



Forensic Audit Report of Midland Firemen's Relief and Retirement Fund

Report 1 of 2

Prepared for:

City of Midland

December 19, 2022

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Introduction and Scope of Work

I. Introduction

Weaver and Tidwell, L.L.P. (“Weaver”) submits this Forensic Audit Report (“Report”) to the City of Midland (the “City”). As outlined in Weaver’s Professional Services Agreement with the City, the City may designate other persons or entities to receive the Report, which include the Board of Trustees (the “Board”) for the Midland Firemen’s Relief and Retirement Fund (“Midland FRRF” or the “Fund”) and the Texas Pension Review Board. This Report presents the work performed in connection with the forensic audit conducted by Weaver for the fiscal years beginning January 1, 2018 through December 31, 2020 (“review period”), including our observations and findings.¹ Weaver has made its best effort, given the available time and resources, to conduct an impartial, independent and extensive forensic audit. We did not conduct an exhaustive investigation into all aspects of the Fund’s finances and operations as such an investigation would require time and resources beyond those reasonably required to address the issues identified by the City and the Fund.

II. Scope of Work

a. Background

On January 7, 2022, the City issued a Request for Qualifications (“RFQ”) for a Forensic Audit of Financial Records of the Midland Firemen’s Relief and Retirement Fund. The scope of work outlined in the RFQ included forensic accounting procedures as necessary for the reconstruction of the financial records to recalculate, verify, and validate individual and Fund composite asset values, investment performance, investment management fees, partnership expenses, performance fees, or carried interest for the entire portfolio on a retrospective basis. On January 27, 2022, Weaver submitted to the City its Qualifications for the Forensic Audit of Financial Records of the Midland Firemen’s Relief and Retirement Fund. During the regular Board meeting on March 24, 2022, the Board authorized the Fund to proceed with the forensic audit and the engagement of Weaver. During the City Council meeting on April 12, 2022, the City authorized the negotiation and execution of a Professional Services Agreement with Weaver in connection with the forensic audit. On April 20, 2022, Weaver and the City executed a Professional Services Agreement to complete the scopes of work requested by the City as described below.

- Perform an independent analysis and evaluation of the Fund’s investment portfolio for the three (3) annual periods ending December 31, 2018 to December 31, 2020, including an independent verification of the following:

¹ The Fund operates and reports its activities on a calendar-year basis.

- Value of assets on an individual and composite basis
- Investment performance (i.e., rates of return), including method and calculation
- Investment management fees
- Other fees (e.g., partnership expenses, performance fees, incentive fees, carried interest)
- Perform an independent analysis and evaluation of the Fund’s governance practices, including documented policies and procedures, as well as communication protocols.
- Perform an independent analysis and evaluation of the Fund’s internal procedures and practices (e.g., financial and administrative procedures), including compliance with the Texas Local Fire Fighters Retirement Act (“TLFFRA Statute”).²
- Provide to the City and the Board a written report that includes a summary of the work performed and findings, including any recommendations, as described in the RFQ.

b. Independence

This forensic audit was conducted by Weaver’s Forensics & Litigation Services team in response to the RFQ issued by the City. In our proposal and statement of qualifications to the City, we disclosed that Weaver’s Assurance Services team performed the annual financial audit for the Fund during a portion of the review period.³ Weaver also disclosed that our Risk Advisory Services team provides internal audit services to the City and that Weaver’s other engagements for the Fund and the City do not constitute a conflict of interest or independence impairment relative to performing the proposed forensic services in accordance with the applicable professional standards. Weaver is experienced at performing forensic audits for clients where we also perform the financial audit and are diligent about separating the forensic audit team from the financial audit and internal audit teams. We also implement multiple safeguards to ensure that the integrity of either engagement is never in question.

c. Work Performed

As described previously, this Report summarizes the work performed, observations and findings associated with the forensic audit scopes of work, including the independent review and evaluation of the Fund’s investment portfolio and associated fees during the 2018 – 2020 time period, as well as the review of the Fund’s internal procedures and practices. Weaver’s findings and recommendations from our review and evaluation of the Fund’s governance practices and compliance with the TLFFRA Statute will be included in a subsequent report (Report 2 of 2).

² While this Report addresses the Fund’s internal procedures during the review period, our review of the Fund’s internal procedures subsequent to the review period is ongoing and our evaluation of compliance with the TLFFRA Statute will be addressed in Weaver’s Report 2 of 2 focused on our review of the Fund’s governance practices.

³ In our proposal, Weaver also disclosed that we currently provide internal audit services to the City

Weaver performed the following work steps in reaching the observations and findings related to the forensic audit scopes of work outlined in this Report:

- Analyzed the Fund's investment account statements for 37 investment accounts during the 2018 – 2020 time period, including the review of investment contributions, disbursements, income received, investment gains and losses, as well as fees paid to investment managers;
- Analyzed all transactions for the Fund's cash account with Frost Bank during the 2018 – 2020 time period, including the contributions from the City and employees into the Fund, distributions paid to pensioners and beneficiaries, receipts and disbursements from investment accounts, rental income and transfers to other accounts held by the Fund; we have included the detail from the bank statements for all transactions during the review period in **Appendix A**;
- Reconciled the Fund's cash account with Frost Bank and investment account statements, including transfers, investment contributions and disbursements;
- Analyzed all transactions for the Fund's checking account with Community National Bank during the 2018 – 2020 time period, including fees paid to investment managers, consultants and custodian banks, as well as expenditures related to maintenance and renovations of the office building owned by the Fund, expense reimbursements for travel on behalf of the Fund, Administrator salaries and benefits and other administrative expenses;
- Analyzed all transactions for the Fund's Visa credit card account with Commerce Bank during the 2018 – 2020 time period, including travel expenses by Trustees and Administrator for expenses incurred on behalf of the Fund, utilities, software, office supplies and equipment, among others;
- Reviewed meeting agendas, minutes and packets for regular and special Board meetings, as well as Investment Committee meetings during the 2018 – 2020 time period;
- Reconciled expenditures approved by the Board with expenditures identified from the Fund's expense accounts with Community National Bank and Commerce Bank;
- Reviewed the Fund's Plan documents effective December 14, 2011 and Statement of Investment Policies as adopted on October 26, 2017 and April 23, 2020;⁴
- Reviewed and analyzed approximately 20,000 electronic email communications maintained by the City pertaining to operations of the Fund;
- Conducted interviews with (5) Board members during the 2018 – 2020 time period, including the Board officers and members of the Investment Committee;
- Conducted interviews with the Fund's Administrator and performance analytics consultant;
- Performed a site visit at the Fund's offices in Midland;
- Performed research of Board members, Administrator, investment managers and consultants using LexisNexis Public Records database to identify any personal or business affiliations.

The above listed work steps reflect the actions performed by Weaver that formed the basis for our observations and findings discussed throughout the remainder of this Report.

⁴ The Board adopted a revised Statement of Investment Policies on October 25, 2021.

Summary of Findings

The Summary of Findings provides an overview of Weaver’s observations and findings for the forensic audit, based on the scopes of work outlined previously in this Report. The Summary of Findings is based on the set of facts and findings described in the Report, and should be read with the Report itself including the associated appendices. Standing alone, it does not, and cannot, provide a full understanding of the facts and analysis underlying our observations and findings.

I. Investment Performance

Weaver’s scope of work included the review of the Fund’s investment performance during the 2018 – 2020 time period. A summary of our observations and findings is provided below, with additional detail included in **Section I** of this Report.

a. Overall Fund Value Decreased from \$89.0 Million to \$86.1 Million During Review Period

Based upon our independent review of bank statements and investment account statements, we determined that the Fund’s value decreased from \$89.0 million as of January 1, 2018 to \$86.1 million as of December 31, 2020. A summary of changes in Fund value during the 2018 – 2020 time period is provided in the table below and detailed throughout the remainder of this Report.

Summary of Changes in Fund Value: 2018 - 2020	
Fund Value as of January 1, 2018	\$88,973,459
Contributions In / Distributions (Out):	
Plus Contributions into Fund from Firefighter Employees and the City	\$20,656,339
Less Distributions Paid to Pensioners and Beneficiaries	(\$28,945,518)
Net Contributions / Distributions	(\$8,289,180)
Investment Gain (Loss) after Fees:	
Liquid Investments (<i>Equities and Fixed Income</i>)	\$3,624,146
Alternative Investments (<i>Private Equity and Hedge Funds</i>)	\$4,143,998
Real Estate Investments	(\$1,827,279)
Total Investment Gain (Loss) after Fees	\$5,940,865
Expenses and Other Receipts:	
Less Fees Paid for Consulting Services	(\$138,000)
Less Fees Paid for Bank Custodial Services	(\$74,005)
Less Administrative Expenses	(\$753,547)
Plus Proceeds from Closed Investments	\$333,950
Plus Donations and Other Receipts	\$75,982
Total Expenses and Other Receipts	(\$555,620)
Fund Value as of December 31, 2020	\$86,069,524

b. The Fund’s Overall Annualized Rate of Return was 2.1% for 2018 – 2020

We calculated an annualized rate of return for the Fund of 2.1% over the 2018 – 2020 time period. Our annualized rate of return calculation is net of all non-administrative expenses, including fees paid to investment managers, investment consultants and custodian, as well as expenditures related to maintenance and renovation of the office buildings owned by the Fund. Our annualized rate of return calculation includes adjustments to exclude the impact of contributions paid into the Fund as well as distributions paid out to pensioners and beneficiaries.⁵ A summary of our calculation of the Fund’s annualized rate of return after adjustments during the 2018 – 2020 time period is provided in the table below.⁶

Annualized Rate of Return for the Fund (after Adjustments): 2018 - 2020				
	2018	2019	2020	2018-2020
Beginning of Year Value	\$ 88,973,459	\$ 79,777,744	\$ 85,001,671	\$ 88,973,459
End of Year Value	79,777,744	85,001,671	86,069,524	86,069,524
Adjustments to End of Year Value:				
Add Disbursements Paid to Pensioners	\$ 8,609,279	\$ 9,979,793	\$ 10,356,446	\$ 28,945,518
Deduct Contributions Paid into Fund	(6,239,847)	(7,064,832)	(7,351,660)	(20,656,339)
Add Administrative Expenses	248,684	293,215	211,648	753,547
Deduct Proceeds from Closed Investments	(333,950)	-	-	(333,950)
End of Year Value after Adjustments	\$82,061,910	\$88,209,848	\$89,285,958	\$ 94,778,300
Annualized Rate of Return after Adjustments	-7.77%	10.57%	5.04%	2.13%

Liquid Investments (Equities and Fixed Income)

Findings related to the Fund’s investments in equities and fixed income products (i.e., liquid investments) are provided below.

c. The Fund’s Rate of Return on Equity and Fixed Income Investments was 2.2%

During the 2018 – 2020 time period, the Fund gained \$3.6 million (net of fees) across 12 investments in equity and fixed income products, which represented an annualized rate of return of 2.2% during the review period.⁷ The Fund’s equity and fixed income investment allocation decreased from \$52.8 million in January

⁵ As part of our adjustments, we have added back administrative expenses and excluded proceeds received in early 2018 from investments in prior years that were inactive during the review period.

⁶ The Fund’s annualized rate of return net of all expenditures was 1.9%.

⁷ During the review period, certain investments managed by Westwood and SeaCrest included equity and fixed income investment products. The account statements for these investments did not include sufficient detail to quantify investment gains and losses by asset class. As such, we have combined equity and fixed income investments for purposes of our review of the Fund’s performance.

2018 to \$47.3 million in December 2020 (net of contributions, distributions, income, gain on investments and management fees). A summary of the Fund's investment performance for equity and fixed income investments during the 2018 – 2020 time period is provided in the table below.

Combined Liquid Investments (Equities and Fixed Income): 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ 52,814,694	\$ 47,587,590	\$ 62,295,665	\$ 52,814,694
Contributions	106	16,667,837	11,460,403	28,128,345
Distributions	(1,102,128)	(8,246,169)	(28,748,017)	(38,096,313)
Income	1,737,133	1,491,466	1,055,908	4,284,507
Gain (Loss) on Investment	(5,862,214)	4,794,940	1,271,103	203,829
Ending Value	\$ 47,587,590	\$ 62,295,665	\$ 47,335,061	\$ 47,335,061
Other Revenues and Expenses				
Fees Paid to Investment Managers	(330,067)	(323,573)	(210,550)	(864,190)
Net Gain (Loss) on Investment	\$ (4,455,149)	\$ 5,962,834	\$ 2,116,460	\$ 3,624,146
Rate of Return After Fees*	-8.44%	12.53%	3.40%	2.24%

**Rate of Return After Fees is calculated as Ending Value (adjusted for contributions, distributions and fees) divided by Beginning Value. Rate of Return for 2018 - 2020 is annualized for the period.*

d. The Fund's Losses for MLP Oil and Gas Investments Totaled \$2.4 Million

As of January 2018, over \$7.4 million of the Fund's investments in U.S. equities were held in master limited partnerships ("MLP's"), with investments concentrated in limited partnerships of public companies in the oil and gas industry generating cash flows from midstream activities. For the Fund's two MLP products managed by Westwood and NBW Capital, the Fund's investment losses after fees were in excess of \$2.4 million during the 2018 – 2020 time period. The annualized rate of return for the Fund's MLP investments during the 2018 – 2020 time period were -16.7% for Westwood MLP and -10.9% for the MLP managed by NBW Capital. In July 2020, the Fund liquidated their investment in Westwood MLP and reallocated the remaining \$1.5 million into the MLP managed by NBW Capital, which had a value of approximately \$4.0 million as of December 31, 2020.

e. The Fund Gained \$2.1 Million from Investments in International Equities During 2018 – 2020

The majority of the Fund's investment gains for equity and fixed income investments were derived from their international equity holdings, with gains over \$2.1 million after fees and an annualized rate of return of 4.5% during the 2018 – 2020 time period. The Fund's international equity investments increased from \$14.8 million in 2018 to \$15.7 million in 2020. We also noted that the Fund liquidated underperforming investments in 2019 managed by Glovista Investments and Federated International Mutual Funds, with annualized rates of return since 2018 of -6.6% and -4.5% respectively. The proceeds were reallocated into an international equity portfolio managed by Morgan Stanley, which earned over \$1.8 million in 2020 with a 32.2% rate of

return. A summary of the Fund's investment performance for international equity investments during the 2018 – 2020 time period is provided in the table below.

