DEPARTMENT OF CITY CLERK

CITY HALL

AUGUST 28, 2008

The Board of Investment Commissioners meets this day at 12:00 o'clock P.M., in The Conference Room, Third Floor, City Hall.

PRESENT: Bruce Miller, Vice-Chairman, Stephen T. Napolitano, Councilman John J. Igliozzi and Allan M. Edwards – 4.

ABSENT: Mayor David N. Cicilline, Myrth York and Craig Baker – 3.

Also present are Jeffrey D. Fabrizio, Wainwright Investment Counsel LLC; Kenneth Chiavarini, Assistant City Solicitor, Law Department; Lori L. Hagen, Second Deputy City Clerk and Sheri A. Petronio, Assistant Clerk.

I INVESTMENT PERFORMANCE ANALYSIS

1.) Recent Performance Estimate

2.) Portfolio Structure and Performance Summary: Asset Class

3.) Manager Performance: Benchmark vs. Manager Analysis

A.) US Equity Managers
B.) International Equity Manager
C.) Fixed Income Managers

II DISCUSSION RELATIVE TO THE DEXTER DONATION FUND AND OTHER TRUST ACCOUNTS.

III DISCUSSION AND DECISION ON ZERO STAGE CAPITAL.

IV DISCUSSION RELATIVE TO HEDGE FUND ALLOCATION.

VICE-CHAIRMAN MILLER: All right, we will start with number one.

JEFFREY D. FABRIZIO: I've handed out the monthly book that we give you every month, as well as the flash report here that I will go through briefly. If anyone has any questions about a particular manager or a particular strategy that we're in please, of course, interrupt me. This flash report is data as of August 26th and like I said we will go through it right now. If you look at the bottom of the page, the total assets of the plan are $274,819,590.00. For the month, month-to-date I should say again for August 26th the total the total plan is down -0.4% or 40 basis points, and for the year through August 26th the total plan is down -7.9%. Now put that in perspective, the overall market as measured by the S & P 500 is down -12.2%. So relative to that index only you're doing much better on a relative basis of course. On a year-to-date basis just going through quickly you will see starting at the top Columbia and Mellon, which is the old Providence Group of course down -16.6% and -13.5% respectively. The SSGA Russell 1000 Growth Index, again this is an index manager just mimicking what the index is doing from risk and performance down -10.0% for the year. Under the small and mid cap managers Boston Partners, again you have to mandates, a mid and a small value, they're down -6.1% and -3.0% respectively. McKinley Capital, your small and mid cap growth manager very volatile down -13.8% for the year, again through August 26th. If we continue down we will see the Foreign Equity Manager, Brandes , who is an excellent manager and has done you very well for the year down -18.5%. Continuing, we take a look a Loomis your Bond Manager for the year-to-date up 2.1%. The Israel Bonds that you hold up 2.8%. In Rogge, your Foreign Bond Manager up 3.2%. Until very recently, as you know, the dollar has continued to weaken and has wound up being a good performance contributor to Rogge. The Private Equity Managers because of their value with a one quarter lag and the reporting there is very slow we don't have the year-to-date estimate for them, therefore, they're showing up as not available and that is very typical within that industry. Continuing down to the hedge funds, Forest down -6.8% for the year, Q-BLK which is the old Quellos Group, your fund-to-funds down -4.8% for the year, Renaissance down -2.2% and Context TQA showing up as a dash. As you recall, you had liquidated that fund as of June 30th. We've received 90% of the proceeds back. Those proceeds now sit in cash at State Street Global Advisors.

The other 10% has been liquidated but is being held in cash at TQA. So as we speak there is not a fund return to report to you.

ALLAN M. EDWARDS: How much cash is it? Is it the 383?

JEFFREY D. FABRIZIO: The 383 that is held in cash includes the TQA monies, that is correct.

ALLAN M. EDWARDS: So we only have three hedge funds now?

JEFFREY D. FABRIZIO: We have three hedge funds that is correct.

ALLAN M. EDWARDS: So you made a comment about Rogge?

JEFFREY D. FABRIZIO: Yes.

ALLAN M. EDWARDS: That's a fixed fund.

JEFFREY D. FABRIZIO: That is a bond fund, that is correct.

ALLAN M. EDWARDS: So, it's fixed on interest rates?

JEFFREY D. FABRIZIO: Yes, that is correct.

ALLAN M. EDWARDS: So with the dollar stronger now why is it affecting Rogge?

JEFFREY D. FABRIZIO: Because the dollar is weaker.

ALLAN M. EDWARDS: The dollar is stronger against the pound now.

JEFFREY D. FABRIZIO: The dollar is stronger against the pound but through this reporting period.

ALLAN M. EDWARDS: I'm just letting you know it has gotten stronger.

JEFFREY D. FABRIZIO: That's correct. I understand in the recent period the dollar has strengthened but through this reporting period early in the year it was weaker.

ALLAN M. EDWARDS: I just want to make a comment. I think the reason why our performance, as I'm looking at this for the first time in a long time, is that Brandes being down -18.5% is a big hit for us. The last time we were only down in the worst market, we were only down -0.1% when the markets were really getting killed and we had a very good performance but at that time Brandes was up.

JEFFREY D. FABRIZIO: That is correct.

ALLAN M. EDWARDS: So, I think that's our biggest issue right now. The biggest issue is with the euro and there is a lot of currency fluctuation, which I happened to think will stabilize within the next two or three months. It will start to come back. What's happened now is the euro is so high and it was really going against the dollar and they weren't able to sell things over here and their economy started getting worse so all of a sudden you started to see them tank. So we had sort of a double hit here. That's why when we say we're down that much money, I think it really has to do with this. It's really the primary hit along with Mellon, I don't understand because large caps are really getting banged around a lot.

JEFFREY D. FABRIZIO: That is correct.

ALLAN M. EDWARDS: This is only temporary. It's not the end of the world and of course I don't know how you guys are voting. Whether you think the democrats or the republicans are going to make it better.

COUNCILMAN IGLIOZZI: I think they will both equally screw it up.

JEFFREY D. FABRIZIO: To Allan's point as well, Brandes comprises 17% of the portfolio.

ALLAN M. EDWARDS: Brandes is a good investor and this is not someone we should not stay with and fight for.

STEPHEN T. NAPOLITANO: We didn't say we were going to change it?

ALLAN M. EDWARDS: I'm not saying that. I'm not here all the time so I'm just giving you my point of view, and my point of view is that I'm still relaxed with where we are. The only issue I do have that I want to propose to Bruce is that why aren't we fighting for a POB? If were going to do it, this is the right time to do it.

VICE-CHAIRMAN MILLER: I agree.

ALLAN M. EDWARDS: If you need my help I'm happy to talk about it because I just really feel that we can keep pushing this pencil up hill and not matter how much gain you get it comes back down again. It's just such a hard thing to do.

VICE-CHAIRMAN MILLER: Because there are so many different pieces. One piece is us and the other piece is the state.

