

POMPANO BEACH POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

**TEMPORARY OFFICE LOCATION
627 E. ATLANTIC BLVD.
POMPANO BEACH, FLORIDA**

**BOARD OF TRUSTEES MINUTES
SPECIAL MEETING
OCTOBER 3, 2006**

The Board of Trustees convened at the Pompano Beach Elks Lodge No. 1898, 700 NE 10th Street, Pompano Beach, Florida. The Chairman called the meeting to order at 3:10 p.m.

PRESENT: Chairman Paul D. O'Connell
Vice Chairman Richard E. Avallone
Trustee Sharra Aaronian
Trustee Daniel M. Christophers
Trustee Patrick S. Fletcher
Trustee Ernest J. Lee, Jr.
Trustee Peter McGinnis
Trustee Richard H. Samolewicz
Trustee Jeffrey J. Valerga

ALSO PRESENT:
Denny St. Romain and Collin Ross
of BCOM Investment Advisers, LLLP
Pedro Herrera, Esq., Sugarman & Susskind, P.A.
Lindsay Dalton, Deputy Administrator

SEAT NEW, RE-ELECTED AND RE-APPOINTED TRUSTEES

Chairman O'Connell welcomed newly elected Trustee Peter McGinnis. The Chairman announced that the three Trustees who will be seated shall abstain from voting for themselves. Form 8, Memorandum of Voting Conflict for County, Municipal and Other Local Public Officers was distributed to Paul O'Connell, Ernst Lee and Peter McGinnis to sign and file. These forms will be incorporated in the Minutes.

MOTION: To re-seat Paul O'Connell for a 3-year term expiring 9/12/09.
Chairman O'Connell abstained from voting.

MOTION: To re-seat Ernst Lee, Jr. for a 3-year term expiring 9/12/09.
Trustee Lee abstained from voting.

	M O T I O N	S E C O N D	V O T E D Y E S	V O T E D N O
Avallone			X	
Aaronian			X	
Christophers		X	X	
Fletcher			X	
Lee			X	
McGinnis			X	
Samolewicz	X		X	
Valerga			X	
O'Connell			X	
Avallone	X		X	
Aaronian			X	
Christophers			X	
Fletcher			X	
McGinnis			X	
Samolewicz			X	
Valerga		X	X	

SEAT NEW, RE-ELECTED AND RE-APPOINTED TRUSTEES (cont'd)

MOTION: To seat Peter McGinnis for a 3-year term expiring 9/12/09.
Trustee McGinnis abstained from voting.

O'Connell				X
Avallone				X
Aaronian				X
Christophers				X
Fletcher				X
Lee				X
Samolewicz	X			X
Valerga		X		X

ELECTION OF OFFICERS

Chairman O'Connell called for nominations for Chairman. Trustee Lee nominated Paul O'Connell. There being one nominee, nominations were closed and Chairman O'Connell was elected by acclamation. Next, the Chairman called for nominations for Vice Chairman. Trustee Valerga nominated Richard Avallone. There being only one nominee, nominations were closed and Vice Chairman Avallone was elected by acclamation.

REPORT AND RECOMMENDATION FROM BCOM INVESTMENT ADVISERS, LLLP ON THE PURCHASE OF OFFICE BUILDING

Mr. Romain informed the Board that he provided Ms. Dalton with a binder containing a full detailed report of approximately 100 pages plus the reports of the third party consultants that were engaged for the due diligence review of the roof, HVAC, elevators, fire alarm system, asbestos and electrical. He then distributed presentation booklets that summarized the highlights of the full report as well as a full underwriting package which detailed their assumptions and cash flows.

