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

September 27, 2019

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, September 27, 2019 at 10:30 AM, in the Office of Retirement, 4205 Hollywood Blvd., Suite 4 Hollywood, Florida 33021.

PRESENT: D. Strauss, Chairman, R. Wise, D. Brickman, P. Laskowski, C. Marano, C. Boyd and V. Szeto.

Also present were Laurette Jean, City of Hollywood; Richelle Hayes of American Realty Advisors; Amy Rosenfelt & Amanda Leong of Wells Fargo; Stuart Kaufman of Klausner, Kaufman, Jensen and Levinson; David M. Williams, Plan Administrator.

PUBLIC COMMENT

No Comments.

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 August 16, 2019 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the August 16, 2019 pension board meeting. Mr. Williams cited he removed Mr. Wise from the minutes as he was not present at the meeting. Mr. Szeto made a motion to approve the Minutes as amended, which was seconded by Mr. Brickman. All Board members voted yes.

ATTORNEY'S REPORT

Covetrus, Inc. – Proposed Security Litigation: Mr. Kaufman referred the Board members to a report prepared by Saxena White related to Covetrus, Inc. The report contained the following:

"As portfolio monitoring counsel for the Hollywood Police Officers Retirement System ("Hollywood Police"), we write to alert you to a significant loss of approximately $71,000 that Hollywood Police suffered as the result of an apparent securities fraud perpetrated by Covetrus, Inc. ("Covetrus" or the "Company") and certain of its executives.

Based in Maine, Covetrus provides animal health technology and services for the veterinary markets. The Company is a product of a February 2019 merger of privately held Vets First Choice ("VFC") and Henry Schein's legacy Animal Health Business ("HSAH"), which Henry Schein spun-off to effectuate the merger. Notably, the HSAH "spin-off" served as a massive cash-out for Henry Schein, as a substantial portion of the debt raised by Covetrus to effectuate the transaction was paid back to Henry Schein as a special dividend.

During the period from February 8, 2019 through August 12, 2019 (the "Class Period"), including in the offering documents related to the spin-off, Covetrus appears to have fundamentally misrepresented the Company's business outlook, particularly related to the newly combined companies' infrastructure and capabilities as well as the true costs of becoming independent from Henry Schein.

Specifically, Covetrus appears to have (i) overstated its capabilities with regard to inventory management and supply chain services; (ii) understated the costs of the integration of HSAH and VFC including the timing and nature of those costs; (iii) understated the costs of its separation from Henry Schein; and (iv) understated the impact on earnings from the loss of a large customer in North America just prior to the HSAH separation.

Instead of disclosing these known negative trends at the time of spin-off and its formation, and to enable Henry Schein to effectuate the carve-out of HSAH at inflated prices, Covetrus obscured and omitted this pertinent information from investors. By doing so, and since investors did not have the benefit of the full mix of information, Covetrus statements that it did make about its business in the spin-off offering documents and throughout the Class Period were false and/or misleading.

Investors belatedly learned the truth on August 13, 2019, when Covetrus shocked investors by reporting a net loss of $0.09 per share for the second quarter of 2019 when the market had been expecting net income of $0.17 per share. In addition, the Company slashed its 2019 EBITDA guidance from as much as $250 million it predicted in May, to just $200 million only months later. In doing so, Covetrus admitted that it would have to spend tens of millions more in infrastructure spending that would hurt its earnings. The Company also admitted that it was having trouble integrating the platforms and would have to speed up spending to eliminate obligations to Henry Schein as part of the spin-off agreement.

In announcing its disappointing second quarter results and lowering its guidance, the Company tried to blame weakness in the veterinary markets for the shortfall. However, investment analysts uniformly rejected that explanation, and said that the excuse "runs counter to our view of the sector following Q2 earnings from companies across the animal landscape." Analysts also said that as a result of these disclosures that were so far below previous estimates that "there are now serious questions around the merger and management's credibility."

In addition, while Covetrus has not been entirely forthcoming about the reasons behind its poor performance when compared to its industry peers, it is clear that a large part of the financial shortfall and guidance cut has to do with the Company's infrastructure in that it is in much worse shape than represented and is requiring much larger investments than previously thought. In fact, the Company has basically admitted that it was wrong at the time of the spin-off. During the August 2019 earnings conference call, the Company stated that they are only now "at a point where we have detailed plans and understanding of the level of infrastructure investment we need to make and how these costs break out ... So we just have a lot greater visibility and more detailed plans now that we're in an implementation mode, and I think that gives us a lot more confidence than where we were in January..."

In response to these revelations, Covetrus stock price plummeted by 40% on August 13, 2019, falling from $23.19 per to $13.89 per share in one day—wiping out over $1 billion in shareholder value. Covetrus stock price dropped an additional $1.54 per share or 11% on August 14, 2019 to $12.35 per share representing a two-day decline of nearly 50%. From the start of trading on February 7, 2019 at $42 per share through August 14, 2019, the Company's stock price has declined 70%...