STEPHEN T. NAPOLITANO: I think what you have to do is get our house in order first, and I don't think our house is in order to approach the bond market with a POB. We're not even close. Until we address, from my point of view, the issues with regards to benefits, we can borrow all the money we want and we are still going to be in the same hole. Until that is addressed somehow, someway, I don't have the answer to that equation but that's one of the critical things as far as I'm concerned before we can even consider doing a POB.

ALLAN M. EDWARDS: The reason why I'm sort of disgusted is I really think it's important one way or another the way we go here in this fund. I thought there was some decisions being made that we were going to sort of shut this down and not let anybody in and start something new. What's been happening?

COUNCILMAN IGLIOZZI: Shutting down the system is no longer something that is viable. Our advisors, Wainwright and those guys they feel the way it works is, I'm sorry?

ALAN M. EDWARDS: You mean actuators.

COUNCILMAN IGLIOZZI: The best scenario for us is not to close it and do 401Ks, because at this point in time you still need the buyers to go in there to keep on contributing to this system.

ALLAN M. EDWARDS: Correct.

COUNCILMAN IGLIOZZI: So closing it isn't going to work. We're too far gone. The state is different. They're 70% funded. They could stop playing in that little closing game but there still in a pretty good equity position. They're not upside down. We're getting away from closing it and we're getting more towards the idea of we change the benefits for new hires and then, of course, we could always start with the firefighters and change the benefits for ten years or less but of course that becomes a whole litigation issue with the union.

ALLAN M. EDWARDS: We worked on that for a year or so.

COUNCILMAN IGLIOZZI: I know. So we're probably going to finish the budget, get that done and then we're going to kick back up in September and we're going to start moving forward with the pension reform. We will do new hires but even that the union is still probably going to take us to task because they believe new hires are still covered under our contract even though they're not hired. So, either way that issue still may not be resolved even if we take action. It's probably going to be resolved in court. That's that issue for the benefits, okay. Now of course we can address people who have benefits that have less than ten years because they're not vested.

VICE-CHAIRMAN MILLER: Isn't that kind out outside of the context.

COUNCILMAN IGLIOZZI: The POB is in the administration hands. Last year it was kind of dropped at the last second.

STEPHEN T. NAPOLITANO: Quite frankly, Mr. Miller, I respectfully disagree with you. I think it is a purview of this board because it is part of the investment portfolio. I don't think this is the appropriate time and I would agree with you, but I still think going off into the ivory tower and discussing it and making decisions without this board's input, I think it's totally wrong.

VICE-CHAIRMAN MILLER: Don't misinterpret me.

COUNCILMAN IGLIOZZI: I'll make a suggestion. Why don't we do this, why don't we have Buck come to the next meeting and they can tell you the stuff that they've been telling us on the Finance Committee and I think it would actually help.

ALLAN M. EDWARDS: Can I make a suggestion for that?

COUNCILMAN IGLIOZZI: Sure.

ALLAN M. EDWARDS: I want to be part of that discussion but can I be on the phone for that discussion?

COUNCILMAN IGLIOZZI: However you want to do it. Even if we do a special meeting even though it’s not about doing this but just to have a meeting.

ALLAN M. EDWARDS: We need to have a special meeting because I always feel every time I come into this room, I feel that there is a gun to my head no matter what I try to do. I don’t want to make bad decisions for the fund because we have a responsibility here. No matter what we do you can’t overcome the issue and the issue has been discussing to long.

VICE-CHAIRMAN MILLER: Do you want to be a part of that meeting?

JEFFREY D. FABRIZIO: Yes.

VICE-CHAIRMAN MILLER: We need some dates.

ALLAN M. EDWARDS: I will give you some dates. We need to solve this problem. It’s imperative to me. I just don’t want to come here and feel like I’m just pushing a paper. Let’s just solve it, it’s time.

VICE-CHAIRMAN MILLER: Okay, back to the international issues in the portfolio on the flash report. The people I’ve been talking to are saying that the potential for a credit collapse in Europe is looming and that they may have more exposure to their credit markets then we do and if that happens will there be a fall out in our portfolio.

JEFFREY D. FABRIZIO: If that happens, I would suspect that you would see some more negative returns from Brandes. How negative? We would have to wait and see. Keep in mind they are a deep value player. So by philosophy they’re already buying the things that are cheep. So they, again by philosophy, won’t fall as much as say a growth manager who tends to buy even higher. That’s why I say I think you will see more negative numbers. How negative? That remains to be seen. On the flip side, my guess is that some of you hedge fund investments will be in a position to capitalize on some of those opportunities. We as a firm are seeing some hedge funds able to do that right now in the United States. Our sense is that Europe, as well as, Asia are behind the United States in terms of the magnitude in feeling the effects of the credit crises. However, it is coming that way as we hear it but again, my sense is that your hedge fund managers will be in a position to capitalize on some of them.

VICE-CHAIRMAN MILLER: So do we need to do anything or hold tight.

JEFFREY D. FABRIZIO: I would recommend that you hold tight at this point in time.

ALLAN M. EDWARDS: I will second that motion. Listen, no matter what we get hit with over the next thirty, sixty, ninety, 120 days, we have to stand fast. We cannot react to what's happening right now. It's like someone taking a stick and going into to the water and stirring up the mud. You have to let it settle then we can make some decisions.

VICE-CHAIRMAN MILLER: I agree with you. I think we need to have a conversation on that to. I don't know if it's thirty, sixty, ninety days or two, three, four or five years of what we're looking at on the international credit issues globally.

COUNCILMAN IGLIOZZI: Let me ask a question. Let me just play this out. If we decided to do something what could we possibly do, because you guys are the ones that know what's going on. I don't see any particular portion of the market that's going really crazy right now where we can say let's plow our money into dot com over here. Now, if there is, please let me know.

ALLAN M. EDWARDS: There is. There is one industry that is doing extraordinarily well.

COUNCILMAN IGLIOZZI: Which is?

ALLAN M. EDWARDS: It's the defense industry but we cannot afford to be changing our whole portfolio around.

VICE-CHAIRMAN MILLER: I'm not saying do anything drastic.

ALLAN M. EDWARDS: There is nothing that you can do short of doing a hedge on the fund.

JEFFREY D. FABRIZIO: I was just going to say, if I could jump ahead to a discussion that I was going to bring up later on in my private presentation that came up the last time we met. We had made some liquidations from TQA, and at the last meeting we had talked about sort of alternatives and the issue had come up. You know, is going back into a hedge fund the best thing that we could do. Maybe it is, maybe it's not. I think we should raise the issue and talk about it. Perhaps we should put the money back in public equities.

COUNCILMAN IGLIOZZI: It's basically $383,000.00.

JEFFREY D. FABRIZIO: That's 10% of the money. We're talking approximately $4 million dollars.

ALLAN M. EDWARDS: We have $4 million dollars?

JEFFREY D. FABRIZIO: Yes.

COUNCILMAN IGLIOZZI: Oh, it's $4 million? I thought it was the $383,000.00.

JEFFREY D. FABRIZIO: No.

STEPHEN T. NAPOLITANO: It's the hold back.

COUNCILMAN IGLIOZZI: So, it's 4$ million, okay.