Combined International Equities: 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ 14,830,937	\$ 12,096,922	\$ 13,241,259	\$ 14,830,937
Contributions	-	5,667,837	-	5,667,837
Distributions	(612,584)	(6,416,711)	(123,654)	(7,152,949)
Income	420,143	402	3,140	423,686
Gain (Loss) on Investment	(2,541,575)	1,892,810	2,548,427	1,899,662
Ending Value	\$ 12,096,922	\$ 13,241,259	\$ 15,669,172	\$ 15,669,172
Other Revenues and Expenses				
Fees Paid to Investment Managers	(85,420)	(73,429)	(50,980)	(209,829)
Net Gain (Loss) on Investment	\$ (2,206,852)	\$ 1,819,783	\$ 2,500,587	\$ 2,113,518
Rate of Return After Fees*	-14.88%	15.04%	18.88%	4.54%

**Rate of Return After Fees is calculated as Ending Value (adjusted for contributions, distributions and fees) divided by Beginning Value. Rate of Return for 2018 - 2020 is annualized for the period.*

Private Equity and Hedge Funds

Findings related to the Fund's investments in private equity and hedge funds (i.e., alternative investments) are provided below.

f. The Fund Gained \$4.1 Million from Private Equity and Hedge Funds During 2018 – 2020

During the 2018 – 2020 time period, the Fund's investments in private equity and hedge funds increased from \$1.1 million in January 2018 to \$13.8 million in December 2020. During the review period, the Fund's gains on investment after fees for private equity and hedge fund investments totaled over \$4.1 million, as summarized in the table below.

Combined Private Equity and Hedge Fund Investments: 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ 1,125,398	\$ 2,960,936	\$ 5,308,466	\$ 1,125,398
Contributions	1,591,687	1,725,411	6,492,350	9,809,448
Distributions	(149,500)	(297,239)	(786,033)	(1,232,772)
Gain (Loss) on Investment	470,160	1,060,728	3,194,155	4,725,043
Fees and Expenses	(76,809)	(141,370)	(362,866)	(581,045)
Ending Value	\$ 2,960,936	\$ 5,308,466	\$ 13,846,072	\$ 13,846,072
Net Gain (Loss) on Investment	\$ 393,351	\$ 919,358	\$ 2,831,289	\$ 4,143,998

Real Estate Investments

During the review period, the Fund's real estate investments underperformed and negatively impacted the Fund's investment performance, which resulted in a loss of over \$1.8 million for the Fund during the 2018 – 2020 time period.⁸ For certain real estate investments, the Fund lost their entire investment, while other investment properties continued to be held by the Fund well past the target holding period. In addition to poor investment performance, the Fund's real estate investments locked up a significant portion of the Fund's investment capital in illiquid assets required to be held until disposition of the property. A summary of findings related to the Fund's real estate investments are provided below.

g. 35% of Fund's Portfolio Held in Illiquid Real Estate Investments as of January 2018

As of the beginning of our review period in January 2018, the Fund held real estate investments totaling over \$31.5 million, which equaled 35.4% of the Fund's total assets. Approximately \$30.5 million of the Fund's real estate holdings consisted of illiquid private placement real estate investments acquired during the 2012 – 2017 time period, including \$26.3 million in investments managed by CDK Realty Advisors ("CDK").⁹ While a small amount of distributions from operations were returned to the Fund during the investment period, the vast majority of the Fund's investment returns were received upon disposition of the investment property, which included Multifamily, Retail, Office, Hotel, Assisted-Living and Dementia Care property types. The remainder of the Fund's real estate investments was comprised of commercial property in Midland acquired by the Fund in 2016, which was utilized as office space for the Fund and provided rental income from tenants. The entirety of the Fund's \$31.5 million in real estate investments as of January 2018 were held in illiquid assets as the Fund was required to carry investments through the disposition of the properties.

h. The Fund Incurred a Net Loss on Investment of \$1.8 Million on Real Estate Investments

During the 2018 – 2020 time period, the Fund incurred a net loss on investment of over \$1.8 million across the 19 real estate investments held by the Fund, with an annualized net rate of return of -2% during the period. The majority of the Fund's losses were incurred in 2018 when the Fund experienced a net loss of over \$2.8 million across real estate investments. A summary of the Fund's investment performance for real estate investments during the 2018 – 2020 time period is provided in the table below.

⁸ As of December 31, 2020, the Fund's investments in real estate totaled approximately \$43 million since the Fund began investing in real estate in 2011, with the Fund receiving approximately \$35.5 million in distributions from real estate investments during the same time period. As of December 31, 2020, the value of the remaining real estate investments held by the Fund was approximately \$17.2 million.

⁹ In 2016, CDK began operating under Harvest Interests, LLC ("Harvest Interests").

Combined Real Estate Investments: 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ 31,523,534	\$ 17,440,949	\$ 15,162,632	\$ 31,523,534
Contributions	870,562	2,308,823	92,502	3,271,887
Distributions	(12,659,557)	(6,069,073)	(573,398)	(19,302,027)
Income	85,681	9,970	3,951	99,602
Gain (Loss) on Investment	(2,344,748)	1,497,860	(4,569)	(851,457)
Fees and Expenditures	(34,523)	(25,897)	(20,424)	(80,844)
Ending Value	\$ 17,440,949	\$ 15,162,632	\$ 14,660,694	\$ 14,660,694
Other Revenues and Expenses				
Rental Income (101/105 N. G Street)	61,720	74,813	60,665	197,197
Building Expenditures (101/105 N. G Street)	(225,402)	(89,596)	(75,397)	(390,395)
Fees Paid to Investment Managers	(379,495)	(209,341)	(212,546)	(801,382)
Net Gain (Loss) on Investment	\$ (2,836,767)	\$ 1,257,809	\$ (248,321)	\$ (1,827,279)
Rate of Return After Fees*	-9.00%	7.21%	-1.64%	-1.97%
*Rate of Return After Fees is calculated as Ending Value (adjusted for contributions, distributions and other revenues and expenses) divided by Beginning Value. Rate of Return for 2018 - 2020 is annualized for the period.				

Additional detail for specific real estate investments with notable losses during the 2018 – 2020 time period is provided below.

i. Fair Market Value Adjustment of State Street Property in 2018

As of January 2018, the Fund held investments totaling approximately \$14.7 million in CDK Multifamily I, LLC, which was an entity formed for the purpose of developing, owning and operating five multifamily residential properties in Texas and Tennessee. The Fund held a 44% interest in CDK Multifamily I, including a 27% direct interest and 17% indirect interest through IM Multifamily I, LLC.¹⁰ In 2018, the multifamily property known as State Street (previously named Jefferson Heights) was marketed to sell for \$42.5 million but the highest bid received was \$38.5 million and the property was subsequently taken off the market. During the 2018 audit of CDK Multifamily I performed by Plante Moran, the auditors reduced the fair market value of the State Street property held by CDK Multifamily I by \$3.9 million based on the highest bid received, which resulted in a \$1.8 million decrease of the Fund's combined 44% interest in CDK Multifamily I. As of this Report, the State Street property has not been sold and is the only property still being held by CDK Multifamily I. The Fund's multiple of capital for CDK Multifamily I was 1.2 times their investment as of December 2020, which was below their target multiple of capital of 1.8 – 2.5 with a holding period of three to five years.

¹⁰ In 2017, the Fund and Irving Fireman's Relief and Retirement Fund entered into an agreement for the formation of IM Multifamily I, LLC for purposes of acquiring the interest held in CDK Multifamily I held by Dallas Police and Fire Pension System. Ultimately, the Fund acquired a 40% interest in IM Multifamily I, which held a 43% interest in CDK Multifamily I.

j. Loss of Capital on Beach House Jacksonville Real Estate Investment

In 2013, the Fund invested approximately \$1.7 million in a senior living dementia care facility in Jacksonville, Florida named Beach House Assisted Living and Memory Care (“Beach House Jacksonville”), with CDK serving as the investment manager.¹¹ In 2018 and 2019, the Fund made additional contributions increasing the Fund’s total investment to approximately \$2.1 million. After the facility struggled to achieve sustained occupancy, which was exacerbated during the COVID-19 pandemic, the developer (Prevarian Senior Living) sold the property at a reduced price in March 2021 without sufficient funds to pay investors after paying debt obligations. As a result, the Fund lost the entirety of their \$2.1 million investment in Beach House Jacksonville without receiving any distributions during the eight-year investment period.

k. Loss of Capital on Autumn Leaves Real Estate Investments

Beginning in 2011, the Fund invested in senior living memory care facilities (Autumn Leaves) with CDK acting as the Fund’s investment manager, and earned a multiple of capital of 2.3 for the initial three investment properties sold in 2016.¹² However, the Fund’s subsequent investments in Autumn Leaves properties in 2013 and 2014 were negatively impacted after the developer (The LaSalle Group) filed for bankruptcy in 2019. The Fund invested a combined \$1 million in three properties and recognized a 100% loss on their investment following a distressed sale of the properties in 2019, while a fourth property remained impaired. A summary of the Autumn Leaves senior living facility investments held by the Fund during the period of our review is provided in the table below.¹³

Summary of Autumn Leaves Real Estate Investments Held During Review Period						
Investment Property	Investment Summary			Review Period (2018 - 2020)		
	Investment Year	Investment Contributions	Distributions Since Inception	Value as of 1/2018	Value as of 12/2020	Change in Value
Autumn Leaves - Cinco Ranch	2013	\$ 250,000	\$ -	\$ 104,844	\$ -	\$ (104,844)
Autumn Leaves - Stockbridge	2013	250,000	-	133,618	-	(133,618)
Autumn Leaves - Georgetown	2013	200,000	26,266	169,908	98,000	(71,908)
Autumn Leaves - Westover Hills	2014	500,000	-	258,582	-	(258,582)
Total		\$ 1,200,000	\$ 26,266	\$ 666,952	\$ 98,000	\$(568,952)

¹¹ The Fund invested in Beach House Jacksonville through an entity formed by CDK named CDKRA Beach House, LLC, which pooled investments into the property from multiple investors. The Fund was the largest investor with a 44.7% interest, followed by Irving FRRF with a 40.2% interest and Lubbock Fire Pension Fund with a 13.4% interest.

¹² In 2011, the Fund invested a combined \$2.2 million in three senior living facilities near Houston, Texas. The Fund received approximately \$5.2 million upon disposition of the properties in 2016.

¹³ In 2014, the Fund also invested \$0.5 million in an Autumn Leaves facility in Oklahoma City, Oklahoma, which was sold in December 2017. The Fund received approximately \$1.1 million on their investment following the disposition of the property. Due to the property being sold prior to our review period, the Autumn Leaves property in Oklahoma City was not included in our analysis of the Fund’s investments in Autumn Leaves properties.

Fees Paid to Investment Managers

I. Fees Paid to Investment Managers Averaged 0.9% of Total Assets

During the 2018 – 2020 time period, fees paid to investment managers averaged approximately \$0.8 million per year, equal to 0.9% of the Fund’s total assets. Fees paid to investment managers included management fees, incentive fees, performance fees and carried interest. Fees paid to investment managers for equities and fixed income investments ranged from 0.4% - 1.0% of assets under management while fees paid to investment managers for real estate and private equity investments were generally between 1.0% - 1.5%. of assets under management. The Fund paid over \$800,000 in fees to CDK during the review period for their management of the majority of the Fund’s real estate investments. A summary of fees paid to investment managers during the 2018 – 2020 time period is provided in the table below.¹⁴

Summary of Fees Paid to Investment Managers: 2018 - 2020					
Investment Manager	Fees (% of Assets)	Fees Paid			Total
		2018	2019	2020	
CDK / Harvest Interests	1.5%	\$ 379,495	\$ 209,341	\$ 212,546	\$ 801,382
Greenspring*	0.5% - 2.9%	32,288	78,870	300,366	411,524
Westwood	0.4% - 1%	92,449	96,579	53,443	242,471
Glendower Capital*	1.25%	44,521	62,500	62,500	169,521
SeaCrest	0.4% - 1%	66,382	69,563	29,052	164,997
Lazard	0.85%	56,143	53,052	50,980	160,174
Loomis Sayles	0.57%	44,039	45,714	50,213	139,965
NBW Capital	1.25%	41,777	38,288	26,863	106,928
Davis Companies*	1.5%	34,523	25,897	20,424	80,844
Glovista Investments	1%	29,277	20,377	-	49,655
Total Fees		\$ 820,894	\$ 700,181	\$ 806,386	\$ 2,327,461
% of Fund's Total Asset Value		1.03%	0.82%	0.94%	0.93%

* Fees deducted from capital balance as shown on account statement.

¹⁴ Certain of the fees paid to investment managers were paid by the Fund as a separate payment to the investment manager from the Fund’s Community National Bank checking account. For certain investment managers, including Greenspring, Glendower Capital and Davis Companies, fees were deducted from the Fund’s capital balance as reflected in the quarterly statements provided by the investment manager (i.e., payments were not issued to the investment managers).

Fund Values by Asset Class

Based on our review and analysis of the investment account statements for the Fund during the 2018 – 2020 time period, we analyzed the Fund values by asset class as shown below.¹⁵

Summary of Fund Values by Asset Class: 2018 - 2020			
Asset Class	12/31/2018	12/31/2019	12/31/2020
Cash or Cash Equivalents	\$ 14,080,791	\$ 3,782,546	\$ 17,957,109
Fixed Income / Bonds	23,591,434	34,789,199	10,334,888
U.S. Equities	10,808,063	12,873,831	11,224,652
International Equities	10,895,572	13,084,998	15,546,109
Real Estate	17,440,949	15,162,632	17,160,694
Alternative Investments	2,960,936	5,308,466	13,846,072
Total	\$ 79,777,744	\$ 85,001,671	\$ 86,069,525

m. Fund Values Outside of Variance Limits Defined in Investment Policy

The Fund's Statement of Investment Policies ("Investment Policy") adopted in October 2017 outlined variance limits or ranges for the Fund's investments in different asset classes. A summary of the variance limit by asset class and the Fund's investment percentage of total asset class is provided in the table below.

