

**Dallas Police and Fire Pension System**  
**Tuesday, March 8, 2011**  
**8:30 a.m.**  
**4100 Harry Hines Blvd., Suite 100**  
**Second Floor Board Room**  
**Dallas, TX**

Quarterly meeting, George J. Tomasovic, Chairman, presiding:

**ROLL CALL**

**Board Members**

Present: Jerry Allen, Samuel L. Friar, Sheffield Kadane, John M. Mays, Rector C. McCollum, David A. Neumann, Richard A. Salinas, Steven G. Shaw, George J. Tomasovic, Steven H. Umlor, Richard H. Wachsman

Absent: None

**Staff**

Richard Tettamant, Don Rohan, Brian Blake, Mike Taylor, Talal Ellass, Josh Mond, John Holt, Jerry Chandler, Corina Rocha, Larry Landfried, Christina Wu, Greg Irlbeck, Linda Rickley

**Others**

Rhett Humphreys, Keith Stronkowsky, Jeff Roberts, Neil Auerbach, John Cavalier, Larry Henry, Erica Leffler, John Muse, Andrew Rosen, Jason Downie, Charles Gromatzky, Mark Manske, Jaime Ramirez, Richard Haight

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The meeting was called to order at 8:31 a.m.

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**DISCUSSION AND APPROVAL OF ITEMS FOR INDIVIDUAL CONSIDERATION**

- 1. Reports and recommendations of NEPC, including, but not limited to the following:**
  - a. Quarterly investment performance report for the fourth quarter ended December 31, 2010
  - b. Third quarter 2010 private markets review

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**1. Reports and recommendations of NEPC (continued)**

Rhett Humphreys, Partner, Keith Stronkowsky, Consultant, and Jeff Roberts, Consultant, Private Markets, from NEPC, the System's general investment consultant, were present to discuss various reports and recommendations. Messrs. Humphreys and Stronkowsky reported on the quarterly investment performance report for the fourth quarter ended December 31, 2010. Mr. Roberts gave the third quarter 2010 private markets review.

After discussion, Mr. Shaw made a motion to receive and file reports and recommendations from NEPC. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 9:43 a.m.

The meeting was reconvened at 9:53 a.m.

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**2. Hudson Clean Energy Partners, L.P.**

Neil Auerbach, Founder, Managing Partner, John Cavalier, Managing Partner, Larry Henry, Partner, Head of Investor Relations, and Erica Leffler, Senior Analyst, from Hudson Clean Energy Partners, L.P, one of the System's Global Natural Resources Managers, were present and provided the Board with an organizational update, and presented a new possible investment in Hudson Clean Energy Fund II.

Mr. Tettamant stated that in June of 2009, the Board approved a \$25 million investment in Hudson Clean Energy Fund I, a \$1 billion fund specialized in clean energy such as wind, solar, and energy efficiency. As of September 30, 2010, the System had \$17.5 million invested in the fund, and on November 16, 2010, the fund distributed \$5.4 million back to the System due to sale of Recurrent Energy, which generated a gross IRR of 75.6%.

Hudson also presented to the Board their Clean Energy Fund II, a \$2 billion targeted fund with the same investment strategy as Fund I, an increased allocation to emerging markets, and added sectors such as geothermal, related infrastructure, storage, smart grid, green buildings, and biofuels.

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**2. Hudson Clean Energy Partners, L.P. (continued)**

After discussion, Mr. Salinas made a motion to approve a \$30 million investment in Hudson Clean Energy Fund II, to be mainly funded by return of capital from Fund I, and to authorize the Administrator to execute documentation, perform all necessary acts and exercise all appropriate discretion for this investment. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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**3. HM Capital Partners**

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

John Muse, Chairman and Co-founder, Andrew Rosen, Partner, and Jason Downie, Partner, of Dallas-based private equity manager HM Capital Partners, were present for the meeting. The firm is lead by co-founder and Chairman John Muse. HM Capital Partners is one of the System's private equity managers through the Sector Performance Fund L.P. The HM Capital representatives discussed an organizational update of the firm, the status of the existing portfolio, and plans for future activities with regard to that portfolio. HM Capital Partners has been a private equity manager for the System since October 2008.

The Sector Performance Fund L.P. concentrates on private investments in media, energy, and food companies. The System has funded approximately \$38.6 million of the \$47.3 million capital commitment to the fund, and the remaining unfunded capital commitment is approximately \$8.7 million. The market value of the System's investment in the Sector Performance Fund, L.P. is approximately \$27.5 million as of September 30, 2010.

Although the fund is still in the commitment/investment period which ends December 31, 2012, the fund has underperformed and written off one \$76 million asset.

After discussion, Mr. Shaw made a motion to receive and file the reports from HM Capital Partners. Mr. Salinas seconded the motion, which was unanimously approved by the Board.

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**4. Possible amendment to Amended and Restated Agreement of Limited Partnership of Yellowstone Energy Ventures II, LP**

Yellowstone Capital Partners, based in Houston, TX, has been one of the System's private equity managers since September 2008. The General Partner requested that the Limited Partners approve an amendment to allow the fund to increase the amount invested in any portfolio company from 10% to 15% of the fund. The Yellowstone Energy Ventures II, LP Advisory Board has recommended to the General Partner that this amendment be considered for approval.

After discussion, Mr. Umlor made a motion to authorize the Administrator to execute documentation, perform all necessary acts and exercise all appropriate discretion to facilitate the requested change to the existing agreement. Mr. Salinas seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 11:47 a.m.

The meeting was reconvened at 12:03 p.m. at 3090 Olive Street, Suite 500, Dallas.

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**5. Due diligence for North Texas investment**

The Board and staff conducted a due diligence meeting at the office of Gromatzky, Dupree & Associates, architect of record for Museum Tower. Museum Tower is a 42-story, high-rise condominium project located in the heart of the Arts District of Downtown Dallas, in which the System is invested. The Project broke ground in July of 2010 and is currently under construction.

After discussion, Mr. Shaw made a motion to receive and file the reports from Gromatzky, Dupree & Associates. Mr. Salinas 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. Wachsman and a second by Mr. Mays, the meeting was adjourned at 1:16 p.m.

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George J. Tomasovic  
Chairman

**ATTEST:**

*[signature]*

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Richard L. Tettamant  
Secretary

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