JEFFREY D. FABRIZIO: So I realize that that issue at the last meeting was raised as a matter of prudence but to answer your question, one thing that we could do that I would strongly recommend is that we take the TQA proceeds and put them back into another hedge fund.

COUNCILMAN IGLIOZZI: Any particular hedge fund?

JEFFREY D. FABRIZIO: I have two that we can talk about today. One is the Och Ziff Fund that we did mention briefly and there is another that I can speak to today. The reason why I'm recommending a hedge fund in the first place is again, because the hedge funds will be the ones who can capitalize on these opportunities. They are the ones that can get into different esoteric strategies that perhaps a Fleet or Providence Group can't and won't do, and secondly of course they have the ability to short and make money on the down side and not just preserve capital but actually grow it on the down side. Now that's, of course, if they execute the strategy properly and there are caveats to that. The managers that we have put you in with and the ones that we can talk to you about we believe will be able to do that because historically they have don't that.

COUNCILMAN IGLIOZZI: What do you think?

ALLAN M. EDWARDS: First of all, I would like to answer Bruce's question. First of all, the Bank of England has taken a lot of strong measures in England, and England is one of the strongest economies in the UN anyway. Just to answer your questions Bruce. I don't see the issues that you're seeing. There is a credit crisis but the two credit crises that have happened has been the sub prime and the oil, but the oil has been a speculation that has caused so many reverberations in the economy and now it's coming back down. I mean there is going to be a reverse effect to this. As you can see, today the growth in the United States has been revised upward as of today. I'm not scared is what I'm saying and I don't think we should be and I don't think there is an issue here. I think we just have to see what happens. Whether the European market goes tapioca or not we just have to wait and see. I don't particularly want to take that money and stick it into a hedge fund today, okay, I really don't. I would like to keep that in cash and see where the fallout is, is my thought process for the strategy, see where the fallout is and then be able to try to capitalize on things. I think right now making decisions no matter what you do right now you're going to get dinged and that's my opinion.

STEPHEN T. NAPOLITANO: We've got our contribution sitting in it as well, that's $44 million. So we can't have too much money in cash.

ALLAN M. EDWARDS: Wait a second. We have $44 million plus the four hundred?

STEPHEN T. NAPOLITANO: The city's contribution.

ALLAN M. EDWARDS: We have our contribution but we also have payouts. What's our payouts?

COUNCILMAN IGLIOZZI: It's large.

STEPHEN T. NAPOLITANO: Our cash flow right now is good so we shouldn't be handling all that cash.

COUNCILMAN IGLIOZZI: Since we're in a negative number anyway the city's contribution it's short for the city's obligation going out just for the benefits.

ALLAN M. EDWARDS: If we have cash, I would hold onto the cash.

COUNCILMAN IGLIOZZI: What happens is the city's contribution is going to pay for the $60 million dollar obligation.

ALLAN M. EDWARDS: So we only have four million?

COUNCILMAN IGLIOZZI: Yes, that's all we have.

ALLAN M. EDWARDS: My suggestion is, is that we hold onto that four million and let's see what happens in the next 30 days before making a decision.

COUNCILMAN IGLIOZZI: The only think is your investing the 44 million, aren't you?

VICE-CHAIRMAN MILLER: No. It's only a recommendation. Can we hear more so we know what we're talking about and then you can make your motion?

ALLAN M. EDWARDS: I just had a suggestion. I wasn't making a motion.

COUNCILMAN IGLIOZZI: He didn't make a motion. He was talking. We were getting the benefit of his inner thinking.

STEPHEN T. NAPOLITANO: Where are we?

VICE-CHAIRMAN MILLER: We were on number four, Discussion relative to Hedge Fund Allocation.

STEPHEN T. NAPOLITANO: Okay.

JEFFREY D. FABRIZIO: I had handed out, per the board's request at the last meeting, these are the protract statistical analyses for all the hedge funds that you're in now. You will see Context TQA is the first one, which technology you're not in, but nevertheless we provided it to you anyway. I think the first time the board has seen one of these analyses was last month when we handed this out in discussion of Och Ziff, the potential replacement for TQA. Then the committee had said well I would like to see these statistical analyses for all the funds that we have. So, we're this is brand new and there is a lot of numbers here. I'm happy to go through the structure of this report so everyone knows what they're looking at. If you look at the top, obviously it will be the name of the manager but right under that you will see benchmark one and benchmark two. As you go through this report, you will see those benchmarks as being abbreviate BM1 and BM2. So when you wonder what BM1 and BM2 is and what they refer to, you should look at the top left part of this page.

ALLAN M. EDWARDS: Where are you seeing that?

JEFFREY D. FABRIZIO: On page one, right under where it says Context TQA.

COUNCILMAN IGLIOZZI: Benchmark one is the S&P 500 and Benchmark two is –

ALLAN M. EDWARDS: Fixed Income-Convertible Arbitrage Index.

JEFFREY D. FABRIZIO: That's correct. Under the first blue bar this report just gives you a little flavor for firm and portfolio management. It lists some basic things; The firm assets under management, the fund assets under management, who the portfolio manager is, how long the fund has been around and where the money is managed. It's pretty basic. Under the second blue bar, Historical Performance, we're showing net monthly returns for this particular fund. If you look towards the right of this box, you will see in yellow the annual returns and in orange we're showing for comparative purposes only the annual returns for the S&P 500. What this does is it allows us to look at on a month by month basis when we look at, for example months like August of '98, where it was particularly bad. We can get a sense as to how well this fund had performed.

ALLAN M. EDWARDS: So you're saying that this fund, see if I'm understanding you correctly, July we're at -1.57% basis points.

JEFFREY D. FABRIZIO: Correct.

ALLAN M. EDWARDS: The S&P 500, that's BM1, right?

JEFFREY D. FABRIZIO: That's correct.

ALLAN M. EDWARDS: The orange is BM1, they're down 12%.

JEFFREY D. FABRIZIO: That is correct.

ALLAN M. EDWARDS: Okay. If we look back to May, even though we're down -1.10% the S&P is still down 12% and for the year their down 5%. So we're performing much better then the market overall for the year.

JEFFREY D. FABRIZIO: Yes and no. When we look at May as down -1.10%, that is the monthly return. That is not a year-to-date return through May.

ALLAN M. EDWARDS: Okay, so you don't have year-to-date?

JEFFREY D. FABRIZIO: We do have year-to-date but over in the far right hand under the year column.

ALLAN M. EDWARDS: That's the yellow column, right?

JEFFREY D. FABRIZIO: Yes. The year-to-date return for this particular fund is down -5.7% and that is through July.

COUNCILMAN IGLIOZZI: But it still did better than the S&P.

JEFFREY D. FABRIZIO: That is correct.

COUNCILMAN IGLIOZZI: It was -5.7% but it was -12.65% for the S&P, so we did better.

JEFFREY D. FABRIZIO: Correct. So there is still a year-to-date comparison.

COUNCILMAN IGLIOZZI: Then last year for ‘07 you got a full year compilation here. The S&P was 5.49% but this fund was -2.78%.

JEFFREY D. FABRIZIO: That is correct.

COUNCILMAN IGLIOZZI: All right.