Mr. Romain said they were hired in March 2006 to provide investment advisory services in regard to the relocation of the Retirement System's office space and to make a recommendation whether the System should lease versus own and BCOM recommended that the System would be better served to own office space given current market conditions. Using criteria set forth by the Retirement System, BCOM identified the Bank of America Building located at 2335 E. Atlantic Blvd., Pompano Beach. He reviewed the property description. It is a four story Class B office building that contains approximately 28,248 sq. ft. rentable area. The property is approximately 2.8 acres. On behalf of the Retirement System, BCOM put the property under contract at a purchase price is \$4.4 million. The building is currently 95% leased with 1,336 vacant space which is planned to be occupied by the Retirement System. There are 8 tenants.

Next, Mr. Romain reviewed the investment opportunities associated with this investment. He said the excess land that comes with the building lends itself to development or disposition in view of the current redevelopment on Atlantic Blvd. providing a value-added opportunity. The Retirement System is purchasing the building below replacement costs.

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<u>REPORT AND RECOMMENDATION FROM BCOM INVESTMENT ADVISERS, LLLP ON THE PURCHASE OF OFFICE BUILDING (cont'd)</u>						
<p>In Pompano Beach, office vacancy has decreased while the rental rates have increased as the office market tightens. The property's location is highly visible and assessable and close to amenities. Also, Bank of America is a nationally recognized high credit tenant and Mr. Romain said they do not believe they will give up their space when it is time to renew the lease.</p>						
<p>Mr. Romain also reviewed some of the risks associated with this investment. There is risk with exposure to one large tenant since Bank of America leases about 57% of the building. Other risk factors are age of the building, operational risks, impact of new supply entering the office market and fluctuations in the real estate capital markets.</p>						
<p>Next, Mr. Romain reviewed BCOM's underwriting package. First, he went over the acquisition budget. He said while the Retirement System is buying the building for \$4.4 million, there are additional costs and a detailed schedule was provided for each item. Capital improvements for the first year are approximately \$143,000, closing costs are estimated at \$150,000 and BCOM's advisory fees are \$44,000. Thus, the total investment cost would be approximately \$4.7 million, which translates to \$168 per sq ft. Secondly, Mr. Romain reviewed the valuation of the property under various scenarios. Based on comparables of land and current office property sales, BCOM made assumptions under various scenarios. They determined that the property has adequate collateral and in fact the total land is actually more valuable than the office building itself. They then projected the investment return over 5, 7 and 10-year periods using hypothetical property disposition scenarios. They concluded that the projected annualized return of 12.74% over the 5-year period would compensate for the risks taken. He said the Board needs to be aware that real estate investing does present certain risks some of which are controllable while others are unforeseen.</p>						
<p>Mr. Romain stated given all the analysis, forecasts and models, BCOM believes the Bank of America building is an excellent long term investment opportunity. In their view, the projected returns on the investment are commensurate with the risks. Therefore, it is their recommendation that the Retirement System proceed with the acquisition of the property. He noted that BCOM's recommendation is contingent on the proper remediation of the underground oil storage tank that was discovered in the environmental phase of the due diligence. Therefore, they do not recommend closing until the oil tank is removed and any environmental issues are cleared. BCOM has obtained two proposals for removal of the tank. The seller will pay for the remediation and the Retirement System will reimburse the seller for up to \$40,000. If the costs are in excess of \$40,000, the Retirement System is not responsible and can get out of the purchase agreement.</p>						
<p>Mr. Ross said the reports have indicated that there is no contamination in the water table, which suggests that remediation should not be too costly.</p>						