Summary of Fund Values by Asset Class as a Percentage of Total Portfolio				
Asset Class	Variance Limit	12/31/2018	12/31/2019	12/31/2020
Cash or Cash Equivalents	1% - 10%	17.7%	4.4%	20.9%
Fixed Income / Bonds	10% - 30%	29.6%	40.9%	12.0%
U.S. Equities	15% - 25%	13.5%	15.1%	13.0%
International Equities	15% - 25%	13.7%	15.4%	18.1%
Real Estate	20% - 30%	21.9%	17.8%	19.9%
Alternative Investments	5% - 15%	3.7%	6.2%	16.1%
Total		100.0%	100.0%	100.0%

We observed that the Fund's investments in each asset class at year-end during the 2018 – 2020 time period were outside of the variance limits outlined in the Investment Policy, as discussed in more detail below.

n. Cash or Cash Equivalent Investments Exceeded Variance Limit in 2018 and 2020

As of December 31, 2018, the Fund's investments in cash or cash equivalents totaled \$14.1 million and represented 17.7% of the Fund's total assets, which exceeded the maximum variance limit of 10% under the Investment Policy adopted in October 2017. Based upon our review of the bank statements from the Fund's cash account with Frost Bank, the Fund received approximately \$7.3 million on December 21, 2018 from CDK

¹⁵ For purposes of our analyses, alternative investments are intended to refer to private equity and hedge fund investments, consistent with the Fund's categorization of asset classes under the Investment Policy adopted in 2017.

as a distribution from the sale of properties held by CDK Multifamily I, which were not reinvested until the following year.

As of December 31, 2020, the Fund's investments in cash or cash equivalents totaled \$18.0 million and equaled 20.9% of the Fund's total assets. In response to the COVID-19 pandemic, the Fund updated the Investment Policy on April 23, 2020 to increase the variance limit for cash or cash equivalents up to 15% of total assets. In May 2020, the Board authorized the liquidation of non-U.S. fixed income products managed by Westwood and reallocated \$11 million into a money market account with JP Morgan as a risk-off investment product. However, the Fund's investments in cash or cash equivalents appeared to be above the revised variance limit of 15% as of December 31, 2020.

o. Fixed Income Investments Exceeded Variance Limit in 2019

As of December 31, 2019, the Fund's investments in fixed income totaled \$34.8 million and equaled 40.9% of the Fund's total assets, which exceeded the maximum variance limit of 30% pursuant to the Investment Policy adopted in October 2017. The increase in fixed income investments was due to the Fund's \$11 million investment in a short duration fixed income product managed by Westwood in June 2019.

p. U.S. Equities Investments Below Variance Limit in 2018 and 2020

During the period of our review, the Fund's investments in U.S. equities ranged from \$10.8 million as of December 31, 2018 to \$11.2 million as of December 31, 2020, which equaled 13% and 13.5% of the Fund's total assets respectively. We determined that the Fund's allocation of investments in U.S. equities was below the minimum variance limit of 15% as outlined in the Investment Policy. We also noted that as of January 2018, over \$7.4 million of the Fund's investments in U.S. equities were held in non-traditional MLP investment products designed to generate cash flows from midstream activities in the oil and gas industry. Excluding MLP investment products, traditional U.S. equity investments held by the Fund ranged from \$4.4 - \$6 million during the period of review, which was less than 8% of the Fund's investment portfolio. Based on discussions with members from the Fund's Investment Committee, the Fund preferred private placement investments over traditional publicly traded equity investments due to higher expected returns.

q. Ratification of Investments Outside Variance Limit

The Investment Policy adopted in October 2017 stated that if the Fund's allocation of assets by asset class falls outside the variance limits, it is required for the variance to be ratified by the Board at the first regularly scheduled Board meeting following the variance occurrence. Based on our review of the Board meeting minutes during the 2018 – 2020 time period, the Board ratified transactions for all of the Fund's investment managers as part of the consent agenda during each regular Board meeting. We did not identify specific resolutions to ratify variances outside the limits recommended in the Investment Policy.

II. Fund Expenditures

Weaver’s scope of work included the review of the expenditures incurred by the Fund during the 2018 – 2020 time period. As part of our review, we analyzed all 940 expense transactions paid from the Fund’s checking account with Community National Bank (“CNB Checking Account”) and Visa credit card account with Commerce Bank (“Visa Credit Card Account”). A summary of our observations and findings is provided below, with additional detail included in **Section II** of this Report.

a. Expenditures Incurred by the Fund Averaged Over \$1 Million Per Year

During the 2018 – 2020 time period, expenditures incurred by the Fund totaled over \$3 million, averaging over \$1 million each year. In our analysis of transactions from the Fund’s CNB Checking Account and Visa Credit Card Account, we categorized and quantified expenditures by category, as summarized in the table below and detailed in **Appendix B**.

Summary of Expenditures by Category (CNB Checking Account and Visa Credit Card Account)				
	2018	2019	2020	Total
Investment Expenditures				
Investment Management Fees	\$ 594,165	\$ 568,968	\$ 526,659	\$ 1,689,792
Investment Consulting Fees	27,500	55,000	55,500	138,000
Bank Custodial Services (Frost)	29,823	30,721	13,461	74,005
Total Investment Expenditures	\$ 651,487	\$ 654,689	\$ 595,621	\$ 1,901,797
Building Expenditures				
Maintenance and Renovations	\$ 202,330	\$ 61,200	\$ 42,770	\$ 306,301
Utilities	14,407	16,281	17,037	47,725
Insurance	5,314	6,115	9,590	21,019
Cleaning Services	3,350	6,000	6,000	15,350
Total Building Expenditures	\$ 225,402	\$ 89,596	\$ 75,397	\$ 390,395
Administrative Expenditures				
Salary and Benefits	\$ 163,056	\$ 157,379	\$ 140,126	\$ 460,561
Audit Fees	22,500	38,500	8,000	69,000
Actuary Fees	2,635	46,390	13,615	62,640
Travel Expenses	31,471	27,785	3,214	62,470
Software Fees	11,156	9,953	11,740	32,850
Legal Fees	405	-	25,132	25,537
TEXPERS / NCPERS Registration Fees	6,318	7,520	3,079	16,917
Fiduciary Liability Coverage	3,898	3,960	3,958	11,816
Office Supplies & Equipment	5,666	694	215	6,574
Miscellaneous	1,580	1,033	2,569	5,182
Total Administrative Expenditures	\$ 248,684	\$ 293,215	\$ 211,648	\$ 753,547
Total Expenditures	\$1,125,572	\$ 1,037,500	\$ 882,666	\$ 3,045,739

b. Building Expenditures

In 2016, the Fund acquired commercial properties located at 101 and 105 N. G Street in Midland, Texas. A portion of the property was utilized as office space for the Fund, while the vacant units were intended to be leased to commercial tenants. The Fund paid \$800,000 for the properties and it is our understanding that significant improvements were required for the Fund to attract and retain commercial tenants. Based on discussions with Trustee Stacy, the Fund did not hire a general contractor to complete the renovation projects and hired contractors directly in an effort to reduce costs, with expenditures approved by the Board. We identified over \$300,000 in expenditures related to the maintenance and renovation of the properties at 101 and 105 N. G Street, including over \$200,000 in 2018 (equal to 18% of the Fund's total expenditures). The Fund also paid for utilities, insurance and cleaning services for the properties. The Fund incurred total expenditures of approximately \$390,000 for renovations, maintenance, operations and administrative expenses and received approximately \$197,000 in rental income from tenants during the 2018 – 2020 time period, which is discussed in more detail in **Section I** and **Section II** of this Report.

c. Salary and Benefits

During the period of our review, salary and benefits for the Fund's Administrator were paid by the City with the Fund issuing a monthly payment to the City for reimbursement. Amounts paid to the City included reimbursement for salary, longevity pay, insurance, retirement benefits and Medicare.¹⁶ Reimbursement payments were higher in 2018 due to a payment in January 2018 related to salary and benefits for December 2017, which resulted in 13 payments in 2018.

¹⁶ As of January 1, 2018, Ms. Crow's base salary was \$96,198, which was increased in October each year for cost of living adjustments of 3% - 4%. Ms. Crow's base salary increased to \$100,046 effective October 1, 2018, \$104,048 effective October 1, 2019, and \$107,169 effective October 1, 2020.

III. Fund Management and Oversight

Weaver's scope of work included the review of internal procedures including management and oversight of the Fund during the 2018 – 2020 time period. Our analysis included the review of meeting minutes and agendas for regular Board meetings and Investment Committee meetings during the 2018 – 2020 time period, email communications regarding operations and administration of the Fund, as well as interviews of Board members, Fund Administrator and consultants to the Fund. A summary of our observations and findings is provided below, with additional detail included in Section III of this Report.

a. Investment Committee Served as Investment Advisor / Consultant for the Fund

Historically and during the period of our review, the Fund had not engaged an outside consultant responsible for advising the Board on investment decisions and Fund allocations by asset class.¹⁷ In lieu of an outside consultant, the Fund's Investment Committee served as the de facto investment advisor for the Fund, comprised of the firefighter members of the Board and one citizen member.¹⁸ During the period of our review, the Investment Committee held 12 meetings on an ad hoc basis to review and discuss the Fund's investment strategy, current asset allocation, and Investment Policy, as well as to approve recommendations to be brought before the Board for any divestments or selections of investment managers or investment products. While the Fund engaged an outside consultant in August 2017 to provide historical performance data to the Investment Committee for current and prospective investments, recommendations presented to the Board were determined by the members of the Investment Committee.¹⁹ Based upon our review of documents and interviews conducted, Trustees Stacy and Percy were chiefly responsible for shaping the Fund's investment strategy, asset allocation and selection of investment managers during the period of our review.

Specifically, Trustee Stacy advised the Investment Committee and the Board on existing and prospective real estate investments while acting as the Board's liaison with real estate investment managers (CDK in particular) and performed site visits and other due diligence of potential real estate properties being considered for investment. Trustee Percy, a financial planner with Raymond James in Midland with over 30 years of experience in investments and wealth management, advised the Investment Committee and the Board primarily on matters pertaining to equity and fixed income investments, as well as private equity and hedge funds. It is also our understanding that Trustee Percy, who served on the Board since the 1990's, influenced the Board to adopt an endowment model investment strategy commonly utilized by higher

¹⁷ It is our understanding that the Fund solicited proposals for investment advisors prior to the period of our review but elected not to engage any outside firms due to the Board's assessment of cost relative to expected value of hiring an investment advisor.

¹⁸ During the period of our review, the members of the Investment Committee included Trustee Stacy, the former Board Chair, Brian McGary, the Board Treasurer and Secretary, James Martin, and citizen Board member Van Percy.

¹⁹ The Investment Committee was also responsible for interviewing and vetting potential investment managers and typically conducted phone interviews with at least three investment managers before bringing a recommendation to the Board.

education institutions. The endowment model investment strategy is generally characterized by increased diversification of assets and increased exposure to illiquid investment opportunities with potential for greater returns, including private equity, real estate and other alternative investments.

b. Detailed Meeting Minutes Not Maintained for Investment Committee Meetings

Based on our review of minutes for the 12 Investment Committee meetings during the period of our review, we determined that minutes contained limited detail of the meetings, which typically lasted for two (2) hours. The minutes summarized decisions and recommendations to be presented to the Board based on a vote of the committee members, however, the minutes contained little detail on the discussion, rationale and materials reviewed that formed the basis of decisions made by the Investment Committee. While an oral summary of Investment Committee meetings was reported to the Board, typically by Trustee Stacy, the Board meeting minutes typically contained only a high-level overview outlining the recommendation being brought before the Board. Based on discussions with members of the Investment Committee, much of the decision-making and deliberation for investment recommendations occurred during the Investment Committee meetings and Board approval of recommendations was typically a formality with little discussion. However, little documentation was available concerning the Investment Committee's decision-making, including changes to the Investment Policy or asset allocation, evaluation and selection of investment managers, and due diligence of investment products. As a result of the lack of documentation for Investment Committee meetings, information made available to members of the plan concerning investment decisions was limited.

c. Board Packets Not Maintained for Regular Board Meetings

During the period of our review, we determined that documentation provided to the Board during regular Board meetings (i.e., Board Packets), were not maintained by the Fund. While the Fund's Administrator, Ms. Crow, disseminated to the Board an electronic copy of the meeting agenda and meeting minutes for the prior month in advance of a Board meeting, supporting documentation for agenda items was typically available for the Board to review in a hard copy format during the meetings. Board Packets typically included supporting documentation for Fund expenditures, proposals and presentations made by investment managers, advisors and consultants, as well as financial reports presented to the Board concerning the Fund's financial health and investment performance. For the period of our review, Board Packets as made available to the Board were not maintained as a consolidated packet following Board meetings making it difficult to identify and locate materials made available to the Board.²⁰

²⁰ We were informed that materials included in Board Packets made available to the Board were filed in folders by investment manager or vendor and not by Board meeting date, making it difficult to identify the information made available to the Board for a given Board meeting.

d. The Fund Hired a Third-Party Consultant in 2017

As discussed previously in this Report, the Fund solicited proposals for investment consulting and advisory services prior to our review period, but ultimately elected not to engage an outside firm. However, in August 2017 the Fund engaged Claude Parenteau, President of Parenteau Analytics (f/k/a Parenteau and Associates) to provide performance data and analytics to the Board and Investment Committee for the evaluation of active investment managers and investment products, as well as to assist in the decision-making and selection of investment managers to be recommended for Board approval. In 2018, Mr. Parenteau provided quarterly reports for liquid investments (i.e., equities and fixed income) for a fee of \$7,500 per quarter, which were emailed to the members of the Investment Committee. Beginning in 2019, the Board amended their agreement with Mr. Parenteau to include reports for the Fund’s alternative investments for an additional fee of \$6,250 per quarter (combined annual fee for liquid and alternative investments was \$55,000). Based on our review of performance reports provided to the Investment Committee, the performance data prepared by Mr. Parenteau was not reflective of the Fund’s actual performance for an investment but rather a “style-based performance attribution” showing the performance of the investment product relative to its benchmark and comparable investment products over different periods going back 10 years. Based on discussions with Mr. Parenteau, the performance data was used by the Investment Committee to evaluate each investment relative to similar investment products and to ensure consistency with each investment manager’s stated objective outlined in their contract with the Fund.

