

TOWN OF DAVIE POLICE PENSION PLAN

Minutes

January 14, 2013
5:00 P.M.

The special meeting of the Board of Trustees of the Town of Davie Police Pension was called to order on behalf of the Board by the Plan Administrator Bob Dorn on January 14, 2013 at 5:07 p.m. at the Town of Davie Police Department, 1230 South Nob Hill Road in Davie, Florida

TRUSTEES PRESENT:

Mr. Greg Brilliant, Chairman, Mr. Larry Davis, Secretary, Mr. Jack Mackie, Board Trustee, and Mr. Ed Taylor, Board Trustee.

Mr. Thomas DiMeglio, Board Trustee arrived later in the meeting (6:15 p.m.).

OTHERS PRESENT:

Mr. Adam Levinson, Board Attorney, - Klausner, Kaufman, Jensen & Levinson; Mr. Bob Dorn, Plan Administrator - Precision Pension Administration, Inc.; and Mr. David Lee - Dahab & Associates.

Mr. David Weiner (Vice-Chairman) and Mr. Robert Bartlett of Sentinel Real Estate Corporation arrived at the meeting at approximately 5:12 p.m. and left the meeting at approximately 5:45 p.m. Mr. Peter Palandjian (Chairman & CEO) and Mr. Peter Hapgood (Director) of Intercontinental Real Estate Corporation arrived at the meeting at approximately 5:45 p.m. and left the meeting at approximately 6:20 p.m. Michelle Foss (CFA) and Minnie Sanford (Senior Vice President) of Bailard arrived at the meeting at approximately 6:15 p.m. and left the meeting at approximately 6:45 p.m.

It should be noted that there was a quorum for the Board to have an official meeting.

INVESTMENT MANAGER INTERVIEWS:

Mr. David Lee opened this part of the meeting by stating that the purpose of the special meeting is to interview three new real estate managers. He advised that the Plan is going to appropriate a total of 2-3 million to invest one or more of the managers that we will interview today. He advised that the funds to invest will be taken from some of the bond investment managers.

Mr. Lee advised that the three real estate managers that we will interview today are Bailard, Intercontinental Real Estate Corporation and Sentinel Realty Advisors Corp. He advised that each of these companies differ in their investment strategy. He gave an overview of each of the managers.

Mr. Lee advised the Bailard company is located in Foster City California. It was founded in 1969. It began including real estate in their portfolios in 1972. Bailard currently manages 387 million in real estate and a total of 1.8 billion in assets. He advised that this is an open-end fund. He advised that this manager is diversified into various property

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types with 47% of their investments in multifamily properties and most (44%) of the properties under investment are in the pacific area of the United States.

Mr. Lee advised that Intercontinental Real Estate Corporation was first formed in 1959 as a construction and engineering company. The company evolved in the 1070's and 1980's into a real estate development company. In the 1990's the company began to focus on private equity real estate investment management and advisory services to both taxable and tax-exempt entities. The firm currently manages 2.3 billion in real estate assets of which 1.1 billion is the US Real Estate Investment Fund (REIF). The company's portfolio is constructed using "yield-driven" real estate and real estate-related assets that are broadly diversified by geography and property type. This is an open-ended fund. This company's majority investment property type is office (39%) and 43% of its property is in the eastern part of the United States.

Mr. Lee advised that Sentinel Realty Advisors Corp is a New York, New York based firm. It began its investment and property management activities in 1969 as a division of Smith Barney. In 1976, the Sentinel Real Estate Fund was founded. A group purchased the company and they began independent operations in 1988. It has been a privately held company since that time. It manages approximately 4.5 billion in assets. Each of its funds is commingled. Multifamily assets will be targeted to comprise at least 85% of the portfolio. They invest in secondary markets as pursues a top-down and bottom-up approach to investment origination.

Mr. Lee advised that each manager will be given 30 minutes to give their presentation and after each presentation the Board will discuss each manager. Mr. Lee encouraged the Board to ask questions.

Mr. Lee introduced Mr. David Weiner, Vice-Chairman and Mr. Robert Bartlett, Managing Director of Sentinel Real Estate Corporation. They began their presentation at approximately 5:15 p.m.

Mr. Weiner advised that the company was established in 1969 and is a privately-held real estate advisory firm headquarters is located in New York City. They have 14 management offices around the United States. The company has over 1,100 employees. The company offers a vertically-integrated operating platform with its employees accountable for all phases of the investment process, including property management.