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<p><u>REPORT AND RECOMMENDATION FROM BCOM INVESTMENT ADVISERS, LLLP ON THE PURCHASE OF OFFICE BUILDING (cont'd)</u></p>						
<p>MOTION: To accept BCOM's recommendation to continue with the acquisition of the Bank of America building and to purchase the building for \$4.4 million plus closing costs at an estimated total cost of \$4,736,539.</p> <p>Chairman O'Connell took the opportunity to congratulate and thank the Relocation Committee – Committee Chair Christophers and Trustees Avallone and Lee – for a job well done and also BCOM.</p> <p>Committee Chair Christophers asked Mr. Romain to go over the timetable.</p> <p>Mr. Romain responded that the Second Addendum to the Purchase and Sale Agreement that pertains to the remediation of the underground oil tank has been reviewed by our legal counsel and executed by the seller and it must now be executed by Chairman O'Connell. The Retirement System will then be required to make the remaining deposit of \$200,000 in accordance with the terms of the purchase agreement. The deposit is nonrefundable unless the removal of the oil tank is in excess of \$40,000.</p> <p>Committee Chair Christophers asked about the Retirement System's new office suite in the Bank of America building. Mr. Romain replied instead of signing the seller's lease, BCOM is trying to get an interim solution until the purchase is complete so the Retirement System can at least file for permits.</p> <p>Chair Christophers said Kravit Architectural Associates submitted a proposal for architectural services for the build-out of our new office suite and he asked if BCOM had reviewed it. Mr. Romain said they have reviewed the proposal and believe it to be fair given the scope of the project since basically there is a minimum fee and they recommended accepting the proposal.</p>	<p>O'Connell Avallone Aaronian Christophers Fletcher Lee McGinnis Samolewicz Valerga</p>	<p>X</p>	<p>X</p>	<p>X X X X X X X X</p>	<p>X X X X X X X X</p>	<p></p>
<p>MOTION: To give the Relocation Committee authority: (1) to engage the architectural services of Kravit Architectural Associates for the new of office suite based on the recommendation of BCOM, subject to approval of the contract by legal counsel; (2) to direct the architect to prepare construction drawings; and (3) to submit the drawings to contractors selected by the Committee to obtain bids and to report back to the full Board for final approval.</p>	<p>O'Connell Avallone Aaronian Christophers Fletcher Lee McGinnis Samolewicz Valerga</p>	<p>X</p>	<p>X</p>	<p>X X X X X X X X</p>	<p>X X X X X X X X</p>	<p></p>

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<u>APPROVAL OF THE REVISED STATEMENT OF INVESTMENT POLICY</u>						
Ms. Dalton reported that Mr. Mulfinger revised the investment guidelines to permit ownership of the office building with the help of BCOM and Mr. Sugarman. Marked up copies were distributed to the Board for review.						
Investment Committee Chair Christophers said the guidelines pertaining to real estate investments were expanded to include guidelines on the private ownership of an office building and written policies on appraisals. He said the Retirement System will obtain an independent appraisal of the property on an annual basis.						
Mr. Herrera said under state law, pension plans are required to value their investments at fair market value. The ability to value investments in private real estate is not easy since real estate is not traded in a market like stocks and bonds. Therefore, we have to use an independent appraiser other than BCOM, our fiduciary, who is not really independent.						
Chairman O'Connell pointed out the investment guideline changes to the real estate ranges and targets on pages 2 and the addition of sub-section c, <i>Private Ownership of an Office Building</i> , on pages 9 and 10.						
MOTION: To approve and adopt the revised Statement of Investment Policy to allow the private ownership of an office building prepared by Mr. Mulfinger with the assistance of BCOM and approved by Mr. Sugarman with his changes incorporated.	O'Connell Aaronian Christophers Fletcher Lee McGinnis				X X X X X X	
Vice Chairman Avallone was not present for the vote, but he returned to the meeting shortly thereafter.	Samolewicz Valerga	X			X X	
<u>ADJOURNMENT</u>						
MOTION: To adjourn meeting.	O'Connell Avallone				X X	
The meeting adjourned at 4:40 p.m.	Aaronian Christophers				X X	
Respectfully submitted,	Fletcher Lee McGinnis			X	X X X	
Lindsay Dalton, Deputy Administrator	Samolewicz Valerga	X			X X	
Distribution: Board of Trustees Robert A. Sugarman, Esq. J. Stephen Palmquist Charles H. Mulfinger, II City Manager Mayor City Commission						