e. Review of Mr. Parenteau’s Role During 2018 - 2020

Based on our review of email communications between Mr. Parenteau and members of the Investment Committee, it was evident during the period of our review that Mr. Parenteau’s role as a consultant for the Fund did not include making formal recommendations to the Investment Committee or the Board regarding the Fund’s investment strategy or asset allocation. In a 2018 email to Trustee Percy, Mr. Parenteau stated that he had no intention of ever disagreeing with any recommendations made by Trustee Percy to the Board. In another 2018 email to the Investment Committee, Mr. Parenteau stated that he hoped to bring ideas to the Investment Committee for consideration that may be new, unique and different. While Mr. Parenteau presented and interpreted performance data and made suggestions to the Investment Committee, it did not appear that Mr. Parenteau made formal recommendations to the Investment Committee during the 2018 – 2020 time period.²¹

²¹ It is our understanding that subsequent to our review period, the Board revised the consulting duties to be performed by Mr. Parenteau and his current role is aligned with a traditional investment consultant, including advising and making recommendations to the Board concerning investment decisions. Our review of services currently provided by Mr. Parenteau is included in a separate report concerning our evaluation of the Fund’s governance practices (Report 2 of 2).

f. Relationship Between Mr. Parenteau and Certain Investment Managers

Prior to the Fund engaging Mr. Parenteau as a consultant in 2017, Mr. Parenteau was affiliated with the Fund in the capacity of a sales representative and made sales presentations to the Board on behalf of investment managers, including SeaCrest Investment Management, LLC (“SeaCrest”) and Glovista Investments, LLC (“Glovista”). In his capacity as a sales representative, Mr. Parenteau received commissions from investment managers during the period the investment product was held by the Fund. Through our interview of Mr. Parenteau, we determined that Mr. Parenteau received commissions as a sales representative for the Fund’s 2009 investment in the international equities product managed by Glovista, and continued to receive commissions until the Board liquidated their investment in October 2019.²² We also determined that Mr. Parenteau received commissions from SeaCrest as a sales representative for the Fund’s 2009 investment managed by SeaCrest. In November 2020, Mr. Parenteau informed the Investment Committee that he would no longer accept commission payments from SeaCrest to reduce any conflicts of interest related to his role as a consultant for the Fund (see email below).

From: Claude Parenteau <claude@parenteauassociates.com>
Sent time: 11/12/2020 04:36:37 PM
To: David Stacy; David Stacy <DStacy64@gmail.com>; Van Percy <Van.Percy@raymondjames.com>; Shera Crow <SheraCrow@midlandfirf.com>; Brian McGary; James Martin
Subject: Just F.Y.I. from Claude Parenteau

Gentlemen (and Shera);

I have just notified SeaCrest that I no longer will accept payments from them from the Midland account. I "absolved" them of our contractual relationship relating to your account. This is purely to reduce any conflicts of interest on your account, and it applies no matter how large their account may get with you. This removes a major personal, internal conflict within me, and, to be honest with you, it is a relief. There is no acrimony between me and SeaCrest. It's purely a matter of perception and personal preference. If I have never shared with you the Chinese proverb about "tying one's shoes in a cabbage patch" - ask me about it next time we talk.

God Bless you and your families, sincerest gratitude always, and wishing everyone a great evening.

CP.

As Mr. Parenteau appeared to acknowledge in his November 2020 email to the Investment Committee, his role as a performance analytics consultant for the Fund beginning in 2017 presented a conflict of interest. Mr. Parenteau was paid by the Fund to provide data to the Investment Committee to evaluate the Fund’s investment managers, while simultaneously being paid a commission from two of the Fund’s investment managers that was contingent on the investment being held by the Fund. We were informed by Trustee Stacy that Mr. Parenteau disclosed to the Board prior to his being engaged by the Fund as a performance analytics consultant in 2017 that he continued to receive commissions from Glovista and Seacrest. Trustee

²² Based on our interviews of Mr. Parenteau and members of the Investment Committee, Mr. Parenteau advocated for the termination of the Fund’s investment with Glovista in 2019 due to poor investment performance, which also resulted in the termination of his commission payments from Glovista.

Stacy also informed Weaver that the conflict of interest was acknowledged by the Board, although the Board's acknowledgement was not documented or detailed in the meeting minutes.

g. The Fund Lacked Reliable Monthly Reporting of Fund Values to the Board

During the period of review, the Fund's Administrator, Ms. Crow, maintained a spreadsheet of values of each of the Fund's investments based on statements received from the investment managers, which was utilized to provide an update of the value of the Fund during the regular Board meetings each month. Based on our interviews of Board members and discussions with Ms. Crow, there was consensus that the monthly reports were not an accurate representation of the value of the Fund due to various issues. We were informed of issues in obtaining accurate and timely information from the Fund's custodian (Frost Bank) as well as investment managers. Several individuals interviewed informed us that the size and complexity of the Fund's investments had outgrown the capabilities of Frost Bank, who was unable to provide comprehensive reporting on a timely basis. We were also informed of delays in receiving asset values for real estate investments and other alternative investments, who provided quarterly reports rather than monthly reports, with more complexity in asset valuations than traditional liquid investments. Ms. Crow and others also informed us that as the only employee of the Fund, updating the spreadsheet each month was a time-intensive and manual process given the number of investment managers spread across multiple custodians and was not always possible, especially given that Ms. Crow did not have a background in investments or finance. As a result of the issues described above, information presented to the Board each month summarizing the values of the Fund's investments was not reliable due to the information not being current.²³

h. Delays in the Fund Obtaining an Outsourced Reporting Solution

As early as 2016, the Board undertook efforts to outsource the Fund's monthly and quarterly reporting of asset values and investment performance due to the issues discussed previously in obtaining timely and accurate reporting. The Fund met with several firms to provide an automated reporting solution and provided demo data to a firm in 2016, but ultimately the Fund did not move forward after the Board concluded that the automated reporting solutions were not cost-effective.

In late 2016, Mr. Parenteau had discussions with Trustee Stacy about assisting the Fund to find a cost-effective reporting solution. Following the Fund's engagement of Mr. Parenteau as a consultant, Mr. Parenteau had discussions with the Investment Committee in November 2018 about taking over the monthly reporting from Ms. Crow and having investment managers send monthly and quarterly statements directly to him. Ultimately, Mr. Parenteau's plan in November 2018 to improve reporting was unable to be implemented due to difficulties obtaining timely data from investment managers and custodians, as well as

²³ Based on our interviews of Board members we determined that the Board was generally aware that the presentation of investment values each month was not representative of the Fund's current investment values.

time constraints acknowledged by Mr. Parenteau in an email to the Investment Committee in December 2019.²⁴

During the 2019 – 2020 time period, Mr. Parenteau presented research and pricing options to the Investment Committee for several third-party software solutions, as well as provided alternative suggestions for the Fund to consider hiring a forensic auditor or changing custodians. Trustee Stacy stated to Weaver that the Investment Committee spent hundreds of hours reviewing possible reporting solutions but none of the solutions presented were feasible or cost-effective due to the need for additional data cleansing, which would have required the Fund to hire additional staff. Approximately five (5) years after the Fund began the process of identifying and implementing an improved reporting solution, the Fund engaged MTO Financial Services in November 2021 (at the recommendation of Mr. Parenteau) to provide financial verification and reporting services on a historical and ongoing basis.²⁵

²⁴ In a December 2019 email to the Investment Committee, Mr. Parenteau stated that while he had hoped to transition the monthly reporting from Ms. Crow to himself in 2019, completing his CFA licensing exam took all of his time in 2019.

²⁵ Mr. Parenteau did not receive any compensation from the Fund for his efforts to assist them in identifying an improved reporting solution. Mr. Parenteau's only compensation from the Fund related to performance analytics consulting services.

Section I - Investment Performance

I. Overview of the Fund’s Investment Performance

a. Work Performed

During the 2018 – 2020 time period, the Fund had 37 investment accounts in addition to the cash accounts with Frost Bank and Community National Bank. For each of the Fund’s 37 investment accounts, we performed the following work steps:

- Obtained and reviewed quarterly and annual account statements from the investment manager and/or custodian bank during the 2018 – 2020 time period;
- Reconciled all contributions to and distributions from the investment account to the Fund’s cash account with Frost bank; we compiled transaction detail for all transactions from the Frost Bank cash account during the 2018 – 2020 time period, which is attached in **Appendix A**;
- Reviewed and quantified management fees paid to the investment manager for each investment, as well as any incentive fees, performance fees, partnership expenses or carried interest;
- Calculated annualized rates of return after management fees and other fees for 2018 – 2020, including a rate of return for each investment and composite rate of return for the Fund;
- Quantified the Fund’s investment allocation by asset class across all 37 investment accounts and compared the Fund’s actual asset allocation to the target allocation outlined in the Fund’s Statement of Investment Policies;

b. Summary of Pension Contributions and Disbursements

Based on our review of the statements for the Fund’s cash account with Frost Bank, we quantified the contributions paid into the Fund compared to disbursements paid to pensioners and beneficiaries under the plan. During the 2018 – 2020 time period, the Fund received approximately \$20.7 million in contributions, compared to disbursements of \$28.9 million, as summarized in the table below.²⁶

Summary of Fund Contributions and Disbursements				
	2018	2019	2020	Total
Employee / Employer Contributions	\$ 6,239,847	\$ 7,064,832	\$ 7,351,660	\$ 20,656,339
Pension Disbursements	(8,609,279)	(9,979,793)	(10,356,446)	(28,945,518)
Contributions Less Disbursements	\$ (2,369,432)	\$ (2,914,961)	\$ (3,004,786)	\$ (8,289,180)

²⁶ Based on our review of information submitted by the Fund to the Pension Review Board, the Fund’s disbursements to pensioners and beneficiaries have exceeded contributions into the Fund since at least 2011, when disbursements exceeded contributions by approximately \$0.8 million. The deficit between contributions and disbursements has become wider since 2011, including during the review period. For 2021, disbursements exceeded contributions by over \$4.6 million.

c. Fund Values by Asset

During the 2018 – 2020 time period, the Fund’s portfolio value decreased from \$89.0 million as of January 1, 2018 to \$86.1 million as of December 31, 2020. Based on our review of bank statements and investment account statements, a summary of values by investment account during the 2018 – 2020 time period is provided in the table below, including annualized rate of return calculations for each asset (net of fees).

Summary of Asset Values for the Fund						
Asset / Investment Account	12/31/2017	12/31/2018	12/31/2019	12/31/2020	Annualized Return	Investments Gains (Losses)
Cash Accounts						
Frost Bank Disbursement Account	\$ 3,403,893	\$ 11,633,176	\$ 2,154,168	\$ 7,664,988	N/A	N/A
Community National Bank Checking Account	105,940	155,093	80,740	62,708	N/A	N/A
Total Cash Accounts	\$ 3,509,833	\$ 11,788,269	\$ 2,234,908	\$ 7,727,696		
Equities and Fixed Income Funds						
Westwood Trust Portfolio	\$ 10,375,933	\$ 9,952,712	\$ 11,821,494	\$ 5,976,587	3.6%	\$ 1,156,417
Westwood Trust - Short Duration Fixed Income	-	-	10,118,486	-	2.7%	250,057
Westwood MLP	2,936,241	2,433,822	2,417,721	-	-16.7%	(1,106,511)
NBW Capital	4,511,995	3,448,636	3,616,587	4,024,324	-10.9%	(1,318,110)
Glovista Investments	3,206,683	2,466,165	-	-	-6.6%	(366,643)
Raymond James - Federated Int'l Mutual Fund	4,105,866	3,124,621	-	-	-4.5%	(329,038)
Morgan Stanley - Int'l Advantage Portfolio	-	-	5,681,729	7,515,441	31.7%	1,847,604
SeaCrest Hybrid (Charles Schwab)	1,647,828	1,502,469	1,651,465	1,653,827	3.9%	202,373
SeaCrest Global Fixed Income	10,742,299	10,450,933	10,899,461	145,881	1.2%	366,241
Lazard Int'l Strategic Equity Portfolio	7,518,388	6,506,136	7,559,530	8,153,732	4.1%	961,595
Loomis Sayles Fixed Income Fund	7,769,461	7,702,096	8,529,192	9,865,270	7.8%	1,955,843
JP Morgan US Treasury Securities	-	-	-	10,000,000	0.1%	4,317
Total Equities and Fixed Income Funds	\$ 52,814,694	\$ 47,587,590	\$ 62,295,665	\$ 47,335,061		\$ 3,624,146
Alternative Investment Funds						
Glendower Capital - Secondary Opportunities Fund IV	\$ -	\$ 1,109,957	\$ 2,019,256	\$ 3,007,519	27.7%	\$ 934,063
Greenspring Global Partners V-B	1,125,398	1,230,878	1,451,703	1,760,720	25.8%	1,428,822
Greenspring Opportunities V	-	620,101	1,837,507	2,501,347	21.5%	726,847
Greenspring Secondaries IV	-	-	-	1,417,609	153.2%	495,389
Greenspring Opportunities VI	-	-	-	729,849	30.1%	129,849
Alkeon Growth Offshore Fund	-	-	-	4,429,028	50.3%	429,028
Total Alternative Investment Funds	\$ 1,125,398	\$ 2,960,936	\$ 5,308,466	\$ 13,846,072		\$ 4,143,998
Real Estate Investments						
CDK Multifamily I, LLC	\$ 8,963,494	\$ 1,610,126	\$ 2,443,794	\$ 2,814,245	-4.6%	\$ (1,182,356)
IM Multifamily I, LLC	5,723,774	1,028,170	1,560,496	1,797,049	-4.7%	(777,065)
Harvest Interests Fund (fka CDK Strategic Partners)	9,043,121	9,197,389	7,053,751	6,660,520	-1.7%	(440,291)
Beach House Jacksonville (CDK)	300,713	173,341	314,147	11,227	-200.2%	(603,494)
Beach House Naples (CDK)	981,716	994,884	-	-	42.2%	1,840,545
Autumn Leaves - Cinco Ranch (CDK)	104,844	82,691	-	-	-100.0%	(104,844)
Autumn Leaves - Westover Hills (CDK)	258,582	175,004	-	-	-100.0%	(258,582)
Autumn Leaves - Stockbridge (CDK)	133,618	111,689	-	-	-100.0%	(133,618)
Autumn Leaves - Georgetown (CDK)	169,908	183,048	159,734	98,000	-16.8%	(71,908)
Aspen Heights SIAH 2013 (CDK)	182,189	74,351	271,285	109,730	2.9%	16,060
Aspen Heights SIAH 2014 (CDK)	472,187	56,995	55,732	55,732	-1.5%	(20,800)
Moriah AM Houston	1,002,788	-	-	-	25.2%	140,296
Moriah Hospitality	427,720	380,616	275,442	61,013	-47.7%	(366,707)
Moriah Big 22	705,593	655,508	724,132	648,547	-2.8%	(57,046)
Moriah SRC Preferred Equity	-	-	76,500	117,000	35.1%	40,596
Davis Investment Ventures Fund II	2,008,035	1,483,419	937,931	965,610	1.1%	68,361
Frisco Rockhill Development	-	-	-	2,500,000	0.0%	-
101 North G Street	98,767	98,767	98,767	99,505	18.4%	65,339
105 North G Street	946,485	1,134,952	1,190,922	1,222,517	0.6%	18,235
Total Real Estate Investments	\$ 31,523,534	\$ 17,440,949	\$ 15,162,632	\$ 17,160,694		\$ (1,827,279)
Total Asset Value	\$ 88,973,459	\$ 79,777,744	\$ 85,001,671	\$ 86,069,524		