Hollywood Police invested heavily in Covetrus and in fact retained all of the Covetrus shares it purchased during the Class Period through the August 13, 2019 disclosures. Based on our review of the trading data, Hollywood Police suffered substantial LIFO losses of $71,378.

Following a comprehensive investigation into this matter, Saxena White believes that investors possess meritorious claims for recovery of losses on Covetrus shares under the Securities Act of 1933 and the Securities Exchange Act of 1934. We further believe that a securities class action asserting such claims would have meaningful prospects for recovery. Saxena White believes that this is an important action for Covetrus shareholders and warrants Hollywood Police's involvement as a sophisticated institutional investor. No complaint has been filed to date regarding this situation. We therefore recommend that Hollywood Police authorize Saxena White to file an initial complaint and/or to move for Lead Plaintiff when an action is filed."

POLICY: Discussion ensued about the loss amount cited and the Board's current security litigation policy. In short, the Board felt the current policy essentially limits the Board's fiduciary duty. The Board felt the case appears to have merit. After the end of the conversation, Mr. Brickman made the motion authorize the initial complaint. Further to modify the language in the current policy to give the Board more latitude to proceed in matters of this nature. This motion was seconded by Mr. Laskowski. All Board members voted yes.

HD Supply Update: Mr. Kaufman provided an update on the mediation in this matter. Mr. Kaufman reflected that Mr. Klausner attended on behalf of the Board. However, at the end of the day, no agreement was reached, but will resume as there is a desire to settle.

Corrections Matter: Mr. Kaufman briefed the Board on the pending litigation Case# CACE19015953 filed in by Sparkman, Steven; Ortiz, Luis A; Kidd, John; Campbell, Arnold; Casey, Daniel; Doklean, Dana and McKinney, Michael. Mr. Kaufman advised that no action is currently pending at this juncture, however he will keep the Board apprised.

For transparency the member initiated complaint may be viewed on-line at:
http://hollywoodpolicepensionfund.com/docs/announcements/Steven%20Sparkman%20vs%20Board%20of%20Trustees%20posted%2008-21-2019.pdf

Supplemental Distribution Funding: Mr. Kaufman cited the plan's receipt of the funds owed by the City of Hollywood for underfunding of the supplemental distribution. This payment which included interest will bring the city into compliance. Mr. Kaufman felt dismissal of the city's litigation against the Board should follow.

ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

DROP Loan: Mr. Williams cited the respective member's loan request. He outlined that the members have the funds in his/her account to cover the loan and he/she have been a participant in the DROP plan for the required amount of time. Further, no conflict exists with the 12-month rule. Mrs. Marano made a motion to approve the loan, which was seconded by Mr. Brickman. All Board members voted yes.

Recalculations: Mr. Williams announced all the calculations based on the Board's action at the meetings of June 28, 2019 & July 26, 2019 have been transmitted to the actuary for review and calculation.

Refund of Contributions: Mr. Williams noted that all the individual DROP members who made pension contributions post DROP entry have received their respective refund notices. Those refund requests will come to the Board for approval in the form of a warrant.

Pre-Audit Review: Mr. Williams advised the Board that representatives from Kabat, Schertzer, De La Torre, Taraboulos & Co. were in the office over a two-day period reviewing various files that they requested for the 2019 audit.

Lafrance Matter: Mr. Williams noted the final calculation for Ms. Lafrance has been prepared and transmitted to her for her election of benefits option.

Pre-Waiver DROP Members: Mr. Williams said that the pre-waiver DROP Members accounts were all updated pursuant to the Board's Order. Each member was advised and provided updated statements.

Order of the Board: Mr. Williams advised two members were identified not being included in the prior Orders approved by the Board. Manuel Marino was a member of staff (since June 4, 2012) which is pre-waiver (July 28, 2013) and Armando Silva was not included as a Group One participant. Mr. Kaufman prepared updated Orders for each participant noted herein. After review and consideration, Mr. Szeto made a motion to approve the Orders for the named personnel. This motion was seconded by Mrs. Marano. All Board members voted yes. Mr. Williams will transmit the Orders accordingly.

FTIS Audit Response: Written response from Amed Avila was provided to the Trustees in their respective packets.

QUARTERLY INVESTMENT REPORTS

Wells Fargo – Large Cap Value

Ms. Amy Rosenfelt & Ms. Amanda Leong of Wells Fargo appeared before the Board to provide an investment portfolio update. The portfolio was valued at $31,233,532.49 as of August 31, 2019.

Market Update

U.S. equity markets as measured by the NASDAQ and S&P 500 Indices outperformed developed non-U.S. and emerging markets in the quarter, trailing one-and three-year periods.

Emerging markets underperformed developed non-U.S. markets over the quarter yet performed in line for the trailing one year and outperformed for the trailing three-year period.

By size, large-cap issues outperformed small-sized companies during the quarter, trailing one- and three-year periods, while performance was mixed for mid-cap stocks across all time periods.