JEFFREY D. FABRIZIO: Was there another question?

ALLAN M. EDWARDS: Why is it just the S&P 500? Where is BM2?

JEFFREY D. FABRIZIO: BM2 is not shown here under this particular format. This is all a computer printout. This is not something that Wainwright makes and the service that we get here only allows for one benchmark comparison in this particular portion of the report. If we continue down to the next blue bar, you will see Annual Risk and Return Analysis. Here we look at the fund Benchmark one and Benchmark two and while there is a lot of statistical data here we have put in yellow those data that we believe might be of most interest to you. We could certainly talk about up-capture and down-capture, active premium and that sort of thing but in an effort to keep things simple and easily to interrupt please just pay attention to the yellow. Here we have a compounded rate of return. This is since inception for the fund in this example 7.04%. Over the same timeframe of the inception for this fund, which is February of ’91, the benchmark won. The S&P was up about 9.04% and the benchmark two was up slightly less than that as well. We have that same comparison in yellow for the standard deviation. Further down Alpa, Beta and of course the Correlation. The correlation of this fund relative to Benchmark one is 0.12 extremely low and relative to Benchmark two, the HFRI RV: Fixed Income-Convertible Arbitrage Index the correlation is 0.77, some other things that might be of interest to you or perhaps maybe not.

ALLAN M. EDWARDS: Slow down a little bit please. So you're saying that the fund Alpa, Beta and Correlation even though we have pick by it that means it's zero.

JEFFREY D. FABRIZIO: No, those are relative as you know, relative to an index.

ALLAN M. EDWARDS: Why?

JEFFREY D. FABRIZIO: Because the Alpha of the fund unto itself is really zero as you had mentioned.

ALLAN M. EDWARDS: That's what I'm saying they're zero.

JEFFREY D. FABRIZIO: That's correct.

ALLAN M. EDWARDS: So you find that in all cases.

JEFFREY D. FABRIZIO: That is correct.

ALLAN M. EDWARDS: What's the purpose of that?

JEFFREY D. FABRIZIO: Well again, it's just a standard table.

ALLAN M. EDWARDS: I know but that doesn't give you any input it just tells what the BM1 and the BM2 is doing. It doesn't tell you what the fund is doing?

JEFFREY D. FABRIZIO: Again, in Alpha, Beta and Correlation because those statistics are relative to an index would we look at, for example, the Correlation or the Beta of this fund. It's relative to the benchmark. So when we see 0.03 there under BM1 that is not the Beta of that particular index. It's the Beta of the fund relative to the two that is.

ALLAN M. EDWARDS: Okay, now I understand. Sorry.

JEFFREY D. FABRIZIO: No problem.

COUNCILMAN IGLIOZZI: I don't understand it. Could you make it simple for me?

JEFFREY D. FABRIZIO: Sure. There are some statistical measures here shown in this part of the report that are measured upon a relative basis rather than an absolute basis.

COUNCILMAN IGLIOZZI: Relative meaning speculative?

JEFFREY D. FABRIZIO: Comparatively speaking.

ALLAN M. EDWARDS: No speculation

JEFFREY D. FABRIZIO: That’s correct.

ALLAN M. EDWARDS: It’s dot for dot.

COUNCILMAN IGLIOZZI: Verses?

JEFFREY D. FABRIZIO: Verses an absolute comparison like when you look at a return. For example, when we look at return on the flash report we can look at what Columbia has done on an absolute basis and on a relative basis. Meaning once we take out their index how much is left over. What I’m saying is there are some statistical measures presented on that sheet that are really only meaningful when you measure them in a relative or a comparative way.

STEPHEN T. NAPOLITANO: Filling the spaces.

ALLAN M. EDWARDS: The only thing I say about that is when you look at the Alpha at 6.8% and you look at the BM2, that’s only comparative to the fund and what’s it’s doing to BM1 and BM2 but you don’t know whether it’s good or bad.

JEFFREY D. FABRIZIO: Of course, Alpha obviously would like to see higher numbers.

ALLAN M. EDWARDS: That’s correct.

JEFFREY D. FABRIZIO: So we know that relative to BM1 it’s much better than relative to BM2 but then we could get into the conversation BM2 is the appropriate index. So we could go crazy, which is why I’m saying just pay attention to the yellow bars.

ALLAN M. EDWARDS: We are and that’s why we’re asking the question.

STEPHEN T. NAPOLITANO: The bottom line is just disregard it.

JEFFREY D. FABRIZIO: If you would just move to the right you will see the Monthly Distribution Characteristics. Again, you don't have to pay attention to these, these are more statistical. The Drawdown Analysis, this measures the drop from the fund's largest standpoint, the largest point to its bottom, peak to drop. The higher the drop, the more risky the fund. Again, for purposes of what we're talking about here that's important but not imperative. To the right you will see a nice pretty graph there with the Distribution of Monthly Returns and on the bottom the blue bar Monthly Cumulative Return. The more data, of course, the more difficult these charts become to read but what that's trying to show you is the monthly cumulative returns of the fund relative to the indices. Towards the right of that you will see a Risk Return Scatterplot. It's just a simple graph of the risk and return. Ideally what we would like to see is something to the left and up in this graph in the first quadroon. Then on the bottom we have Fund Terms. How quickly can we get in? How quickly can we get out? How much notice do we have to give? What is the fee? What is the incentive fee? That is the basic layout of these reports.

COUNCILMAN IGLIOZZI: It takes 45 days to get out?

JEFFREY D. FABRIZIO: Forty-five days notice to get out, in this particular fund because the redemptions are quarterly.

COUNCILMAN IGLIOZZI: The management fee is what, 1%?

JEFFREY D. FABRIZIO: In this particular case it's 1%, and the incentive fee is 20%.

COUNCILMAN IGLIOZZI: How is the incentive fee? I know we're not in this fund but could you explain it to me.

JEFFREY D. FABRIZIO: Incentive fees in general. In general, typically what an incentive fee is, is the fund will come to you and say we will charge 1% and 20% of the profits. So every dollar we make for you we're going to take 20%

and that is pretty standard. There are some funds that have lower incentive fees and some that are higher.

ALLAN M. EDWARDS: That’s also negotiable.

JEFFREY D. FABRIZIO: That is correct.

ALLAN M. EDWARDS: You need to negotiate that if we come out of funds. You need to fight to get us every penny that we can get, especially when we’re loosing money.

COUNCILMAN IGLIOZZI: I mean you have Renaissance here and they’re half. Renaissance it .05%.

JEFFREY D. FABRIZIO: That is correct.

COUNCILMAN IGLIOZZI: Quellos, I don’t see anything.

JEFFREY D. FABRIZIO: Again, some of the material in this data base is not on because what happens is the managers submit to our database.

COUNCILMAN IGLIOZZI: Can you go back now to them and negotiate those fees?

ALLAN M. EDWARDS: That’s not the point. The point is, it’s standard fees when you go in and you don’t negotiate the fees going in. That’s the fee.

COUNCILMAN IGLIOZZI: We’ve been in there, right?