d. Fund Values by Asset Class

For each of the Fund’s 37 investment accounts, we reviewed account statements and quantified the allocation of assets for investment products. A summary of the Fund’s aggregated allocation of assets by asset class during the 2018 – 2020 time period is provided in the table below.

Summary of Fund Values by Asset Class: 2018 - 2020				
Asset Class	12/31/2018	12/31/2019	12/31/2020	
Cash or Cash Equivalents	\$ 14,080,791	\$ 3,782,546	\$ 17,957,109	
Fixed Income / Bonds	23,591,434	34,789,199	10,334,888	
U.S. Equities	10,808,063	12,873,831	11,224,652	
International Equities	10,895,572	13,084,998	15,546,109	
Real Estate	17,440,949	15,162,632	17,160,694	
Alternative Investments	2,960,936	5,308,466	13,846,072	
Total	\$ 79,777,744	\$ 85,001,671	\$ 86,069,525	

The Fund’s updated Statement of Investment Policies (“Investment Policy”) adopted by the Board on October 26, 2017 outlines the Fund’s variance limits by asset classes as shown below.

On October 26, 2017, the Board of Trustees of Midland Firemen’s Relief and Retirement Fund adopted a variance limit of asset classes. The Board recommends 1-10% in cash or cash equivalents (fully utilizing money market funds in the interim), 10-30% in bonds, 15-25% in U.S. equities (to include exposure to small, medium and large capitalization classes), 15-25% in emerging and developed international equities (to include exposure to small, medium and large capitalization classes), 20%-30% in Real Estate Class, 5-15% in alternative investments (that may include exposure to hedge fund, fund of funds, private equity, distressed debt and other alternative investment vehicles). If the variance limit, at anytime, falls outside the recommended amounts, such variance must be ratified by the Board of Trustees at the first regularly scheduled Board meeting following this occurrence. This recommendation is subject to change from time to time by Board action.

Based on the variance limits defined in the October 2017 Investment Policy, we analyzed the Fund’s actual allocation by asset class at year end during the 2018 – 2020 time period, as summarized in the table below.

Summary of Fund Values by Asset Class as a Percentage of Total Portfolio				
Asset Class	Variance Limit	12/31/2018	12/31/2019	12/31/2020
Cash or Cash Equivalents	1% - 10%	17.7%	4.4%	20.9%
Fixed Income / Bonds	10% - 30%	29.6%	40.9%	12.0%
U.S. Equities	15% - 25%	13.5%	15.1%	13.0%
International Equities	15% - 25%	13.7%	15.4%	18.1%
Real Estate	20% - 30%	21.9%	17.8%	19.9%
Alternative Investments	5% - 15%	3.7%	6.2%	16.1%
Total		100.0%	100.0%	100.0%

We observed that the Fund’s allocation of assets was consistently outside the variance limits recommended by the Board during the 2018 – 2020 time period. As outlined in the Fund’s Investment Policy, if an asset class as a percentage of the Fund’s total value falls outside the variance limits recommended by the Board, the Board is required to ratify the variance at the first regularly scheduled Board meeting. We noted that during each regularly scheduled Board meeting during the 2018 – 2020 time period, the Board ratified all transactions for all of the Fund’s investment managers.

e. Fees Paid to Investment Managers

During the 2018 – 2020 time period, fees paid to the Fund’s investment managers totaled approximately \$2.3 million, or 0.9% of the Fund’s total assets, including investment management fees, incentive / performance fees and operating expenses. A summary of fees paid to each investment manager during the 2018 – 2020 time period is provided in the table below.²⁷

Summary of Fees Paid to Investment Managers: 2018 - 2020						
Investment Manager	Fees (% of Assets)	Fees Paid			Total	
		2018	2019	2020		
CDK / Harvest Interests	1.5%	\$ 379,495	\$ 209,341	\$ 212,546	\$ 801,382	
Greenspring*	0.5% - 2.9%	32,288	78,870	300,366	411,524	
Westwood	0.4% - 1%	92,449	96,579	53,443	242,471	
Glendower Capital*	1.25%	44,521	62,500	62,500	169,521	
SeaCrest	0.4% - 1%	66,382	69,563	29,052	164,997	
Lazard	0.85%	56,143	53,052	50,980	160,174	
Loomis Sayles	0.57%	44,039	45,714	50,213	139,965	
NBW Capital	1.25%	41,777	38,288	26,863	106,928	
Davis Companies*	1.5%	34,523	25,897	20,424	80,844	
Glovista Investments	1%	29,277	20,377	-	49,655	
Total Fees		\$ 820,894	\$ 700,181	\$ 806,386	\$ 2,327,461	
% of Fund's Total Asset Value		1.03%	0.82%	0.94%	0.93%	

* Fees deducted from capital balance as shown on account statement.

²⁷ Fees paid to Glendower Capital, Greenspring and Davis Companies were reflected as deductions from the Fund’s capital balance. All other fees were paid to the investment manager from the Fund’s Community National Bank checking account, which is discussed in more detail in Section II of this Report.

II. Review of Individual Investments Held by the Fund

Detail of our review of each of the Fund’s investments during the 2018 – 2020 time period is provided throughout the remainder of this section of the Report.

Westwood Trust

a. Investment Manager Overview

Westwood Holdings Group, Inc. (“Westwood”) is a Dallas-based investment management firm founded in 1983. Westwood Trust is a state-chartered banking institution that serves as trustee for investment funds formed by Westwood. Westwood has served as an investment manager for the Fund since 1996. An overview of the Westwood Trust Portfolio is provided below.

Westwood Trust Portfolio	
Inception Date	February 1996
Asset Category	Equities and Fixed Income
Custodian Bank	Westwood Trust
Value as of January 1, 2018	\$10,375,933
Value as of December 31, 2020	\$5,976,587
Annualized Rate of Return for 2018 – 2020 (net of management fees)	3.6%
Management Fees (% of Assets)	0.63% (assessed quarterly)

b. Investment Strategy

After initially investing in Westwood’s LargeCap equity product in 1996, the Fund subsequently added other investment products to their Westwood Trust portfolio, including a small and mid-capitalization equities product in 2006, and two fixed income investment products in 2013, as summarized in the table below.

Investment Product Overview	Product Objective
LargeCap Value Equity Inception Date: 2/1/1996 Benchmark: <i>Russell 1000 Value Index</i>	Provide long-term growth through capital appreciation and income by investing in securities issued by high quality, financially sound domestic companies with market capitalization greater than \$1 billion.
SMidCap Value Equity Inception Date: 6/1/2006 Benchmark: <i>Russell 2500 Index</i>	Provide long-term growth through capital appreciation by investing in securities issued by high quality, financially sound domestic companies with market capitalization range of the Russell 2500 Index.
High Yield Bond Inception Date: 1/15/2013 Benchmark: <i>BBC High Yield Very Liquid Index</i>	Provide a high total return, through the compounding of income and preservation of principal. Capital appreciation is a secondary objective. The strategy can invest in a variety of income producing securities, including non-investment grade high yield corporate bonds, convertible bonds, preferred stock, foreign debt securities and private placements.
High Income Inception Date: 1/15/2013 Benchmark: <i>50% Markit iBoxx USD Liquid High Yield 0-5: 50% BBC US High Yield 350mm Cash Pay 0-5 Yr 2% capped</i>	Provide a consistent level of return, through the compounding of income and preservation of principal. The portfolio will principally invest in better quality, non-investment grade debt of U.S. companies with improving fundamentals and expected durations of three years or less.

c. Investment Account Activity

On May 5, 2020, the Fund liquidated the fixed income investments held in their Westwood Trust portfolio and transferred approximately \$5.7 million to the Fund’s cash account with Frost Bank.²⁸ As of December 31, 2020, the Fund’s remaining investments in Westwood Trust were valued at approximately \$6.0 million, which included the equity investments in the LargeCap and SMidCap products. A summary of the Fund’s investment activity in Westwood Trust during the 2018 – 2020 time period is provided in the table below.

Westwood Trust Portfolio: Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ 10,375,933	\$ 9,952,712	\$ 11,821,494	\$ 10,375,933
Contributions	106	-	-	106
Distributions	-	-	(5,717,639)	(5,717,639)
Income	409,382	349,585	133,398	892,364
Realized Gains / (Losses)	6,657	(218,527)	(965,814)	(1,177,684)
Change in Accrued Income	(93)	104	(152)	(142)
Unrealized Gains / (Losses)	(839,272)	1,737,621	705,301	1,603,650
Ending Value	\$ 9,952,712	\$ 11,821,494	\$ 5,976,587	\$ 5,976,587
Management Fees	\$ 65,697	\$ 57,219	\$ 38,856	\$ 161,772
Annualized Rate of Return After Fees	-4.71%	18.20%	-1.41%	3.59%
Asset Allocation				
Largecap Value Equity - EB	\$ 2,333,006	\$ 2,935,387	\$ 3,007,196	
Smidcap Value Equity - EB	2,126,742	2,749,288	2,969,293	
Short Duration High Yield Bond - EB	2,912,892	2,854,831	-	
High Income - EB	2,580,024	3,019,657	-	
Cash & Equivalents	0	262,179	97	
Accrued Income	49	152	-	
Total	\$ 9,952,712	\$ 11,821,494	\$ 5,976,587	

²⁸ During the Regular Board meeting on April 23, 2020, the Board unanimously approved the recommendation by the Investment Committee to liquidate the fixed income products held in the Westwood Trust and move the funds into a “risk off product from vendor to be determined.”

Westwood Trust – Short Duration Fixed Income

a. Investment Manager Overview

In addition to the equity and fixed income portfolio managed by Westwood Trust described previously in this Report, in June 2019 the Fund formed a separate investment account with Westwood Trust to hold short duration fixed income investments. An overview of the Westwood Trust Short Duration Fixed Income investment account is provided below.

Westwood Trust –Short Duration Fixed Income	
Inception Date	June 2019
Asset Category	Fixed Income
Custodian Bank	Westwood Trust
Value as of June 14, 2019 (Initial Investment)	\$11,000,000
Value as of December 31, 2020	\$0
Annualized Rate of Return for 2018 – 2020 (net of management fees)	2.7%
Management Fee (% of Assets)	0.4% (assessed quarterly)

b. Investment Strategy

During the Board meeting on April 25, 2019, Westwood presented a proposal to the Board for a new separately managed short/mid duration investment grade fixed income product managed by Westwood.²⁹ The presentation by Westwood included a proposal of ten (10) investment grade bonds totaling an investment of \$10 million, with an approximate yield to maturity of 3.18%.³⁰ Following the presentation from Westwood, Trustee Percy made a motion to approve the short/mid duration investment grade income product as presented, which was approved unanimously by the Board.

**Item #44 Investment Committee Report and take action if necessary.
TRUSTEES STACY AND PEARCY PRESENTED SUMMARY OF THE INVESTMENT COMMITTEE MEETING ON APRIL 11, 2019.**

**DISCUSSION OF FIXED INCOME PRODUCT FROM WESTWOOD. MOTION BY TRUSTEE PEARCY ON BEHALF OF THE BOARD TO APPROVE THE SHORT/MID DURATION INVESTMENT GRADE INCOME PRODUCT AS PRESENTED, BUT STRUCTURE FROM BBB TOWARD A AND AA GRADE BEFORE 2020. FRIENDLY AMMENDMENT BY TRUSTEE STACY TO INCLUDE ALLOWING INVESTMENT COMMITTEE TO ADOPT THE AMENDMENTS TO THE INVESTMENT POLICY STATEMENT TO REFLECT THE CHANGES INVESTMENT COMMITTEE CONCLUDED.
UNANIMOUSLY APPROVED.**

INVESTMENT COMMITTEE WILL CONTINUE DUE DILIGENCE AND PRESENT TO THE BOARD OTHER RECOMMENDATIONS AS THEY ARE IDENTIFIED AND CONFIRMED.