Sentinel has both multifamily and commercial investment strategies within core, core-plus and value-added mandates. It has approximately \$4.5 billion in real estate assets under management including over 32,000 multifamily units located in 48 US markets and in 29 states.

Mr. Weiner advised that the fund target markets are reviewed quarterly and selected based on several key factors, including: long-term population and employment growth, projected low to moderate new supply, existing or planned mass transportation facilities

and the presence of major corporate, academic, or government employers or a widely diversified employment base. The leverage of properties is generally not to exceed 40% of the total gross asset value of the fund. The fund targets single assets transactions generally in the \$25 to \$50 million range.

Mr. Weiner advised that the demand for apartments is expected to continue to outpace new supply additions. This is supported by a stabilizing job market, favorable renter demographics, tighter underwriting standards for home loans and shifting lifestyle choices in the United States. A total of 196,468 units are projected to be completed in 2012 and 2013, while the net absorption is expected to measure 291,557 units during the same two-year period. The US apartment vacancy rate is expected to reach 4.3% by the year-end 2012 which reflects a 60 basis point decline from 2011 and the apartment sector's lowest vacancy rate since 2000. The effective rents in 2012 are anticipated to grow between 2% and 4%. Mr. Weiner advised that with strong fundamentals and low interest rate environment, the multifamily sector is expected to maintain its current status as the preferred property type for investors seeking exposure to real estate.

The primary apartment renters in the United States are individuals and family households between the ages 18 to 34. This age group will continue to grow for the next ten years. Also, at the same time, the US population aged 65 to 74 is poised to show significant growth as the "Baby Boom" generation reaches its retirement years. This age group will prefer apartments for their primary renters as they become empty nesters and seek convenience of low maintenance apartment living. This has been shown by the decline in homeownership over the last eight years. It is expected that 15.1 million people will enter the two different age groups over the next ten years.

Mr. Weiner advised that the fund is for immediate opportunity to invest in an existing portfolio of stabilized, institutional quality US multifamily rental communities generating current income. They have distributed income to investors every quarter since inception in 1976.

Mr. Weiner advised that their performance targets are expected to be in 2013 between 8% to 9% for income yields, 6.6% in projected appreciation and the total returns before fees is 13% to 14%. Mr. Weiner advised that their core product is 90% occupied with low cost debt and the majority of properties less than ten years old.

Mr. Weiner advised that the fund has 27 month redemption period, but has historically paid within a year period. The Davie Police Pension Plan can invest within the quarter. The fund is looking to acquire 300 million this year in new investments.

Mr. Levinson inquired if Sentinel is a registrar investment advisor? Mr. Weiner advised that Sentinel is not. He also advised that Sentinel will act as a fiduciary to the plan and will issue a side letter. Mr. Weiner advised that they have had one lawsuit which was

settled for 34 million. This case stem from a client who asked for redemption immediately when the market was on the down side in 2009.

Mr. Weiner advised that they work in transparency and they want to thank the Board for allowing them to give a presentation on their company. Mr. Weiner and Mr. Bartlett concluded their presentation at approximately 5:45 p.m. and then left the meeting.

Mr. Lee introduced Mr. Peter Palandjian (Chairman & CEO) and Mr. Peter Haggood of Intercontinental Real Estate Corporation to the Board at approximately 5:45 p.m.

Mr. Palandjian advised that Intercontinental Real Estate Corporation is a Boston based firm. They have approximately 40 clients in the State of Florida. The product that he will be mainly giving the presentation on is core-plus which a good product is in his opinion for the Board.

Mr. Palandjian advised that the company has changed over the last fifty years. The company started in 1959 as a construction and engineering firm. In the 1970's, the company evolved from a large scale construction company to a regional real estate development firm. In the 1980's, the company became vertically integrated into asset management, construction management, property management, finance, brokerage and consulting services. They applied value-added skills to a diverse range of property types. In the 1990's to present, the core business is private real equity investment management and advisory services. They are a SEC registered investment advisor. They have 2.35 billion in assets under management. They have over \$250 million in public pension funds under management. Approximately 70% of their clients are police and fire pension plans.

Mr. Palandjian advised that their corporate structure is a limited liability company with an open-ended commingled investment vehicle. Their strategy is yield driven property assets with a multi-disciplinary investment strategy targeting average annual cash yield of 6-8% and a total return of 10%. The portfolio will be diversified geographically and in North America. They will have all different property types such as office, multifamily, industrial, rental, etc...

