HOLLYWOOD POLICE OFFICERS' RETIREMENT SYSTEM
Office of Retirement
4205 Hollywood Blvd., Suite 4
Hollywood, Florida 33021

July 27, 2012

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, July 27, 2012, at 10:30 A.M., in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

PRESENT:

D. Strauss, Chairman, C. Marano, Secretary, C. O'Brien, R. Brickman, P. Laskowski and V. Szeto

Also present were Brendon Vavrica of Thistle Asset Consulting; Peter Palandjian, Peter Hapgood & Devin Sullivan, Intercontinental Real Estate Corporation; Scott Darling & Richelle Hayes, American Realty Advisors; Alan Ashworth, Eagle Asset Management; Alison Bieler, Board Attorney; David M. Williams, Plan Administrator.

Excused Absence: L. Wiener

READING OF THE WARRANTS

The warrants since the last meeting were reviewed and executed by the Board of Trustees.

APPROVAL OF THE MINUTES OF THE June 29, 2012 MEETING

Approval of the minutes were tabled

ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

DROP LOANS: Mr. Williams cited the respective member's loan requests. Mr. Williams outlined that the members have the funds in their personal DROP accounts to cover the loans and they have all been participants in the DROP plan for the required amount of time. No conflict exists with the 12-month rule. Mr. Szeto made a motion to approve the DROP loans as noted, which was seconded by Mr. Laskowski. All board members voted yes.

ATTORNEY'S REPORT

No formal report by Mrs. Bieler

QUARTERLY PRESENTATION BY EAGLE ASSET MANAGEMENT

Mr. Alan Ashworth appeared before the Board and stated the market value of Eagle Account was at $12,660,666.00 as of June 30, 2012. Since inception (*01-08-03*) the Eagle Small Cap Account realized an annualized gross return of 10.19%, compared to the Russell 2000 of 9.27%. For the quarter ending June 30, 2012, Eagle Small Cap Account returned -5.29%, compared to -3.47% for the Russell 2000. The 3 & 5 Year returns were valued at 16.76% & 1.29% in comparison to the benchmark returns of 17.80% & 0.54% respectively.

Detailed information was provided as follows: It was reported that the most disappointing sector was consumer cyclicals, in which two particular stocks – Steve Madden and Men's Wearhouse – drove underperformance. Steve Madden traded down along with its shoe-business peers despite the company reporting no significant news. Eagle's channel checks lead them to believe Madden's long-term fundamentals remain intact. Men's Wearhouse, which sells 20 percent of the suits sold in the United States, reduced its short-term earnings outlook due to the timing of a significant uniform contract. Eagle management likes this leading retailer's long-term fundamentals; in the meantime, the stock has a 10 percent free-cash-flow yield and the company indicated it plans to continue a share-buyback program.

The portfolio was hurt in the financials sector due to the poor performance of one bank and lack of high-dividend-paying REITs. First Horizon suffered from unexpected mortgage charge-backs. Eagle sold the company after that negative surprise. Most of the REITs (e.g., Rayonier, Mid-America Apartment Communities and LaSalle) are considered "growth" companies and have – among their peers – low dividend yields. Eagle believes the real value is on the growth side of this industry and not among what they consider the overvalued yield stories.

Information technology was the strongest relative contributor. In the software industry, Aspen Technology increased on a strong earnings report that highlighted the gains the software company is making in its licensing model, which continues to increase its free-cash flow. In IT services, Cardtronics was up after it released a strong earnings report and raised the midpoint of its 2012 guidance range for revenue and income. Furthermore, the company announced contracts for additional ATM locations, including a large U.K. convenience-store chain and a significant relationship in Canada.

Cogent Communications, Eagle's only telecommunication-services holding, was flat while the sector was down in the index. The fiber-based data carrier is still seeing 9 percent traffic-volume growth and it has the potential for more growth: Netflix is now using Cogent's lines due to its low-cost-provider edge. Also, Cogent's board announced it will pay its first dividend in September.

Eagle remains cautious with financials and energy. Most of Eagle's year-to-date underperformance in the energy sector has been due to a lack of refiners, which have been robust. Low gas prices have made them possible exporters of refined product. However, they are comfortable with the position because nearly all small-cap refiners are – in their view – of low quality. Eagle's largest energy holding, Oil States, is one of the few oil stocks whose earnings estimates went up substantially this quarter; nevertheless, the stock traded down 15 percent. Eagle likes the stock because only 30 percent of the company is exposed to oil prices and much of that is in the healthier deep-water area.

Eagle has some exposure to the consumer staples and utilities sectors but they generally are special situations because they believe the valuation backdrop for those sectors is at historically high levels. Most staples are – in their view – overvalued and they own essentially one name there: Flowers, a consolidator of the bread industry that performed well. Allete is one of their few utility holdings; it pays a healthy dividend and is still growing.