²⁹ According to the Board meeting minutes on April 25, 2019, the Investment Committee requested for Westwood to present a proposal to the Board as discussed during the Investment Committee’s meeting on April 11, 2019. As of this Report, we have not received minutes for the Investment Committee meeting on April 11, 2019.

³⁰ On April 24, 2019, Shera Crow emailed Westwood’s proposal to the Board in advance of the April 25, 2019 Board meeting.

c. Investment Account Activity

On June 18, 2019, Frost Bank completed a wire transfer for \$11 million to Capital Bank in Dallas, Texas to fund the Short Duration Fixed Income account with Westwood Trust as approved by the Board on April 25, 2019. Based on our review, the Westwood proposal approved by the Board in April 2019 was for \$10 million and it is unclear why the Fund’s initial investment was for \$11 million. However, several months later on October 7, 2019, Westwood Trust disbursed \$1 million back to the Fund from the Short Duration Fixed Income account for the Fund to cover a capital call for a separate investment manager (CDK Realty Advisors). Detail from the Fund’s Frost Bank statements for the initial \$11 million transfer to Westwood Trust and the subsequent disbursement of \$1 million back to the Fund is provided below.

06/18/19	CASH DISBURSEMENT PAID TO TX CAPITAL BANK, DALLAS TEXAS WIRE-DOMESTIC & FOREIGN ONLY WIRE FOR INVESTMENT IN WESTWOOD SHORT DURATION FIXED INCOME FUND PER LTR DTD 6/17/2019.	11,000,000.00-
10/07/19	CASH RECEIPT ADDITION TO ACCOUNT WIRE FROM WESTWOOD TO COVER CDK CAPITAL CALL	1,000,000.00

In February 2020, a portion of the Westwood Trust Short Duration Fixed Income account was disbursed back to the Fund’s cash account with Frost Bank to meet liquidity needs. On February 18, 2020 and March 17, 2020, Westwood Trust disbursed \$3.2 million back to the Fund in order to cover benefit payments.

02/18/20	CASH RECEIPT ADDITION TO ACCOUNT WIRE TRANSFER FROM WESTWOOD TO COVER BENEFITS	2,700,000.00
03/17/20	CASH RECEIPT ADDITION TO ACCOUNT WIRE FROM WESTWOOD TRUST	500,000.00

During the Board meeting on April 23, 2020, the Board elected to liquidate the Fund’s fixed income products with Westwood Trust, including approximately \$7 million in the Short Duration Fixed Income account and \$3 million from their original Westwood Trust Portfolio, as evidenced below.^{31,32}

05/05/20	CASH RECEIPT ADDITION TO ACCOUNT WIRE TRANSFER FROM WESTWOOD FOR DEPOSIT TO ACCOUNT	10,041,465.79
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³¹ The disbursement from Westwood Trust to the Fund on May 5, 2020 for \$10,041,465.79 included disbursements from the Westwood Trust Short Duration Fixed Income account (\$7,071,360.68) and the original Westwood Trust Portfolio account (\$2,970,105.11).

³² During the Regular Board meeting on April 23, 2020, the Board unanimously approved the recommendation by the Investment Committee to liquidate the fixed income products held in the Westwood Trust and move the funds into a “risk off product from vendor to be determined.”



A summary of the Fund’s investment account activity for the Westwood Trust Short Duration Fixed Income account during the 2018 – 2020 time period is provided in the table below.³³

Westwood Trust - Short Duration Fixed Income: Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ -	\$ -	\$ 10,118,486	\$ -
Contributions	-	11,000,000	-	11,000,000
Distributions	-	(1,000,000)	(10,271,361)	(11,271,361)
Income	-	95,509	169,738	265,247
Realized Gains / (Losses)	-	8,433	(2,319)	6,114
Unrealized Gains / (Losses)	-	14,544	(14,544)	-
Ending Value	\$ -	\$ 10,118,486	\$ 0	\$ 0
Management Fees	\$ -	\$ 14,703	\$ 6,600	\$ 21,303
Annualized Rate of Return After Fees		2.09%	4.40%	2.73%
Asset Allocation				
Cash & Equivalents	\$ -	\$ 218,808	\$ -	
Fixed Income	-	9,899,678	-	
Total	\$ -	\$ 10,118,486	\$ -	

³³ Annualized rate of return calculations for 2019 and 2020 are adjusted for investments not held the entire year.

Westwood MLP Account

a. Investment Manager Overview

As described previously in this Report, Westwood has managed investments for the Fund since 1996, including investments by the Fund in Westwood’s equity and fixed income products. In July 2011, the Fund also invested in a master limited partnership (“MLP”) managed by Westwood (“Westwood MLP”). An overview of the Westwood MLP investment account is provided below.

Westwood MLP	
Inception Date	July 2011
Asset Category	Equities (MLP)
Custodian Bank	Frost Bank (WA61222)
Value as of January 1, 2018	\$2,936,241
Value as of December 31, 2020	\$0
Annualized Rate of Return for 2018 – 2020 (net of management fees)	-16.7%
Management Fee (% of Assets)	1.0% (assessed quarterly)

b. Investment Strategy

In July 2011, the Fund invested in the Westwood MLP Infrastructure Renewal product, which utilized an active management strategy with the objective of identifying high quality companies with undervalued earnings potential in the energy sector. In January 2014, the investment product was renamed the Westwood MLP Opportunities product. Westwood MLP’s holdings include 29 limited partnership companies in the oil and gas industry who generate cash flow from midstream activities involving energy commodities. The benchmark for Westwood MLP is the Alerian MLP Equal Weight Index.

c. Investment Account Activity

During the Board meeting on June 25, 2020, the Board unanimously approved a motion to liquidate the Westwood MLP account and reallocate into the Fund’s NBW Capital account, which is also invested in MLPs in the oil and gas industry. Based on our review of the meeting minutes, the Board’s decision was based on the recommendation from the Investment Committee following their meeting on June 4, 2020, and the historical performance of the NBW Capital account relative to the Westwood MLP account.³⁴ On July 15, 2020, the Westwood MLP account was liquidated and the balance of approximately \$1.5 million was transferred from the Westwood MLP account with Frost Bank (WA61222) to the Fund’s NBW Capital account with Frost Bank (WA61221). Transaction detail from the Frost Bank statements is provided below.

³⁴ As of this Report, we have not received minutes for the Investment Committee meeting on June 4, 2020.

07/15/2020	Transfer from WA61222 per email dtd 7/14/2020 WA61221	1,460,121.34
08/05/2020	Transfer from WA61222 to Close Account WA61221	256.64
09/09/2020	Transfer cash balance from WA61222 to close account WA61221	24.75

A summary of the Fund's investment account activity for Westwood MLP during the 2018 – 2020 time period is provided in the table below.³⁵

Westwood MLP: Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ 2,936,241	\$ 2,433,822	\$ 2,417,721	\$ 2,936,241
Contributions	-	-	-	-
Distributions	(83,176)	(293,237)	(1,512,714)	(1,889,126)
Income	166,387	195,186	78,895	440,467
Realized Gains / (Losses)	-	35,986	-	35,986
Unrealized Gains / (Losses)	(585,630)	45,964	(983,903)	(1,523,568)
Ending Value	\$ 2,433,822	\$ 2,417,721	\$ -	\$ -
Management Fees	\$ 26,752	\$ 24,657	\$ 7,987	\$ 59,396
Annualized Rate of Return After Fees	-15.19%	10.37%	-55.64%	-16.73%
Asset Position				
Cash & Equivalents	\$ 208,169	\$ 25,226	\$ -	
Equities	2,225,653	2,392,496	-	
Total	\$ 2,433,822	\$ 2,417,721	\$ -	

³⁵ Annualized rate of return calculation for 2020 is adjusted to reflect that investments were not held the entire year.



NBW Capital

a. Investment Manager Overview

NBW Capital, LLC (“NBW Capital”) is a Boston-based investment advising firm founded in 1991 that provides investment management services to retail investors. NBW Capital has served as an investment manager for the Fund since 2011, with Frost Bank serving as the custodian (WA61221). An overview of the Fund’s NBW Capital investment account is provided below.

NBW Capital	
Inception Date	July 2011
Asset Category	Equities (MLP)
Custodian Bank	Frost Bank (WA61221)
Value as of January 1, 2018	\$4,511,995
Value as of December 31, 2020	\$4,024,324
Annualized Rate of Return for 2018 – 2020 (net of management fees)	-10.9%
Management Fee (% of Assets)	1.25% (assessed quarterly)

b. Investment Strategy

NBW Capital manages the Fund’s investment portfolio under their MLP strategy, which focuses on investing in U.S. companies in the energy midstream industry, with holdings to include MLPs as well as C-corps focused on energy infrastructure. The objective of NBW Capital’s MLP strategy is to outperform the Alerian Total Return Index. As of December 31, 2020, the Fund’s annualized return since inception (July 2011) was 1.31% compared to an annualized return for the Alerian Total Return Index of -2.99% over the same period.

c. Investment Account Activity

As of the beginning of our review period on January 1, 2018, the Fund’s investment account managed by NBW Capital had a value of approximately \$4.5 million. As described previously in this Report, on June 25, 2020 the Board voted to liquidate the Fund’s Westwood MLP investment account and reallocate the funds into the NBW Capital investment account, due to the historical performance of the NBW Capital account relative to the Westwood MLP account. On July 15, 2020, approximately \$1.5 million was transferred from the Fund’s Westwood MLP account (Frost Bank account WA61222) into the NBW Capital account (Frost Bank account WA61221). Transaction detail from the Frost Bank statements is provided below.

07/15/2020	Transfer from WA61222 per email dtd 7/14/2020 WA61221	1,460,121.34
08/05/2020	Transfer from WA61222 to Close Account WA61221	256.64
09/09/2020	Transfer cash balance from WA61222 to close account WA61221	24.75



A summary of the Fund's investment account activity for NBW Capital during the 2018 – 2020 time period is provided in the table below.

NBW Capital: Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ 4,511,995	\$ 3,448,636	\$ 3,616,587	\$ 4,511,995
Contributions	-	-	1,460,403	1,460,403
Distributions	(140,092)	(357,666)	(239,134)	(736,892)
Income	272,389	380,495	342,934	995,818
Change in Accrued Income	-	-	37	37
Change in Value	(1,195,656)	145,122	(1,156,503)	(2,207,037)
Ending Value	\$ 3,448,636	\$ 3,616,587	\$ 4,024,324	\$ 4,024,324
Management Fees	\$ 41,777	\$ 38,288	\$ 26,863	\$ 106,928
Annualized Rate of Return After Fees	-21.39%	14.13%	-23.24%	-10.88%
<u>Asset Allocation</u>				
Cash & Equivalents	\$ 513,511	\$ 95,152	\$ 29,028	
Equities (Master Limited Partnerships)	2,935,124	3,521,434	3,995,296	
Total	\$ 3,448,635	\$ 3,616,586	\$ 4,024,324	

Glovista Investments

a. Investment Manager Overview

Glovista Investments, LLC (“Glovista”) is an investment advisory firm founded in 2007 that provides services to institutions and individuals through a separately managed account (SMA) or suitable fund structure. Glovista began managing a portion of the Fund’s investments in 2009, with Frost Bank serving as the custodian (WA61219). An overview of the Fund’s Glovista investment account is provided below.

Glovista	
Inception Date	December 2009
Asset Category	International Equities
Custodian Bank	Frost Bank (WA61219)
Value as of January 1, 2018	\$3,206,683
Value as of December 31, 2020	\$0
Annualized Rate of Return for 2018 – 2020 (net of management fees)	-6.6%
Management Fee (% of Assets)	1.0% (assessed quarterly)

b. Investment Strategy

The Fund’s investment with Glovista is an actively managed investment portfolio based on Glovista’s Global Emerging Market Equities Strategy, which is a pure long-only strategy implemented entirely using large liquid US-listed country and sector Exchange Traded Funds (ETFs) and American Depository Receipts (ADRs). Glovista’s objective is to outperform the MSCI Emerging Markets Total Return (Net Dividends) Index.

c. Investment Account Activity

At the beginning of our review period, the value of the Fund’s investment portfolio managed by Glovista was approximately \$3.2 million. During the Board meeting on September 26, 2019, the Board unanimously approved the liquidation of the Fund’s investment with Glovista as recommended by Trustee Stacy on behalf of the Investment Committee. During the meeting, the Board also elected to reallocate the funds into the Morgan Stanley International Growth Opportunity Fund, as evidenced in the excerpt from the Board meeting minutes below.

Item #30 Discuss Non-U.S. Equity opportunities and take action if necessary.
AFTER DISCUSSION BY THE BOARD, ON BEHALF OF THE INVESTMENT COMMITTEE TRUSTEE STACY MADE A MOTION TO TERMINATE GLOVISTA AND FEDERATED AND MOVE THE PROCEEDS INTO THE MORGAN STANLEY INTERNATIONAL GROWTH OPPORTUNITY FUND, THE BOARD UNANIMOUSLY APPROVED.

On October 10, 2019, the Fund liquidated their Glovista investment account and transferred approximately \$2.6 million to their Frost Bank cash account to reallocate to the Morgan Stanley International

Growth Opportunity Fund.³⁶ Detail of the wire transfer from Glovista (Frost Bank account WA61219) into the Fund's cash account with Frost Bank is provided below.