Mr. Palandjian advised that 25% of the fund's assets are appraised each quarter by an independent appraisal firm. There is no lock-out period. The liquidity for redemption available on a quarterly basis. They have 95 investors to this date. They have approximately \$1.1 billion in this fund. They have 32 portfolio investments.

Mr. Palandjian advised that he is the CEO and will not disappear. He advised that his employees are career real estate employees. He advised that Chris Boehm is the Director of Research and the Chief Compliance Officer. The firm has advisory boards that are not fiduciaries but just advisors to the company. This advisory board is a diverse group of individuals who bring a wealth of knowledge and experience to the company. We have 85 employees and contract out work to various property managers and other related

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fields. We like to hire outside companies for these various functions as to keep a strict professional relationship with the people and firms that manage the properties. We have 32 projects that we know the budget numbers for the next two years. Our goal is to have the properties at 50% leverage and currently all of the projects are at 40% or less. The 40% leverage in a volatile market is the key to good returns in a down market.

Mr. Palandjian advised that 80% of the fund is core and core-plus type investment. He advised that if we do our job, it should take core-plus type properties and turn them into core type properties. The rest of the fund (20%) is value-added type properties. The weighted average cost of debt is 5.2%. We only have fixed rate mortgages on the properties. He advised that one of their strongest portion of the fund is their asset management of the projects. They have 88% weighted average portfolio occupancy for all of their projects. They only have 1.6% of their leases that are expected to expire in 2012 and only 8.6% of their leases set to expire in 2013. He advised that their properties produce a consistent income yield and he firmly believes that 2012 will yield a position north of 6%. He is confident of this statement.

Mr. Palandjian advised that there is property diversification. They have projects in these various types of real estate: Office, healthcare, industrial, hotel, student housing, senior living, multifamily, and retail. Their properties have geographic diversification. They purchase property in the 15 to 70 million dollar property range. They attempt to acquire all of their properties in the 15 major primary markets in the United States.

Mr. Palandjian advised that his company is different in that we do equity not just management fees. We do not take a debt fee or partial fee on property loans. We don't marry onto a property. We look objectively at each project short and long term. We are a diversified core type property fund.

Mr. Palandjian thanked the Board for his opportunity for his company to give a presentation of the fund product and what his company is about. Mr. Palandjian and Mr. Hapgood concluded at approximately 6:20 p.m. and then left the meeting. Trustee DiMeglio arrived at the meeting.

Mr. Lee introduced Michelle Foss (CEO) and Minnie Sanford (Senior Vice-President) of Bailard Real Estate Investment Trust I Fund.

Michelle Foss advised that Bailard was founded in 1969 and is employee owned. They are headquartered in Foster City, California. They have a broad base client base with taxable and tax-exempt investment services for high net worth individuals, corporations, foundations, endowments, public plans, sovereign wealth funds and sub-advisory clients. They have 49 employees of which 18 are asset management professionals and 10 investment counselors. The average tenure of their employees is 14 years. They have provided real estate experience to investors for 40 years. The firms first REIT was established in 1990.

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Michelle Foss advised that her firm provides three main areas that set their company apart from any other. They have shareholder governance with an independent board. They have a portfolio strategy that has an active portfolio management, quality properties in key markets and risk control mechanisms. They have a liquidity feature which has been \$597 million in liquidity provided since inception. The result of these main areas has resulted in 22 years of providing a robust solution to investors seeking and open-ended, private equity real estate strategy.

Michelle Foss advised the key issues to investing in real estate today are fees, investment management focus, investor communication, organizational stability and fund size. The Bailard approach is to have aligned interest in fees, performance focus in investment management focus, transparency in investor communication, independent employee owned in our organizational approach and we are nimble in our fund size.

Michelle Foss says our distinctive approach has worked. It is our mission to pursue the perfect portfolio that optimizes the tradeoff between risk/return with in the real estate asset class. It is this pursuit that constantly challenges us to embrace innovation and selectively engage risk in an effort to generate attractive risk-adjusted total returns. The portfolio may include a mix of core, value-added and opportunistic properties. As active managers we focused on value creation in that we also may make strategic shifts in the portfolio in response to changing economic and market conditions.

Michelle Foss advised that some of their critical activities are to seek investments exhibiting situational mispricing, added value by repositioning the property, identify and implement exit strategy, realize gains and redeploy proceeds. In other words, we do not just buy and hold and later sell.