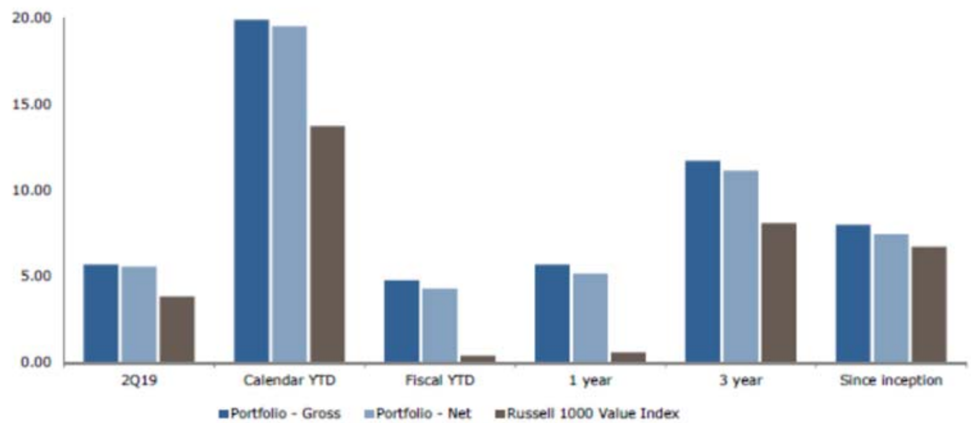
Across the market capitalization spectrum and over all time periods, growth stocks performed better than their value counterparts.

Portfolio

Strong absolute and relative outperformance versus the Russell 1000 Value Index year to date as of August 31, 2019. 7 of 11 sectors contributed to outperformance. Information technology added value as global trends towards digitization progresses. Financials continued its rebound as company catalysts progress. Consumer discretionary detracted due to tariff concerns. Strong absolute and relative outperformance versus the Russell 1000 Value Index for trailing 12 months. 8 of 11 sectors contributed to outperformance. Information technology contributed due to ongoing shift to the 'Cloud'. Non-bank financials benefiting from dovish interest rate environment. Energy detracting due to oil price volatility and resulting impact on the oil services industry.

Performance history (%)

	As of August 31, 2019					
	2Q19	Calendar YTD	Fiscal YTD	1 year	3 year	Since inception (12-May-15)
Portfolio - Gross	5.69	19.88	4.79	5.70	11.72	7.99
Portfolio - Net	5.56	19.48	4.31	5.17	11.16	7.45
Russell 1000 Value Index	3.84	13.75	0.42	0.62	8.08	6.73



Outlook

Equity market valuations are elevated, prompting caution in portfolio management. Equity markets remain volatile, favorable for active managers. Solid, but weaker U.S. economic data. Revised Fed policy with additional rate cuts by year end. China-U.S. trade discussions are likely to continue and grab headlines. Potential risks include: Protectionism and trade wars. Sharp slowdown in the global and U.S. economy. U.S. Fed chairman becoming too accommodating or restrictive. Eurozone populism. Hard Brexit implementation. Renewed deflationary pressure or faster-than-expected inflation. High-quality companies with strong fundamentals have outpaced over long periods. Continual adherence to our Intrinsic Value approach, with a long-term record of strong and consistent returns

<u>American Realty Advisors</u>

Ms. Richelle Hayes provided a portfolio update.

Net Contributions to Date

2013	$	3,900,000
2014		3,600,000
NET INVESTMENT	$	7,500,000

Investment Summary
as of June 30, 2019

		Inception-to-Date
Contributions	$	7,500,000
Redemptions		-
Net Income		1,568,974
Distributions		(1,523,787)
Appreciation		2,602,602
ENDING NET ASSET VALUE	$	10,147,789

With an inception date of April 1, 2013 through June 30, 2019 the return was valued at 9.48% (income and appreciation on a net basis).

Recent Core acquisitions and dispositions were outlined by Ms. Hayes as well.

Ms. Hayes noted the status of the Ipic Theater in Delray Beach property.

NEW BUSINESS - ANDCO

- Small Cap Report - Mr. McCann brought forth a report he developed that compared Eagle and Crawford. Trailing returns, peer analysis, standard deviation and holdings were considered. It was felt that adding Crawford to this space would benefit the plan long term. Motion by Mr. Brickman to engage Crawford equally splitting the allocation between Eagle and Crawford. Further authorizing execution of the contract upon successful negotiation. Motion seconded by Mrs. Marano. All Board members voted yes. Mr. McCann will prepare a new investment policy statement.

- Allocation of incoming funds were presented to the Board and also considered. Motion by Mr. Laskowski to transfer as follows: $5M to Inverness Equity, $2M to Toqueville Fixed Income, $1M to GHA Fixed Income, balance $3,036,701 to Intercontinental Real Estate to remain in the R&D until called by Intercontinental. Inverness Counsel advised accordingly. Total $11,036,701. Motion seconded by Mr. Szeto. All Board members voted yes.

OPEN DISCUSSION

Mr. Williams thanked the city manager, commission and city representatives for the recent funding, that will now bring our plan back in state compliance.

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 11:47 AM.

The next scheduled meeting is October 25, 2019 at 10:30 AM.

Respectfully submitted, APPROVED:

C. Marano, Secretary D. Strauss, Chairperson