

Lubbock Fire Pension Fund
Wednesday, January 27, 2010
#15 Briercroft Office Park, Lubbock Texas
The Lubbock Fire Pension Fund met in a Special Meeting on Wednesday, January 27, 2010 at 12:00 P.M.

Members Present

Randy Butcher, Chairman
Jake Browning, Vice-Chairman
Andy Burcham, Secretary/Treasurer
Steve Exter, Member
Kevin Ivy, Member
Alva Littlejohn, Member
Dub Wade, Member

Members Absent

None

Randy Butcher, Chairman, called the meeting to order at 12:00 p.m.

1. Presentation by CDK Realty Advisors regarding the Fund's investment related to Star Riverside

Brent Kroener, Ken Cooley and Densie Canefax, of CDK Realty Advisors updated the Board on the current situation with the Star Riverside investment.

CDK provided an overview of the Star Riverside original investment, which consisted of the following:

- \$6.6 million from the Dallas Fire Pension
- \$2.0 million from the Lubbock Fire Pension
- \$1.0 million from Constellation
- \$15 million note from Amegy Bank
- \$2 million letter of credit

The \$2 million letter of credit was called, and the Lubbock Fire Fund made it's share of the contribution. A \$1 million loan was negotiated with Legacy Bank with an 18 month payoff (quarterly payment of \$40K) at 6.5% interest rate.

The new investment totals between the two Fire Pensions are now:

- \$9.9 million from the Dallas Fire Pension
- \$2.9 million from the Lubbock Fire Pension

Constellation Partners has become insolvent and the note with Amegy bank is in default. CDK offered \$2 million to purchase the \$15 million note from Amegy, with no response.

L.J. Melody, a mortgage banker in Houston, who knows bankers at Amegy, was asked to assist. Through his assistance, the notes were purchased by the Dallas Fire Pension for \$6 million.

At that time, CDK Riverside LLC (with Dallas Fire Pension being the sole owner) was created.

CDK Riverside LLC foreclosed on the various notes which would extinguish all vendor liens. CDK will work with the vendors to settle outstanding amounts to ensure their cooperation going forward. Letters were sent to subcontractors out of courtesy, to notify of foreclosure on February 2, 2010.

The Star Riverside site is in good shape, and CDK has hired an environmental engineer to ensure that no runoff occurs into the lake.

Bill Whitworth, with 45 years of multi-family experience, is meeting with the City of Austin, on behalf of CDK, to determine the status of the permits, ingress/egress of fire, etc....
The building permit expires in March, and is for the construction of 235 units.

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The plan on this property is to change from ownership to rental property. If rental rates are \$1.35 to \$1.70 per square foot, the investment will provide 3% cash on cash returns. If rates go up to \$2/sq. ft., the return will be 9%. There are several other projects going in next to the project that will help to improve this area of Austin.

If the \$6 million loan with Dallas is counted as equity, the investment changes to a 77%/23% split. DPF has tentatively agreed to carry the \$6 million loan and any new equity needed for development as a partner loan which would leave the existing percentages intact with DPF receiving an interest payment and loan amount back before the split of profits. Documentation is in process and should be available for review within a week.

Steve Exter mentioned that he thought the Fund needed to look at booking a reserve and to write down the asset to fair market value. Andy Burcham agreed. CDK said that it was premature to determine a value, but that one should be calculated as soon as the current transaction was settled.

Andy Burcham mentioned that the Lubbock Fire Fund is vulnerable and unprotected in this transaction since the Constellation Partners has folded. There is no agreement in place to protect the Fire Pension. The Fund's investment is vulnerable until a new agreement with the new LLC is in place. Dallas is currently the sole owner of the property.

CDK agreed that this is the case, currently.

CDK said that they would attend the foreclosure sale next week, and would be able to offer up to \$15 million for the property. However, they expected to be able to get it for much less.

2. Presentation of the 2010 portfolio by CDK Realty Advisors

Ken Cooley stated that during 2009, there were no acquisitions or sales related to the portfolio.

Distributions of \$602,442 have been made since inception of the portfolio from revenues generated by Village Pointe and Riverstone Apartments. The remaining assets are in various phases of development and have not produced operating or sale revenue that could be distributed. Distributions for 2010 will increase due to lease of the vacant Wild Oats space at Village Pointe and new distributions from the now completed Riverstone Apartments.

3. Consideration on hiring a real estate attorney

Andy Burcham asked the Board to consider hiring a real estate attorney to assist the Fund in real estate projects such as Star Riverside. He felt like the Fund had no legal representation related to these activities as the legal representation hired by CDK was providing no representation or opinion on these transactions to the Fund. He mentioned how vulnerable the Fund is on the Star Riverside transaction, and that the Fund needs someone looking out for us from a legal standpoint.


Dub Wade agreed with Andy and stated that Steve Krier from Kim Wilkerson's firm would be an excellent choice to serve in that capacity.

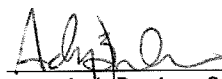
Andy Burcham made a motion to hire Steve Krier with Hund, Krier, Wilkerson, and Wright P.C. on a case-by-case basis to assist with real estate transactions, such as Star Riverside. The motion was seconded by Alva Littlejohn and approved by the Board.

4. Public comment

No public comment was made.

Kevin Ivy made a motion to adjourn the meeting the motion was seconded by Jake Browning and approved by the Board. The meeting adjourned at 1:25 p.m.


James R. Butcher, Chairman


Andy Burcham, Secretary/Treasurer