ALLAN M. EDWARDS: It doesn’t matter. It’s when you come out you can negotiate the fees is what I’m saying. When you come out of the dollar that you’re coming out with that’s the fee you want to negotiate. There is no way that you’re going to go in there and say listen, we’re going to pay a half percent. They are not going to do it. We’re lucky to even be in Renaissance by the way.

COUNCILMAN IGLIOZZI: Their fees are half.

ALLAN M. EDWARDS: That’s what I’m saying. That was a big deal for us. I mean if we’re going to put any money in that’s where I would like to put the money because I think you get the biggest bang but I don’t know if there is anything open in Renaissance.

JEFFREY D. FABRIZIO: They will take an additional commitment from the board.

ALLAN M. EDWARDS: Out of all the ones that I like, it is Renaissance because I know Renaissance on a turn will really give us a big hit.

JEFFREY D. FABRIZIO: That is correct.

ALLAN M. EDWARDS: Out of all the ones you have, Renaissance will give you the biggest return.

JEFFREY D. FABRIZIO: At the last meeting we had spoke about Och Ziff. We had handed out a presentation as well as a statistical analysis. We did have one other fund that we would like to propose to you, but, of course, we're recommending you only do one fund but just to have an alternative and I will hand out their material. Here is a book and we don't have to go through it but here is a two page summary, and I will just give you a brief overview on what this fund does. Here is the statistical data from our database that will accompany that for your reference.

ALLAN M. EDWARDS: Listen, there is a lot of stuff to read but can I just ask you a question? Why are you giving us Rye? Tell us in your opinion why you are giving us Rye?

JEFFREY D. FABRIZIO: Rye I think is a fantastic fund. It's what's called the market neutral fund and market neutral funds tend to give you a very small return month after month after month regardless of the market and of course that is the theory.

ALLAN M. EDWARDS: So it's a market neutral fund.

JEFFREY D. FABRIZIO: Yes.

ALLAN M. EDWARDS: Will they take a half million?

JEFFREY D. FABRIZIO: They would take a half million.

ALLAN M. EDWARDS: And you like them.

JEFFREY D. FABRIZIO: Yes.

ALLAN M. EDWARDS: And you like them because they're market neutral.

JEFFREY D. FABRIZIO: Because they're market neutral and stability of returns. Now if you take a look at this statistical analysis, I can point this out to you very quickly, if you take a look at their annual returns in the yellow and again this database is updated through July so we're not going to have a full year for '08 but if you look down that stream you will see that these returns are pretty consistent. They had about 8.8% in '07 but the bond market was up 5½%. In '06 they were up about 11% when the S&P was up 15.8%. If you continue down to '02, when the market was terrible, this fund was up about 11%, while the S&P was down 22%. Similarly in 2001, the fund was up 11.8% when the overall market was down 11.8%. If you go back one year prior, because that was also part of that bear market in 2000, this fund was up about 13½%, while the overall market was down about 9%. So again, in our opinion the reason why we like this fund is because it seems to achieve its objectives by protecting you on the downside, which as you know is more critical then making money on the upside. Now the other thing I would like to point out to you is down here, again in the yellow bar when we look at the standard deviation. If you look at the standard deviation of the fund, again since inception, which is May of 1994, the volatility of this fund is approximately 2.6%. It's pretty close to Treasury Bonds while the average compounded return is about 2.38%. In comparison, the overall market again as measured by the S&P 500 the volatility of it since May of 1994 was about 14% and the compounded return was about 9½%. So compared to the overall broad market, which I realize is not a good comparison, however, because we're trying to achieve equity like returns for us it does have some meaning. This fund, had you invested in it since inception in May of 1994, you would have got more return with the mare fraction of the volatility and that's what we're trying to achieve here.

ALLAN M. EDWARDS: So they've only been in business since 1997?

JEFFREY D. FABRIZIO: No, this fund has been around since 1994.

COUNCILMAN IGLIOZZI: It’s right here, fund inception.

ALLAN M. EDWARDS: Okay.

COUNCILMAN IGLIOZZI: How come we were never in this before? We got all these things floating around how come this was never presented to us?

JEFFREY D. FABRIZIO: Hedge Funds in general for this plan is something that is still relatively new. We had given you some other funds such as Burrows and TQA, which would protect you as much on the downside and give you that upside. Because at the time this was your first foray into hedge funds, we wanted to pick and choose some good funds for you and this is certainly a good fund but we had some other ones that were equally as good. Again, back to your point, you know should we do a hedge fund, should we not. One issue that had come up at the last meeting was should we take a look at the overall asset allocation and prudently the question was raised should we put the money in another hedge fund or should we do something else. This fund we think would be a fantastic one for you.

COUNCILMAN IGLIOZZI: We have four million?

JEFFREY D. FABRIZIO: Approximately.

COUNCILMAN IGLIOZZI: Is there another fund you’re interested in you said?

JEFFREY D. FABRIZIO: The other fund that we had proposed to you was Och Ziff. We had gone through that at the last meeting.

COUNCILMAN IGLIOZZI: Do you have the material for that?

JEFFREY D. FABRIZIO: I have this computer printout.

COUNCILMAN IGLIOZZI: Now are they a market neutral fund?

JEFFREY D. FABRIZIO: This is a multi-strategy fund. So as a multi-strategy fund, they’re going to do a little bit of everything. They’re going to do some of the trades that Rye is doing, they’re going to do some of the trades that

TQA was doing, they're going to do some of the same trades that Renaissance was doing, and they're also going to do some trades that neither of you existing funds will be doing. Again, they do a little bit of everything. It's a great one stop shop to get pretty much a lot of different exposures. The firm has approximately $30 billion dollars in assets. The fund that we're speaking to you about today is the Och Ziff Master Fund. That is the firm's flash fund and it has about $20 million dollars of assets in it. As you can see their track record here in yellow is also quite impressive. A little bit more volatile than the Rye Fund but historically they also deliver a little bit more return as well.

COUNCILMAN IGLIOZZI: We're still talking short money overall.

JEFFREY D. FABRIZIO: Right.

COUNCILMAN IGLIOZZI: So we could even put some money into Rye and Och Ziff.

JEFFREY D. FABRIZIO: You could do that.

COUNCILMAN IGLIOZZI: You're only going to put in $20 million dollars and this is $20 million.

JEFFREY D. FABRIZIO: That is correct, a $20 million dollar fund – excuse me, twenty billion.

COUNCILMAN IGLIOZZI: So we could possibly get the benefit of both but my feeling is that at the end of the day neither one is going to be the answer, it's just going to help a little.

VICE-CHAIRMAN MILLER: What I would recommend is putting it into the Rye because it's less volatile right now.

COUNCILMAN IGLIOZZI: I say put some money in both.

JEFFREY D. FABRIZIO: I don't know what the board's pleasure is and I heard one board member say they want to make a decision today.

COUNCILMAN IGLIOZZI: We will vote. Maybe if he's that concerned we do two and one and put one in cash potentially. You have $4 million dollars.

That's not going to make or break this fund. All we can do is try to gather a little more time. You know what I mean? I kind of like the Rye and you have a little more exposure in the other one and that sounds good, but I wouldn't want to put the bulk of that in there.