10/10/19	CASH RECEIPT TRANSFER FROM OTHER TRUST ACCT PAID FROM ACCOUNT # WA61219 PER LTR. DTD 10/4/2019, LIQUIDATE AND TRANSFER	2,562,174.96
10/22/19	CASH RECEIPT TRANSFER FROM OTHER TRUST ACCT PAID FROM ACCOUNT # WA61219 TRANSFER RESIDUAL CASH TO CONS. ACCT. TO CLOSE	832.78
11/07/19	CASH RECEIPT TRANSFER FROM OTHER TRUST ACCT PAID FROM ACCOUNT # WA61219 TRANSFER MONEY MKT BALANCE TO CLOSE ACCOUNT.	125.21

A summary of the Fund's investment account activity for Glovista during the 2018 – 2020 time period is provided in the table below.³⁷

Glovista: Investment Activity for 2018 - 2020								
	2018		2019		2020	2018 - 2020		
Beginning Value	\$	3,206,683	\$	2,466,165	\$	-	\$	3,206,683
Contributions		-		-		-		-
Distributions		(262,482)		(2,627,213)		-		(2,889,695)
Change in Value		(478,036)		161,048		-		(316,988)
Ending Value	\$	2,466,165	\$	-	\$	-	\$	-
Management Fees	\$	29,277	\$	20,377	\$	-	\$	49,655
Annualized Rate of Return After Fees		-15.82%		7.42%				-6.61%
Asset Allocation								
Cash & Equivalents	\$	49,527	\$	-	\$	-		
International Equities		2,416,638		-		-		
Total	\$	2,466,165	\$	-	\$	-		

³⁶ The funds from the Glovista investment account were reallocated to the Morgan Stanley Growth Opportunity Fund on December 23, 2019, which is discussed in more detail in a subsequent section of this Report.

³⁷ Annualized rate of return calculation for 2019 is based on investment activity through October 10, 2019.

Raymond James – Federated International Mutual Fund

a. Overview

Since 2001, the Fund has held investments with Raymond James & Associates, Inc. (“Raymond James”), a financial services firm founded in 1962. The Fund’s investments were held in an account through Raymond James, which included a mutual fund investment managed by Federated Investors, Inc. (“Federated”).³⁸ An overview of the Fund’s Raymond James investment account is provided below.

Raymond James – Federated International Mutual Fund	
Inception Date	November 2001
Asset Category	International Equities (Mutual Fund)
Custodian Bank	Raymond James
Value as of January 1, 2018	\$4,105,866
Value as of December 31, 2020	\$0
Annualized Rate of Return for 2018 – 2020 (net of management fees)	-4.5%
Management Fee (% of Assets)	N/A

b. Investment Strategy

The primary investment in the Fund’s Raymond James account was their mutual fund investment in the Federated International Small-Mid Company Fund (ISCAIX), which is a mutual fund seeking to provide long-term growth of capital through investments in non-U.S. small- or mid-capitalization companies. The remainder of funds held in the Raymond James account not invested in the mutual fund are invested in interest-bearing accounts through the Raymond James Bank Deposit Program. As of June 2019, the Fund’s annualized return since inception (November 30, 2001) for the Raymond James account was approximately 7%.

c. Investment Account Activity

At the beginning of our review period, the value of the Fund’s investment account with Raymond James was approximately \$4.1 million. During the Board meeting on September 26, 2019, the Board unanimously approved the liquidation of the Fund’s investment with Federated as recommended by Trustee Stacy on behalf of the Investment Committee. During the meeting, the Board also elected to reallocate the funds from Raymond James, as well as the funds from Glovista, into the Morgan Stanley International Growth Opportunity Fund, as evidenced in the excerpt from the Board meeting minutes below.

Item #30 Discuss Non-U.S. Equity opportunities and take action if necessary.
AFTER DISCUSSION BY THE BOARD, ON BEHALF OF THE INVESTMENT COMMITTEE TRUSTEE STACY MADE A MOTION TO TERMINATE GLOVISTA AND FEDERATED AND MOVE THE PROCEEDS INTO THE MORGAN STANLEY INTERNATIONAL GROWTH OPPORTUNITY FUND, THE BOARD UNANIMOUSLY APPROVED.

³⁸ In July 2018, Federated Investors, Inc. acquired a 60% interest in Hermes Fund Managers Limited and in February 2020 changed their name to Federated Hermes, Inc.

On October 21, 2019, the Fund liquidated their Raymond James investment account and transferred the entire balance of approximately \$3.1 million to the Fund’s cash account with Frost Bank, as shown below.³⁹

10/21/19	CASH RECEIPT RECD FROM RAYMOND JAMES & ASSOCIATES, INC ADDITION TO ACCOUNT DUE 9/3/17 TRANSFER FROM RAYMOND JAMES TO CLOSE ACCOUNT	3,105,662.54
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A summary of the Fund’s investment account activity for Raymond James during the 2018 – 2020 time period is provided in the table below.⁴⁰

Raymond James - Federated International Mutual Fund: Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ 4,105,866	\$ 3,124,621	\$ -	\$ 4,105,866
Contributions	-	-	-	-
Distributions	(251,000)	(3,525,828)	-	(3,776,828)
Income	420,143	402	-	420,546
Change in Value	(1,150,388)	400,805	-	(749,583)
Ending Value	\$ 3,124,621	\$ -	\$ -	\$ -
Annualized Rate of Return After Fees	-17.79%	16.24%		-4.53%
Asset Allocation				
U.S. Equities	\$ 35,969	\$ -	\$ -	
International Equities	2,425,912	-	-	
Non-classified	12,441	-	-	
Cash & Cash Alternatives	650,299	-	-	
Total	\$ 3,124,621	\$ -	\$ -	

³⁹ The funds from the Raymond James and Glovista investment accounts were reallocated to the Morgan Stanley Growth Opportunity Fund on December 23, 2019, which is discussed in more detail in a subsequent section of this Report.

⁴⁰ Annualized rate of return calculation for 2019 is based on investment activity through October 21, 2019.

Morgan Stanley – International Advantage Portfolio

a. Investment Manager Overview

In December 2019, the Fund invested in the International Advantage Class I Portfolio mutual fund managed by Morgan Stanley Funds (“Morgan Stanley”), with State Street Corporation serving as the custodian bank. An overview of the Fund’s Morgan Stanley investment account is provided below.

Morgan Stanley – International Advantage Portfolio	
Inception Date	December 2019
Asset Category	International Equities (Mutual Fund)
Custodian Bank	State Street Corporation
Value as of December 23, 2019 (Initial Investment)	\$5,667,837
Value as of December 31, 2020	\$7,515,441
Annualized Rate of Return for 2018 – 2020 (net of management fees)	31.7%
Management Fee (% of Assets)	N/A

b. Investment Strategy

The Morgan Stanley International Advantage Portfolio (MFAIX) mutual fund seeks long-term capital appreciation by investing primarily in international high quality established companies that are believed to be undervalued and have sustainable competitive advantages. Since the inception of the mutual fund in 2010, the Morgan Stanley International Advantage Portfolio has achieved an annualized rate of return of 7.5%, compared to 2.2% for its benchmark (MSCI All Country World ex USA Index).

c. Due Diligence

In June 2019, the Fund’s consultant, Claude Parenteau with Parenteau Analytics, provided the Investment Committee with historical performance charts and data “for a better International EAFE manager to replace Federated.”⁴¹ Mr. Parenteau specifically provided the historical returns for four (4) mutual funds from March 2009 to March 2019, as shown below.⁴²

	12/2018-3/2019	3/2018-3/2019	3/2017-3/2019	3/2016-3/2019	3/2014-3/2019	3/2009-3/2019
Morgan Stanley Inst International Opp I	22.36	2.83	19.09	19.32	13.20	N/A
Invesco Oppenheimer Intl SmI-Mid Com R6	14.14	1.13	14.61	13.72	10.03	21.09
Fidelity Advisor® Intl Capital App I	14.99	0.29	11.02	9.66	6.84	13.97
Federated International Small-Mid Co A	14.32	-7.59	7.35	6.52	2.81	11.44

During the Board meeting on August 22, 2019, Mr. Parenteau presented a summary to the Board of what he planned to discuss with the Investment Committee later that evening, which was scheduled to meet after

⁴¹ See email from Claude Parenteau to Investment Committee on June 27, 2019 regarding International EAFE results.

⁴² In his email to the Investment Committee on June 27, 2019, Mr. Parenteau stated that Trustee Percy provided him the names of the other three (3) mutual funds to compare to Federated.

the Board meeting. While we were unable to locate a meeting agenda or meeting minutes for the Investment Committee meeting on August 22, 2019, it is our understanding that the Investment Committee discussed a recommendation by Mr. Parenteau to invest in the Morgan Stanley Institutional International Opportunities Fund (ticker symbol MIOIX). Email communications from September 2019 reflected that the Investment Committee conducted phone interviews with several investment managers of international funds, including Morgan Stanley.

As described previously in this Report, on September 26, 2019 the Board approved the liquidation of the Fund’s investments with Glovista and Raymond James (Federated International Mutual Fund), both of which were managed portfolios holding international investments. During the meeting, the Board also approved the reallocation of the funds into the Morgan Stanley International Growth Opportunity Fund, as shown below.

Item #30 Discuss Non-U.S. Equity opportunities and take action if necessary.
AFTER DISCUSSION BY THE BOARD, ON BEHALF OF THE INVESTMENT COMMITTEE TRUSTEE STACY MADE A MOTION TO TERMINATE GLOVISTA AND FEDERATED AND MOVE THE PROCEEDS INTO THE MORGAN STANLEY INTERNATIONAL GROWTH OPPORTUNITY FUND, THE BOARD UNANIMOUSLY APPROVED.

Ultimately, in December 2019 the Fund invested approximately \$5.7 million in the Morgan Stanley International Advantage Portfolio (ticker symbol MFAIX), which was a different mutual fund from the Morgan Stanley Institutional International Opportunities Fund (ticker symbol MIOIX) presented to the Investment Committee by Mr. Parenteau, and different from the Morgan Stanley International Growth Opportunity Fund approved by the Board in September 2019.⁴³

d. Investment Account Activity

In October 2019, the Fund liquidated their Glovista and Raymond James investment accounts totaling approximately \$5.7 million into the Fund’s cash account with Frost Bank. On December 23, 2019, the Fund wired the \$5.7 million to State Street Corporation, the custodian for the Morgan Stanley International Advantage Portfolio. The transaction detail from the Fund’s Frost Bank statement is provided below.

12/23/19	CASH DISBURSEMENT PAID TO STATE STREET CORP, BOSTON, MA WIRE-DOMESTIC & FOREIGN ONLY WIRE FOR INVESTMENT IN INT'L ADVANTAGE CLASS I	5,667,837.00-
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⁴³ We were unable to identify a mutual fund named Morgan Stanley International Growth Opportunity Fund as stated in the September 26, 2019 Board minutes.



A summary of the Fund’s investment account activity for the Morgan Stanley International Advantage Portfolio during the 2018 – 2020 time period is provided in the table below.⁴⁴

Morgan Stanley - International Advantage Portfolio: Investment Activity for 2018 - 2020				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2018 - 2020</u>
Beginning Value	\$ -	\$ -	\$ 5,681,729	\$ -
Contributions	-	5,667,837	-	5,667,837
Distributions	-	-	-	-
Income	-	-	3,140	3,140
Net Change in Market Value	-	13,892	1,830,572	1,844,464
Ending Value	\$ -	\$ 5,681,729	\$ 7,515,441	\$ 7,515,441
Annualized Rate of Return After Fees		10.44%	32.27%	31.70%
<u>Asset Allocation</u>				
International Equities (Mutual Fund)	\$ -	\$ 5,681,729	\$ 7,515,441	
Total	\$ -	\$ 5,681,729	\$ 7,515,441	

⁴⁴ Annualized rate of return calculation for 2019 is based on investment activity from December 23, 2019 – December 31, 2019.

SeaCrest Hybrid Account (Charles Schwab)

a. Investment Manager Overview

SeaCrest Investment Management, LLC (“SeaCrest”) is a New York-based investment management firm founded in 2006 that provides global investment solutions to institutions as well as high net-worth individuals. Since approximately October 2011, SeaCrest has served as an investment manager for the Fund for a hybrid investment portfolio of equity and bond funds, with Charles Schwab serving as the custodian bank. An overview of the Fund’s SeaCrest Hybrid investment account is provided below.

SeaCrest Hybrid Account (Charles Schwab)	
Inception Date	October 2011
Asset Category	Equity and Bond Funds
Custodian Bank	Charles Schwab
Value as of January 1, 2018	\$1,647,828
Value as of December 31, 2020	\$1,653,827
Annualized Rate of Return for 2018 – 2020 (net of management fees)	3.9%
Management Fee (% of assets)	1.0% (assessed quarterly)

b. Investment Strategy

The Fund’s SeaCrest Hybrid account included multiple investment categories including money market funds, equities, bond funds and exchange traded funds, as summarized in the table below.

Investment Category	Investments Held
Money Market Funds	<ul style="list-style-type: none"> Schwab Government Money Fund (SWGXX)
Equities	<ul style="list-style-type: none"> Eaton Vance Tax-Managed Buy-Write Income Fund (ETB) MFS Intermediate Income Trust (MIN) Nuveen Municipal Value Fund (NUV)
Bond Funds	<ul style="list-style-type: none"> AB Income Advisor (ACGYX)
Exchange Traded Funds	<ul style="list-style-type: none"> ALPS Alerian MLP ETF (AMLP) Invesco High Yield Equity Dividend Achievers ETF (PEY) IShares iBoxx High Yield Bond ETF (HYG) IShares iBoxx Investment Grade Bond ETF (LQD)

c. Investment Account Activity

As of January 2018, the value of the Fund’s SeaCrest Hybrid account was approximately \$1.65 million. Each month, the dividends and interest earned in the account were swept into the Fund’s cash account with Frost Bank to help meet the Fund’s monthly liquidity needs. A summary of the Fund’s investment activity for the SeaCrest Hybrid account during the 2018 – 2020 time period is provided in the table below.

