Program (net)

\$672,021,734

Total Fund Market Value

\$3,387,600,000

\$

%

Target Value (\$ and % )

\$677,520,000

20.00%

Market Value (\$ and %)

\$672,021,734

19.84%

Variance from Target

(\$5,498,266)

-0.16%

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**6. Legal issues including, but not limited to: (continued)**

After discussion, Mr. Edge made a motion to receive and file the report by the System's legal counsel. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 11:15 a.m.

The meeting was reconvened at 11:53 a.m.

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**7. Oaktree Loan Fund 2x L.P.**

Amendment to the contract

Mr. Tettamant reported that the General Partner of Oaktree Loan Fund 2x L.P. is requesting certain investor-friendly amendments to the original contract. Several changes have been proposed, including adding one additional annual Audit and Report; making it easier for the investors to remove the General Partner; and improving the L.P.'s rights in recovering debt against a lender.

The System has a \$60,000,000 capital commitment to the investment and \$39,000,000 has been called to date by the advisor. The remaining unfunded capital commitment to this investment is \$21,000,000.

After discussion, Mr. Wachsman made a motion to approve the amendment known as the Limited Partner's Consent to the Second Amended and Restated Limited Partnership Agreement, subject to the final approval of the Administrator and legal counsel. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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**8. 2006 audit report**

Mr. Taylor provided a status update regarding the 2006 audit report.

After discussion, Mr. Wachsman made a motion to receive and file the status report on the 2006 audit report. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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**9. Employee recognition – Fourth Quarter 2007**

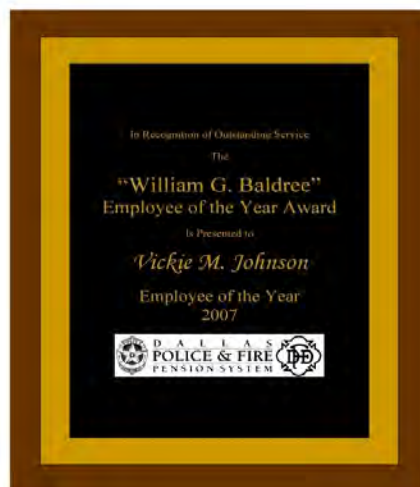
- a. Employee Service Award
- b. Employee of the Quarter Award
- c. The William G. Baldree Employee of the Year Award

Gerald Brown, Chairman, and Richard Tettamant, Administrator, presented an Employee Service Award to Erica Ramsey for 10 years of service with the City of Dallas and the Pension System.

Messrs. Brown and Tettamant presented a performance award for Employee of the Quarter, Fourth Quarter 2007, to Gale Paul, Pensioner Advocate.



Messrs. Brown and Tettamant presented the Jerry Baldree Employee of the Year Award for 2007 to Vickie Johnson, Accounting Specialist. The Employee of the Year is chosen from among the four Employee of the Quarter Awards for the year.



No motion was made.

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The meeting was recessed at 12:09 p.m.

The meeting was reconvened at 2:29 p.m.

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**10. Possible new investment through Best Associates**

Doug Frederick, CEO, of Whitney International University System, and Tom Evans, Partner, Best Associates, presented a potential private equity investment in Whitney International University System to the Investment Advisory Committee (IAC) today. The IAC recommended that the full Board consider the possible new investment.

Best Associates is a privately owned merchant banking institution located in Dallas, Texas. Whitney International University usually provides education opportunities outside the United States. Initially, the focus of the company will be located in Brazil, Mexico, Argentina, Colombia, Peru, and Panama. Other opportunities may be available for Whitney International as the company expands. The company intends to offer high quality, market-relevant degree programs in a low cost and lower tuition environment than traditional public or private schools.

After discussion, Mr. Edge made a motion not to proceed with the investment opportunity through Best Associates. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

**11. Possible new investment through HM Capital**

John Muse, Chairman, and Charles Bauer, Vice President - Investor Relations, from HM Capital Partners, discussed a possible new private equity investment in HM Capital Partners LLC Sector Performance Fund with the Investment Advisory Committee (IAC) today. The IAC recommended that the full Board consider the possible new investment.

HM Capital is a Dallas, Texas based private equity firm. HM Capital Partners in the Sector Performance Fund will concentrate primarily on investments in food, media, and energy companies. The advisor intends to control or co-control investments in the portfolio. The geographic focus will be investments located in the United States and Canada. Transaction sizes for equity investments in the portfolio are expected to be in the \$50 million to \$125 million range.

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**11. Possible new investment through HM Capital (continued)**

After discussion, Mr. McCollum made a motion to approve an investment of \$50 million in HM Capital Partners LLC Sector Performance Fund, subject to successful due diligence, contract negotiations, and the final approval of the Administrator and legal counsel, to authorize the Chairman to execute the contract, and to authorize the Administrator to perform all necessary acts and exercise all appropriate discretion to consummate the investment and ongoing operation. The funding will be sourced from the domestic equity portfolio. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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**12. Retention Incentive Compensation Plan**

Mr. Tettamant stated that the Board approved the Retention Incentive Compensation Plan at the December meeting. The chairman had asked that the Plan be placed on the January agenda for further discussion.

After discussion, Mr. Tomasovic made a motion to amend the Retention Incentive Compensation Plan approved by the Board at the December 13, 2007 meeting and direct the Administrator to implement the new guidelines. Mr. Edge seconded the motion, which was approved by the following vote:

For: Tomasovic, Edge, Brown, Mays, McCollum, Umlor, Wachsman  
Opposed: Shaw

\* \* \* \* \*

**13. CDK**

- a. Belmont
- b. Status of existing portfolio and plans for future activities with regard to that portfolio

Ken Cooley, Jon Donahue, Brent Kroener, and Marshall Edwards from CDK Realty Advisors, were present for a discussion and update on the Belmont investment.

The Board went into a closed executive session – real estate at 2:30 p.m.

The meeting was reopened at 2:37 p.m.

CDK also discussed the status of existing portfolio and plans for future activities with regard to that portfolio

After discussion, Mr. Wachsman made a motion to receive and file the reports by CDK Realty Advisors. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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**C. BRIEFING ITEMS**

**1. Reports and concerns of active members and pensioners of the Dallas Police and Fire Pension System**

No members or pensioners were present to discuss concerns. No motion was made.

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**2. Administrator's report**

- a. Custodial bank/consultants update
- b. Investment managers update
- Professional services providers update
- c. National Conference on Public Employee Retirement Systems (NCPERS) and the Texas Association of Public Employee Retirement Systems (TEXPERS)
- d. General administration update
- e. Continuing education/investment research

Mr. Tettamant presented the monthly report on performance returns by JPMorgan Chase & Company, the System's custodial bank.

Mr. Tettamant briefed the Board on the investment managers and professional services providers, and other current developments relating to the Pension System.

Mr. Edge made a motion to receive and file the Administrator's report. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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**3. Board operations and procedures**

No discussion was held.

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The Administrator stated that there was no further business to come before the Board. On a motion by Mr. Edge and a second by Mr. McCollum, the meeting was adjourned at 4:10 p.m.

*[Signature]*

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Gerald Brown  
Chairman

**ATTEST:**

*[Signature]*

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Richard L. Tettamant  
Secretary