Mr. Williams asked Mr. Ashworth to provide NET returns in all future reports. Mr. Ashford was also reminded that active management plays an important role in this portfolio. As such the Board expects outperformance.

REAL ESTATE PRESENTATIONS

Mr. Brendon Vavrica of Thistle Asset Consulting presented the Board with a manager search booklet. The proposal for the Board to consider is a 7% allocation to real estate investments.

Mr. Vavrica advised that the individuals and firms appearing are as follows: Mr. Peter Palandjian, Mr. Peter Hapgood & Mr. Devin Sullivan of Intercontinental Real Estate Corporation; Mr. Scott Darling & Ms. Richelle Hayes of American Realty Advisors.

American Realty Advisors representatives told the Board that they are one of the largest privately-held real estate investment advisors in the U.S.—Over $4.5 billion in assets under management—More than 150 properties in major MSAs across the United States—280+ institutional clients. Their experience was described as follows: Over two decades of demonstrated expertise providing innovative real estate solutions—Key professionals with an average of 26 years of investment management experience. Their services were outlined as follows: American provides a full range of core, core-plus and value-added services—Commingled Fund and Separate Account Management—Portfolio and Asset Management —Real Estate Acquisition and Disposition Services—Portfolio Takeover and Asset Enhancement Services—Structured Finance Underwriting and Management.

Risk Management was described as the foundation of the firm. The representatives outlined the extensive experience acting as a fiduciary and "Prudent Person" investing in accordance with state and federal fiduciary guidelines. Disciplined long-term investment strategy was highlighted. Risk control forms the basis of their investment process was reviewed. No litigation with clients concerning investment management services provided by American. The representatives also noted their role as a steward of the capital for plan participants and their beneficiaries.

The representatives outlined the Pure Core Strategy, leverage discipline and low lease rollovers. Investment property themes were reviewed and included office, industrial, retail and multi-family. The valuation process was reviewed. It was reported that each property is appraised at least once each year by an independent appraiser.

Performance was also reviewed, and the following results were noted: The quarter ending June 30, 2012, the fund returned 2.72% vs. the index (NFI-ODCE) which returned 2.52%. On the three and five year basis, the return was 7.69% and -1.26% respectively.

Management fee was reviewed 1.10% on the value of the account.

Intercontinental Real Estate Corporation representatives began their presentation providing a firm overview dating back to the 1960's. The key professionals were highlighted as was the institutional client listing. The Advisory Board was reviewed, and one notable name was William W. Bain of Bain & Company.

The US REIF Fund summary was described as follows: Multi-disciplinary investment strategy targeting an average annual cash yield of 6-8% and a total return of 10%. The portfolio was described as being diversified geographically. All property types (office, multi-family, industrial, retail, etc.).

Key criteria was that liquidity redemption available on a quarterly basis. Independent appraisals, Debt are marked to market. The current status of the Fund: Capital Commitments (signed & unsigned): $665 million, Capital Invested: $605 million, Undrawn Capital (voted &

unsigned): $45 million, Undrawn Capital (signed): $15 million, 93 Investors and 31 Acquisitions to date.

It was conveyed that it is typical out of a recession, Core-Plus has been slower to recover, but is now positioned to outperform for the near to mid-term. It was also represented to the Board that Core-Plus funds were positioned to invest new client commitments within one to two quarters providing exposure to today's attractive markets.

The diversification of the Fund was also highlighted on a property sector and geographical level. An 88.4% portfolio occupancy level was also noted.

Performance was also reviewed, and the following results were noted: The quarter ending June 30, 2012, the fund returned 2.54% vs. the index (NCREIF -ODCE) which returned 2.54%. On the one, two and three year basis, the return was 13.53%, 12.01% and 4.98% respectively.

Management fee was reviewed 1.10% on the value of the initial investment. Additionally, the earnings based performance fee was reviewed.

The Trustees followed up with various questions and thanked both managers for thought provoking presentations.

<u>OPEN DISCUSSION</u>

Mr. Williams reminded the Trustees that the disability reading file for Ms. Ivette Buoni is on the Trustee desk. Each Trustee was asked to review as time permits. Members were asked if they wanted to hold a special meeting for the claim review. The consensus was to make the presentation part of a normal meeting. Mr. Williams advised the Board that the item will be placed on the agenda for August 17, 2012.

<u>MEETING ADJOURNED</u>

There being no further business, the meeting was adjourned at 12:00 P.M.

The next scheduled meeting is August 17, 2012 at 10:30 AM.

Respectfully submitted, APPROVED:

C. Marano, Secretary D. Strauss, Chairperson