JEFFREY D. FABRIZIO: Well, keep in mind to just because that Och Ziff is more volatile than Rye this is still a bond like return profile.

COUNCILMAN IGLIOZZI: No, I understand. My point is that if in this portfolio here the total, my feeling is for the end of the year we can end up getting one fund and then you pick a couple more in the positive and this guy goes some in the positive and not a full percentage in the negative. I feel that this one will still be in the negative.

JEFFREY D. FABRIZIO: Och Ziff?

COUNCILMAN IGLIOZZI: Yes.

JEFFREY D. FABRIZIO: Could be.

COUNCILMAN IGLIOZZI: I don't know. I can't tell. You can always move money around to certain funds because maybe you know what, if these things start performing better then at the right time you maybe we get out of those other high funds.

JEFFREY D. FABRIZIO: What I would be happy to do if the board would like me to do is we could ask both of these managers to come in at the next meeting to give you an informational presentation so you can learn more about their strategy.

VICE-CHAIRMAN MILLER: Let me ask you this. Are we loosing time?

STEPHEN T. NAPOLITANO: Yes. I don't think we need that.

JEFFREY D. FABRIZIO: That's fine I'm just offering.

STEPHEN T. NAPOLITANO: At some point in time we can let them come in but I think we should make the decision today.

COUNCILMAN IGLIOZZI: What do you think we gain from it? How comfortable are you with these two funds?

JEFFREY D. FABRIZIO: Very comfortable. We think they're fantastic. The bringing them in part would be more for your benefit quite frankly.

STEPHEN T. NAPOLITANO: I think we should bring them in but I don't think we should delay our decision today.

COUNCILMAN IGLIOZZI: I agree. Here's my thinking, where I'm going in my mind. We got four million. It's not going to make or break this fund. He's got two decent hedge funds and it seems like they're pretty good. Why don't we invest some or all of it in both of them or a majority in one and a little bit less in the other and even if you keep a little cash on the side just to get the money moving and taking a shot. I don't know. I'm not an expert but I like the kind of slow and steady. Let's at least get a little positive number in this bunch here. Maybe by the end of the year even if it ends at 4% just to have one fund that is producing.

JEFFREY D. FABRIZIO: What Rye is doing I think by nature is a little bit more conservative. They have a strategy that they use this fund called Split Strike Conversion. So what that means is they will have an equity for example, AGM, or whoever, that's trading at $100.00, they will buy call at 101 and put a 99 and make money on that difference either way. There will be times when they hold cash. So there is at times a big cash like component in this fund and others times, of course, there is not.

COUNCILMAN IGLIOZZI: I'm looking at the Rye. Management fee is 1% and Center Fee is I'm looking at the Rye. Management fee is 1% and Incentive Fee is zero. Am I reading that right?

JEFFREY D. FABRIZIO: Yes, that is correct.

COUNCILMAN IGLIOZZI: Och Ziff, it's 2% Management Fee and 20% Incentive Fee.

JEFFREY D. FABRIZIO: That is correct.

COUNCILMAN IGLIOZZI: So I would even go more towards Rye.

STEPHEN T. NAPOLITANO: Do we defeat our purpose, which the Council person mentioned, to be moving forward slowly though it may be by splitting it. Should we invest if we're going to invest in one fund or the other or is there no difference one way or the other.

JEFFREY D. FABRIZIO: I think it would be better for this board, if you're going to allocate only to one, to put money with Rye simply because you already have a fund of funds, that being Quellos, which is Q-BLK of course. So, I think Och Ziff will be doing something complementary to Quellos but where Quellos is of fund of funds. You're already getting some of that exposure where you don't have the exposure of the Tremont.

COUNCILMAN IGLIOZZI: On the Quellos one you just mentioned, just let's say if you had your druthers, which one of these funds Och Ziff or Quellos would you feel more comfortable with?

JEFFREY D. FABRIZIO: I like Quellos.

COUNCILMAN IGLIOZZI: Okay. I'm just wondering.

ALLAN M. EDWARDS: I sort of have a different opinion.

COUNCILMAN IGLIOZZI: Can I ask you a question. What do you think we gain by leaving the four million in cash?

ALLAN M. EDWARDS: I'm going to help you out here a little bit. It's been my thirty plus years experience when you have a storm like this and we don't know which way to turn. The safest haven for our money is cash, okay. I have seen numerous great funds, great stocks, great investment houses with a line going the way this is going and the day that we entered into that line it started going this way, okay. So my opinion is that, and it's just my opinion, and I'm one is that I think we need to be caution here, and as Bruce said, we have a lot of factors today that are totally different from where they use to be years ago in a recession. We know have a global economy that's effecting us in numerous ways and I just think we need to be patient with that. I don't think a month is going to kill us here if we don't put our money to work right away, because I've seen people take their money because the cash was there and they wanted to get some return. I mean I'd rather have it in T bills. I'd rather have it in something that you can get your money out right away. If you want to go into something safe and still get interest, I mean I don't want it in cash, it's not in cash is it?

JEFFREY D. FABRIZIO: As we speak now, yes.

ALLAN M. EDWARDS: It shouldn't be.

JEFFREY D. FABRIZIO: It's in a money market.

ALLAN M. EDWARDS: So what's money market right now?

JEFFREY D. FABRIZIO: Three or four percent.

ALLAN M. EDWARDS: So what's the best short term T bill that we can get into that we can come in an out of an make a decision on?

JEFFREY D. FABRIZIO: So, you're asking about a physical T bill as opposed to a money market fund.

ALLAN M. EDWARDS: Well, give me the best money market fund rate and then give me the best T bill rate that we can get where at least in thirty or sixty days we can come out it and draw the money out. I mean thirty or sixty days is not going to change our world in this fund. I just feel that we should just be cautious and keep the cash in an interest bearing account until we see what's happening to the European market and see if we get a little more stability in the market place.

STEPHEN T. NAPOLITANO: Would it be best if we were to pocket it in something like Loomis or would it be better to do a T bill or a money market.

ALLAN M. EDWARDS: Well, wait a second. Loomis has always been to me one of the best funds.

STEPHEN T. NAPOLITANO: We usually park our money there.

ALLAN M. EDWARDS: I have no problem with that. That's better.

STEPHEN T. NAPOLITANO: All right. If we could do that we could put that money into Loomis, sit on it and then revisit it at our next meeting.

ALLAN M. EDWARDS: John, when you look at these performances it's great but you're looking at a performance over a long period of time. We're not going to gain that performance tomorrow. So we're not going to see this line go from 1997 or 1994 to 2008, it's not going to happen. It's just not there.

COUNCILMAN IGLIOZZI: I just didn't want to have $4 million dollars sitting and doing nothing.

ALLAN M. EDWARDS: It's not sitting there doing nothing that's my point. My point is that I'm concerned about that.

COUNCILMAN IGLIOZZI: I wanted to do something.

ALLAN M. EDWARDS: We are going to do something.

COUNCILMAN IGLIOZZI: Okay, now you gave me additional options.

ALLAN M. EDWARDS: I gave you additional options.