Michelle Foss gave an example of one of their properties called the Lake View which was located in Seattle, Wa. She explained how the property was foreclosed upon and less than 44% occupied. They purchased the property for various positive reasons. They then maximize the value of the property to increase occupancy to 99% and the rents exceed underwriting by 5%. The property was purchased at 19 million and recently received an unsolicited offer of 39 million for a property purchase less than three years ago.

Michelle Foss advised that they are active managers who modulate between core and value –added strategies for their properties. Their fund consists of 65% core, 25% value-added and 10% opportunistic. They have diversification in their properties. Their main property type is apartments (43%), but they have land, development, mixed use, retail, industrial and office.

Michelle Foss advised that they have geographic region diversification in the portfolio. A majority of their properties is in the pacific area of the United States. They look for growth areas as well as job growth areas for properties. They look at major markets not secondary markets.

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Michelle Foss advised that they not only have top-down but also bottom-up strategy. They have portfolio controls which include geographic/economic regions, diversification, enterprise diversification, property type diversification, property size and leverage. They have property risk controls which include due diligence, hold/sell analysis, exit strategy, property life cycle diversification, value-added tactics, business plan execution and investment control. They control fuel our portfolio risk and return profile.

Michelle Foss advised that every property is taken in front of the Board for all buys and sells. The reason for this is that people get in love with deals and are sometimes unable to back off and sell or buy. Transparency is the key to our organization. We value each property each quarter and also have an outside appraiser value the property. If there is a difference, then the Board makes the final decision on valuation. They have found that 3rd party appraisers have usually been wrong when we sell properties in that they lag behind in the true market value of the property.

Michelle Foss advised that they target property values between \$6 to 52 million. They have a maximum leverage of 50% but target 30% to 40% for each property. The fund loan to value is 36% for all of their properties. Their weighted average interest rate is 4.41%. They have 9 quarters of consecutive growth. The occupancy rate for all of their properties is 95%. They have a manageable 17% of leases expiring in 2012.

Michelle Foss explained how the company put in new management, completed renovations, changed the usage in some properties, made active management decisions which led to success stories in the BLVD Place project in Houston, and the Rafael Town Center in San Rafael, CA.

Michelle Foss advised that liquidity available each quarter is event driven and may vary from quarter to quarter. They have an annualized return since inception of 8.79% (gross) and 8.37% (net).

Michelle Foss advised that the Board should consider Bailard because of their distinctive approach, proven investment strategy, transparency, accountability and with one agenda to seek maximize returns.

Michelle Foss thanked the Board for the opportunity to allow her firm to give a presentation to the Board. Michelle Foss and Minnie Stanford concluded the presentation and left the meeting at approximately 6:45 p.m.

Mr. Lee started the discussion and inquired if anyone wanted to discount any of the funds. All Board members decided to not select Sentinel Real Estate Fund with the main reasons being diversification of type of properties, the majority of investment in secondary markets and it was a closed-end fund.

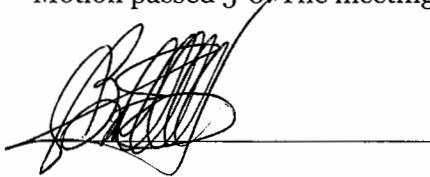
The Board then had to decide between Bailard and Intercontinental Real Estate Corporation. Mr. Lee advised that this is the third fund for real estate that the Plan will be investing in. Trustee Davis advised that he was impressed with Bailard and their strategy. Trustee Mackie advised that he would vote for Intercontinental. Trustee Taylor advised that he would like Intercontinental and they have numerous public pension plans already under management. Chairman Brilliant liked Intercontinental. Trustee DiMeglio advised that he would vote for Intercontinental.

Trustee Taylor made a Motion to hire Intercontinental Real Estate Corporation and to invest up to three million dollars in this fund. Trustee Mackie seconded the Motion. The Motion passed 5-0.

Mr. Lee advised that he would inform the management of Intercontinental and start the process for the contract with the Board attorney. Mr. Lee advised once again that the money will be taken from the bond managers to fund this investment.

ADJOURN:

Mr. Taylor made a motion to adjourn the meeting. Mr. Mackie seconded the motion. The Motion passed 5-0. The meeting was adjourned at 7:02 p.m.

A handwritten signature in black ink, appearing to read 'Greg Brilliant', is written over a horizontal line.

Greg Brilliant, Chairman