COUNCILMAN IGLIOZZI: You mentioned going towards T bills and all that stuff like that. I wasn't thinking that. I thought it was going to sit there for another few months. That's why I asked you the question. I was utilizing your thirty years of experience. The key to a good manager is to make sure the people around you are far smarter than you and a lot more intelligent than the issue at hand. The question I have for you is the pros and cons of the T bill, or you said money market or Loomis, is there any different that we should be aware of.

JEFFREY D. FABRIZIO: Again, it depends on your objectives. I think if you keep it in cash be, it defined as a T bill or a money market, that's going to preserve your capital, but you said a minute ago that wherever we go the line tends to go down like this. At Loomis there should be something economic to affect your monthly return. It's not going to be as safe. It will be safe but not as safe of course as cash.

COUNCILMAN IGLIOZZI: You're right. That's what I'm thinking.

ALLAN M. EDWARDS: The safest vehicle, which in the world everybody looks to, is the T bill.

COUNCILMAN IGLIOZZI: I think maybe we should go there.

ALLAN M. EDWARDS: Yes, my suggestion is that we go there.

STEPHEN T. NAPOLITANO: Do you need a motion?

JEFFREY D. FABRIZIO: Well, let me make a comment. The four million that came up as the amount to invest from TQA, and I mentioned that that number was approximate. So it could be a little bit more or a little bit less. Also, there is a 10% holdback that is now at TQA in the form of cash. So whatever number we have, be it 3.8% to invest now or 4.1%, we need to take 90% of that.

ALLAN M. EDWARDS: Can I just ask a question before you make a motion.

JEFFREY D. FABRIZIO: Yes, of course you can.

ALLAN M. EDWARDS: Is this 383 the 10%. Well, it's three million eight then.

JEFFREY D. FABRIZIO: That's correct.

ALLAN M. EDWARDS: It's not four million.

JEFFREY D. FABRIZIO: That's correct. That's why I said approximately.

ALLAN M. EDWARDS: Wait a minute. Is it 383 that they're holding back?

JEFFREY D. FABRIZIO: That's correct. They are holding 383.

ALLAN M. EDWARDS: So that's the 10%?

JEFFREY D. FABRIZIO: That's the 10%.

ALLAN M. EDWARDS: Okay. So that's what we have to invest.

JEFFREY D. FABRIZIO: That's correct.

VICE-CHAIRMAN MILLER: Just say net proceeds.

JEFFREY D. FABRIZIO: I just didn't want the motion to come in as a hard $4 million dollars. That was my concern.

STEPHEN T. NAPOLITANO: That's why we're going to use net proceeds.

JEFFREY D. FABRIZIO: Net proceed is great.

STEPHEN T. NAPOLITANO: Net proceeds of the funds from TQA be invested in a T bill.

ALLAN M. EDWARDS: Thirty days.

STEPHEN T. NAPOLITANO: Whatever you suggest.

ALLAN M. EDWARDS: Thirty or sixty days, whatever, but you have to come back to us quickly or come back to Bruce. Bruce can make that decision.

COUNCILMAN IGLIOZZI: I second that motion.

ALLAN M. EDWARDS: I seconded the motion.

VICE-CHAIRMAN MILLER: Any further discussion? Seeing none we will have a roll call vote:

AYES: Vice-Chairman Miller, Stephen T. Napolitano, Councilman John J. Igliozzi and Allan M. Edwards – 4.

NAYES: None.

ABSENT: Mayor David N. Cicilline, Myrth York and Craig Baker – 3.

VICE-CHAIRMAN MILLER: Motion Carries.

COUNCILMAN IGLIOZZI: When you come back next month can you bring updates of Och Ziff and Rye.

JEFFREY D. FABRIZIO: Yes.

VICE-CHAIRMAN MILLER: We still have two more items on the agenda, item number two, discussion relative to the Dexter Donation Fund and other trust accounts.

JEFFREY D. FABRIZIO: Okay, I did hand out the books. We can go through that pretty quickly. If you turn to tab one, we can take a look at the Dexter Donation account. This again is the flash report that is dated through August 26th. Year-do-date these portfolios are down 9.7%, and again through the 26th the S&P

is down twelve and change. The reason why this is down more than the big plan is because, of course, the big plan is more diversified and has private equity and of course the hedge fund exposure. Month-to-date again through August this fund is down 0.6% or sixty basis points. The Dexter Donation Trust is valued at approximately $1.7 million dollars. If you look on the following tabs you will see the same report for the Ebenezer Knight Dexter Trust, the City of Providence Board of Investment Commissioners, Charles Smith Trust and lastly Edward Ely Trust. The performance for all of these trusts are approximately the same because they have approximately the same allocation. Of course, they won't be exact because of different starting dates. If there is any questions I can answer on that one I would be happy to do so.

VICE-CHAIRMAN MILLER: Can we have a motion from the board to accept the report.

STEPHEN T. NAPOLITANO: So moved.

ALLAN M. EDWARDS: Second.

On motion of Mr. Napolitano, Seconded by Mr. Edwards, it is voted to accept the report of the Dexter Donation Trust Fund and Other Trust Accounts.

VICE-CHAIRMAN MILLER: All those in favor.

COMMITTEE: Aye.

VICE-CHAIRMAN MILLER: All those opposed.

Motion Carries.

COUNCILMAN IGLIOZZI: I have a question. Are you in hedge funds in these, too?

JEFFREY D. FABRIZIO: No, these are strictly mutual fund portfolios.

COUNCILMAN IGLIOZZI: Can they only be mutual fund portfolios? Is that what it is?

JEFFREY D. FABRIZIO: That is correct. It's because of their status. You have to have so much money to invest in a hedge fund.

VICE-CHAIRMAN MILLER: Okay next item on the agenda, Discussion and decision on Zero Stage Capital.

JEFFREY D. FABRIZIO: As we've been telling you for some time, you obviously know you are investors or we're investors in the Zero Stage Fund 7. That fund is in the process of winding down and by year end they are due to sell the remaining companies in that portfolio and there are only a couple, as well as to release some monies that are being held in escrow for you. As of my last conversation with Matt Kelly, which was about three or four weeks ago, those monies are still scheduled to be released to you by the end of the year. Since then there has been a separate issue that has come up that has to do with a limited release in connection with excess compensation. The MBTA Retirement Fund, which is a public pension fund in Massachusetts, is also or was also an investor in Zero Stage Fund 7. They have been reviewing the compensation paid to Zero Stage 7, the fund on behalf of all of the limited partners, and have deemed that the compensation received by the fund has been excessive. They have gone through a legal investigation and have come up with a settlement that is presented before you right now. There has been an agreement reached by which Zero State Capital would make payment to all limited partners in the amount of $919,100.00. As you will see in the third paragraph down on page one here, of that amount $77,770.00 would be paid directly to the MBTA as part of compensation for their charges, their legal fees corresponding to those incurred while pursuing this investigation. The difference between the two $919,100.00 and $77,770.00 is approximately would be sent pro rata to the LPs. You own a little over 5% of that fund. So whatever 5% of that difference is, is what would come to you. This is something that has been approved by over 90% of the LPs and because you are considered to be a bit investor in Fund 7, they wanted approval or disapproval of this. Of course disapproving it you would not get you money and of course approving it obviously you would.

ALLAN M. EDWARDS: Is that the only thing if we disapprove?

JEFFREY D. FABRIZIO: That is correct.

ALLAN M. EDWARDS: There is no other options. If we disapprove, we don't get our money, if we approve we get our money.

JEFFREY D. FABRIZIO: As I understand it, yes.

ALLAN M. EDWARDS: It doesn't make any sense to me. I don't mean that sarcastically.

JEFFREY D. FABRIZIO: No, I understand.

ALLAN M. EDWARDS: It just doesn't make any sense to me.

COUNCILMAN IGLIOZZI: If we don't approve this the money is held in escrow? How much money is it?

JEFFREY D. FABRIZIO: I will just do it quickly.

ALLAN M. EDWARDS: Who gets the $77,000.00?

JEFFREY D. FABRIZIO: The MBTA Retirement Fund would get $77,770.00 off the top because the conducted the investigation.

ALLAN M. EDWARDS: So I would like to know how much they're getting as a fee?

JEFFREY D. FABRIZIO: Who's getting as a fee? The MBTA?

ALLAN M. EDWARDS: Yes.

JEFFREY D. FABRIZIO: $77,770.00.

ALLAN M. EDWARDS: I thought they were an investor you said?

STEPHEN T. NAPOLITANO: In addition to the investment as I understand what you said, and I may be wrong, in addition to them getting back their investment they are going to be reimbursed.

ALLAN M. EDWARDS: Another $77,000.00.

STEPHEN T. NAPOLITANO: That is my understanding?

COUNCILMAN IGLIOZZI: The total is $919,100.00 minus $77,000.00 from that and then whatever percent you already added to the fund gets a percentage of that number, which is whatever it is.

ALLAN M. EDWARDS: I'm not approving the $77,770.00. What happens if I say that?

JEFFREY D. FABRIZIO: I could go back and find out.

ALLAN M. EDWARDS: I mean how long does this research, and this investigation and all this stuff take place.

JEFFREY D. FABRIZIO: As I understand it, over a couple of months and your portion of the difference would be approximately $42,000.00.

ALLAN M. EDWARDS: We're only getting $42,000.00 back of the money that we invested with them?

JEFFREY D. FABRIZIO: No, that's a separate issue. This issue here is completely separate with regards to the companies and the escrow.

COUNCILMAN IGLIOZZI: This is overcharge of fee, right?

JEFFREY D. FABRIZIO: This is an overcharge of fee, which is a separate issue.

COUNCILMAN IGLIOZZI: What happen is they came to the conclusion it was $919,100.00, which was an overcharge of fee.

JEFFREY D. FABRIZIO: That is correct.

COUNCILMAN IGLIOZZI: Then they said okay is everybody okay with that, that's the number we're going to give everybody back.

JEFFREY D. FABRIZIO: That is correct.

COUNCILMAN IGLIOZZI: Then they said by the way MBTA we're going to give them $77,770.00 and minus that from the $919,100.00.

ALLAN M. EDWARDS: How many people are in this fund?

JEFFREY D. FABRIZIO: I don't have a list of LPs in the fund with me.

ALLAN M. EDWARDS: I mean is a dumb fight. What about the rest of the money we invested?

JEFFREY D. FABRIZIO: The rest of the money that is invested you are due to get the release of that money towards the end of the year.

ALLAN M. EDWARDS: How much is that?

JEFFREY D. FABRIZIO: I'm going to say approximately $100,000.00.

ALLAN M. EDWARDS: I hated these guys. I didn't want them.

STEPHEN T. NAPOLITANO: I know. I was there when you said that.

ALLAN M. EDWARDS: Remember I said I don't like guys, I don't want to put our money with them.

COUNCILMAN IGLIOZZI: How much more did we lose?

JEFFREY D. FABRIZIO: You put in about $5 million. I can come back to you with the IRR on the exact amount of dollars that you lost but it is a loss.

COUNCILMAN IGLIOZZI: Are we getting $100,000.000, is that what you said?

JEFFREY D. FABRIZIO: Well, there is $100,000.00 left and that will be distributed to you but that does not account for what was distributed to you in the past. My off the top guess is that you are going to get about twenty five to thirty cents on the dollar for every dollar you've earned. So there will be a loss here. This fee issue is completely separate.

COUNCILMAN IGLIOZZI: The only thing I would ask is that before we sign it can we send it to the Law Department and make sure the Law Department looks at it so we know what we're approving. Who signs this?

STEPHEN T. NAPOLITANO: The Chair.

COUNCILMAN IGLIOZZI: We probably need a motion authorizing it and then actually attach that to this.

ALLAN M. EDWARDS: I think John has a good point. We should have the Law Department look at the lease.

COUNCILMAN IGLIOZZI: I know it's only $42,000.00 but have them look at it and make sure we know what we're signing.

STEPHEN T. NAPOLITANO: I think it would be helpful if Paul would send over a breakdown so the Law Department understands, this is what we invested and this is what we got back, numbers, so they can look at it in addition to this and then have them report back to us at the next meeting.

VICE-CHAIRMAN MILLER: Is there a timeline on this?

JEFFREY D. FABRIZIO: The sooner the better. This was an issue I was trying to talk to the board about around June or July.

COUNCILMAN IGLIOZZI: We're going to have a special meeting anyway, right?

VICE-CHAIRMAN MILLER: Right.

ALLAN M. EDWARDS: You don't wait for that. You don't want to wait for the special meeting. You want to get this done now.

COUNCILMAN IGLIOZZI: This special meeting might happen soon, probably within two weeks.

ALLAN M. EDWARDS: I think the question we have to figure out before we make that decision is what's the gun to our head? I need to know what that is.

JEFFREY D. FABRIZIO: I can get that out quickly.

ALLAN M. EDWARDS: Then we can make a decision.

COUNCILMAN IGLIOZZI: I make a motion to forward this proposed limited release and information to the Law Department so they can review it and give us opposition on it with Wainwright's input and a response be given to this committee as soon as possible so we can act upon it accordingly.

VICE-CHAIRMAN MILLER: Should we set a deadline of two week?

STEPHEN T. NAPOLITANO: Yes, two weeks.

VICE-CHAIRMAN MILLER: Okay and then report back.

COUNCILMAN IGLIOZZI: Also, in addition to my motion a deadline of two weeks.

STEPHEN T. NAPOLITANO: Second that motion.

On motion of Councilman Igliozzi, Seconded by Mr. Napolitano, it is voted to forward to the Law Department the Limited Release for Zero Stage Capital for review, with a deadline of two weeks.

VICE-CHAIRMAN MILLER: All those in favor.

COMMITTEE: Ayes.

VICE-CHAIRMAN MILLER: All those opposed.

Motion Carries.

ADJOURNMENT: On motion of Councilman Igliozzi, seconded by Stephen Napolitano, it is voted to adjourn the meeting at 1:15 o'clock P.M.

Lori L. Hagen

Second Deputy City Clerk

Sheri A. Petronio

Assistant Clerk