SeaCrest Hybrid Account (Charles Schwab) - Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ 1,647,828	\$ 1,502,469	\$ 1,651,465	\$ 1,647,828
Contributions	-	-	-	-
Distributions	(83,993)	(77,411)	(81,345)	(242,748)
Dividends and Interest	83,993	85,155	81,345	250,492
Income Reinvested	(791)	(1,056)	(128)	(1,974)
Unrealized Gains / (Losses)	(144,567)	142,307	2,490	229
Ending Value	\$ 1,502,469	\$ 1,651,465	\$ 1,653,827	\$ 1,653,827
Management Fees	\$ 15,118	\$ 16,143	\$ 15,114	\$ 46,375
Annualized Rate of Return After Fees	-4.64%	13.99%	4.15%	3.94%
Asset Allocation				
Money Market Funds [Sweep]	\$ 53,527	\$ 59,510	\$ 80,563	
Equities	652,611	729,938	712,395	
Bond Funds	301,236	320,063	323,737	
Exchange Traded Funds	498,958	545,288	540,472	
Cash (Debits)	(3,718)	(3,336)	(3,339)	
Options (Short)	(145)	-	-	
Total	\$ 1,502,469	\$ 1,651,465	\$ 1,653,827	

SeaCrest Global Fixed Income Account

a. Investment Manager Overview

In addition to the SeaCrest Hybrid investment account, SeaCrest has served as the Fund’s investment manager since 2009 for a portfolio of global fixed income products (“SeaCrest Global Fixed Income Account”), with Frost Bank serving as the custodian (Frost Bank account WA61217). An overview of the Fund’s SeaCrest Global Fixed Income investment account is provided below.

SeaCrest Global Fixed Income Account	
Inception Date	December 2009
Asset Category	Fixed Income
Custodian Bank	Frost Bank (WA61217)
Value as of January 1, 2018	\$10,742,299
Value as of December 31, 2020	\$145,881
Annualized Rate of Return for 2018 – 2020 (net of management fees)	1.2%
Management Fee (% of assets)	0.4% (assessed quarterly)

b. Investment Strategy

Based on discussions with members of the Investment Committee, it is our understanding that the SeaCrest Global Fixed Income Account was structured to provide a diversified portfolio of fixed income products to perform a monthly sweep of investment income back into the Fund’s cash account with Frost Bank to meet liquidity needs. Investments held in the SeaCrest Global Fixed Income Account included corporate bonds diversified across industries, foreign bonds, municipal bonds, U.S. treasuries and money market investments.

c. Investment Account Activity

During the Board meeting on April 23, 2020, Trustee Stacy presented recommendations to the Board from Investment Committee meetings over the prior weeks, including a recommendation to liquidate non-U.S. debt held by the Fund, including foreign bonds held in the SeaCrest Global Fixed Income Account.

Item #31 Investment Committee Report and take action if necessary.
Trustee Stacy presented summary of Investment Committee Meetings over the last few weeks. Recommendation to the board is as follows:

- 1) **Change Investment Policy Statement from 1-10 percent cash to 1-15 cash.**
- 2) **liquidate at earliest economic advantage, non-us debt (Seacrest)**
- 3) **Increase allocation to Seacrest Hybrid to approximately \$2.5 million from \$1.5 million. Remaining balance in Seacrest International fixed income to Loomis full discretionary fixed income we currently have with Loomis.**
- 4) **all three fixed income products with Westwood will be liquidated and moved to a risk off product from vendor to be determined. Recommend to Board - implicit latitude of Investment Committee to transfer into risk off product. leaving a balance of \$6-\$10 million (15%) cash so that we will be positioned for future opportunities.**

Trustee Stacy made a motion to adopt recommendation by the Investment Committee, Second by Trustee Martin, the board unanimously approved.



While the Board authorized the liquidation of foreign bonds in April 2020, the Fund did not liquidate the investments from the SeaCrest Global Fixed Income Account until September 2020. On September 28, 2020, the Fund received approximately \$10.8 million into their cash account with Frost Bank from the SeaCrest Global Fixed Income Account (Frost Bank account WA61217). Transaction detail from the Frost Bank statement is provided below.

09/28/2020	Transfer from WA61217 per letter of direction WA612	10,780,990.61
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Following the transfer of funds in September 2020, the remaining balance in the SeaCrest Global Fixed Income Account was approximately \$150,000. A summary of the Fund's investment activity for the SeaCrest Global Fixed Income Account during the 2018 – 2020 time period is provided in the table below.

SeaCrest Global Fixed Income - Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ 10,742,299	\$ 10,450,933	\$ 10,899,461	\$ 10,742,299
Contributions	-	-	-	-
Distributions	(182,283)	(101,144)	(10,797,854)	(11,081,281)
Income	385,724	386,087	242,384	1,014,195
Change in Value	(494,806)	163,584	(198,110)	(529,332)
Ending Value	\$ 10,450,933	\$ 10,899,461	\$ 145,881	\$ 145,881
Management Fees	\$ 51,264	\$ 53,419	\$ 13,938	\$ 118,622
Annualized Rate of Return After Fees	-1.49%	4.75%	0.37%	1.23%
Asset Allocation				
Cash & Equivalents	\$ 355,747	\$ 733,684	\$ -	
Fixed Income	10,095,186	10,165,777	145,881	
Total	\$ 10,450,933	\$ 10,899,461	\$ 145,881	

Lazard International Strategic Equity Portfolio

a. Investment Manager Overview

Lazard Asset Management LLC (“Lazard”) has served as the Fund’s investment manager for the Lazard International Strategic Equity Portfolio since 1999, which is a separately managed account with Frost Bank serving as the custodian (Frost Bank account WA61203). An overview of the Fund’s Lazard International Strategic Equity Portfolio investment account is provided below.

Lazard International Strategic Equity Portfolio	
Inception Date	September 1999
Asset Category	International Equities
Custodian Bank	Frost Bank (WA61213)
Value as of January 1, 2018	\$7,518,388
Value as of December 31, 2020	\$8,153,732
Annualized Rate of Return for 2018 – 2020 (net of management fees)	4.1%
Management Fee (% of assets)	0.85% (assessed quarterly)

b. Investment Strategy

The Lazard International Strategic Equity Portfolio is a separately managed account that invests in equity and equity-related securities of issuers that are located in, or do significant business in countries other than the U.S., including emerging market countries. The primary benchmark is the MSCI EAFE Index.

c. Investment Account Activity

A summary of the Fund’s investment activity for the Lazard International Strategic Equity Portfolio during the 2018 – 2020 time period is provided in the table below.

Lazard International Strategic Equity Portfolio: Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ 7,518,388	\$ 6,506,136	\$ 7,559,530	\$ 7,518,388
Contributions	-	-	-	-
Distributions	(99,102)	(263,670)	(123,654)	(486,426)
ADR Fees / Foreign Tax Withholding	(39,380)	(44,335)	(34,616)	(118,331)
Change in Value	(873,770)	1,361,399	752,471	1,240,100
Ending Value	\$ 6,506,136	\$ 7,559,530	\$ 8,153,732	\$ 8,153,732
Management Fees	\$ 56,143	\$ 53,052	\$ 50,980	\$ 160,174
Annualized Rate of Return After Fees	-12.89%	19.43%	8.82%	4.09%
Asset Allocation				
Cash & Equivalents	\$ 453,113	\$ 156,261	\$ 123,063	
International Equities	6,053,023	7,403,270	8,030,669	
Total	\$ 6,506,136	\$ 7,559,530	\$ 8,153,732	



Loomis Sayles Fixed Income Fund

a. Investment Manager Overview

Loomis, Sayles & Company, L.P. (“Loomis Sayles”) is a Boston-based investment management firm founded in 1926. Loomis Sayles has served as the Fund’s investment manager for a private debt fund since November 2011, with State Street Corporation serving as the custodian. An overview of the Fund’s Loomis Sayles Fixed Income Fund investment account is provided below.

Loomis Sayles Fixed Income Fund	
Inception Date	November 2011
Asset Category	Fixed Income
Custodian Bank	State Street Corporation
Value as of January 1, 2018	\$7,769,461
Value as of December 31, 2020	\$9,865,270
Annualized Rate of Return for 2018 – 2020 (net of management fees)	7.8%
Management Fee (% of assets)	0.57% (assessed quarterly)

b. Investment Strategy

The Fund’s investments managed by Loomis Sayles are invested in the New Hampshire Investment Trust (NHIT) MultiSector Full Discretion Trust, with investments in high-yield securities across multiple sectors, non-U.S. dollar denominated debt, emerging market debt, convertibles, securitized debt and bank loans. The benchmark for the NHIT MultiSector Full Discretion Trust is the Bloomberg Barclays Capital U.S. Government/Credit Index.

c. Investment Account Activity

A summary of the Fund’s investment activity for the Lazard International Strategic Equity Portfolio during the 2018 – 2020 time period is provided in the table below.

Loomis Sayles Fixed Income Fund - Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ 7,769,461	\$ 7,702,096	\$ 8,529,192	\$ 7,769,461
Contributions	-	-	-	-
Distributions	-	-	-	-
Change in Value	(67,365)	827,096	1,336,078	2,095,809
Ending Value	\$ 7,702,096	\$ 8,529,192	\$ 9,865,270	\$ 9,865,270
Management Fees	\$ 44,039	\$ 45,714	\$ 50,213	\$ 139,965
Annualized Rate of Return After Fees	-1.43%	10.15%	15.08%	7.77%
Asset Allocation				
Fixed Income (NHIT MultiSector Trust)	\$ 7,702,096	\$ 8,529,192	\$ 9,865,270	
Total	\$ 7,702,096	\$ 8,529,192	\$ 9,865,270	

JP Morgan Money Market Account

a. Background

As described previously in this Report, on April 23, 2020 the Board approved the recommendation from the Investment Committee to liquidate the Fund’s fixed income products with Westwood Trust totaling approximately \$10 million, and move into a “risk off product from vendor to be determined.”⁴⁵ During the April 23, 2020 Board meeting, the Board also approved a motion by Trustee Percy to “hold cash in JP Morgan U.S. Treasury Securities Money Market Capital Fund.” The Board also adopted revisions to the Statement of Investment Policies during the April 2020 Board meeting, which increased the Fund’s maximum variance limit for cash and equivalents to 15% (revised upwards from 10%).

b. Investment Account Activity

On May 5, 2020, the Fund transferred approximately \$10 million from the fixed income accounts managed by Westwood into the Fund’s cash account with Frost Bank, including approximately \$7 million in the Westwood Short Duration Fixed Income account and \$3 million in the Westwood Trust Portfolio. On May 28, 2020, the Fund transferred \$10 million from Frost Bank to JP Morgan Chase Bank to be invested in the U.S. Treasury Securities Money Market Capital Fund (“JP Morgan Money Market Account”). During the June 2020 – December 2020 time period, the Fund earned \$4,317 in income dividends through the JP Morgan Money Market Account, which was transferred to the Fund’s cash account with Frost Bank on a monthly basis. A summary of the Fund’s investment activity for the JP Morgan Money Market Account during the 2018 – 2020 time period is provided in the table below.

J.P. Morgan Money Market Fund: Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	10,000,000	10,000,000
Distributions	-	-	(4,317)	(4,317)
Income Earned	-	-	4,317	4,317
Ending Value	\$ -	\$ -	\$ 10,000,000	\$ 10,000,000
Annualized Rate of Return After Fees			0.07%	0.07%
Asset Allocation				
U.S. Treasury Securities Money Market Fund	\$ -	\$ -	\$ 10,000,000	
Total	\$ -	\$ -	\$ 10,000,000	

⁴⁵ During the Regular Board meeting on April 23, 2020, the Board unanimously approved the recommendation by the Investment Committee to liquidate the fixed income products held in the Westwood Trust and move the funds into a “risk off product from vendor to be determined.”

Glendower Capital

a. Investment Manager Overview

Glendower Capital is a private equity firm privately owned by its partners who previously worked together for 15 years at Deutsche Asset Management before forming Glendower Capital in August 2017. Glendower Capital launched the Glendower Capital Secondary Opportunities Fund IV, LP in March 2018, which was the fourth dedicated secondary fund formed by Glendower Capital. In 2018, the Fund committed to invest \$5 million in the Glendower Capital Secondary Opportunities Fund IV, LP.⁴⁶ An overview of the Fund's Glendower Capital investment account is provided below.

Glendower Capital Secondary Opportunities Fund IV, LP	
Inception Date	April 2018
Asset Category	Alternative (Private Equity)
Custodian Bank	Silicon Valley Bank
Value as of January 1, 2018	\$0
Value as of December 31, 2020	\$3,007,519
Internal Rate of Return (net of management fees) as of 12/31/2020 ⁴⁷	27.7%
Management Fee (% of assets)	1.25% (assessed quarterly)

b. Investment Strategy

The investment objective for the Glendower Capital Secondary Opportunities Fund is to seek attractive risk adjusted investment returns, principally in the form of capital appreciation by acquiring, holding, financing and refinancing and disposing of a diverse, global portfolio of investments in private equity funds focused on buyout, growth capital, venture capital, special situations, turnaround, mezzanine, distressed opportunities, real estate, and infrastructure assets on the secondary market. Glendower Capital's investment strategy is to target the following types of investments globally, but primarily in the U.S. and Europe:

- Fund Secondaries – the purchase of LP interests in existing private equity funds
- GP-led Secondaries – spin-in / spin-outs, tail end restructuring, asset liquidations and LP tenders
- Single Asset Deals into individual private equity companies, either at the time of the original acquisition, or later from an investor seeking early liquidity

c. Due Diligence

During the Investment Committee meeting on February 15, 2018, the Investment Committee discussed an investment opportunity related to Glendower Capital. Based on a February 2018 memo to prospective

⁴⁶ The Fund's investment commitment of \$5 million is to be paid out over a multi-year period.

⁴⁷ Internal Rate of Return is calculated by Glendower Capital based on investment performance since inception (net of fees and expenses).

investors that was reviewed during the Investment Committee meeting, the Glendower Capital Secondary Opportunities Fund IV was seeking \$1.75 billion in aggregate commitments with a minimum commitment of \$5 million. A summary of the principal terms as provided in Glendower Capital’s February 2018 memo to prospective investors is provided below.

Summary of Principal Terms*	
Fund Name	Glendower Capital Secondary Opportunities Fund IV, LP.
Target Size	US\$1.75 billion.
Minimum Commitment	US\$5 million.
Fund Structure	English private fund limited partnership.
Manager	Glendower Capital, LLP, which is authorized and regulated in the UK by the FCA. ¹⁷ The Manager will appoint its affiliate, Glendower Capital (U.S.), LLC, to provide investment advice to the Manager in connection with the investment management of the Fund.
Term	7 years from final closing plus up to 5 one-year extensions (the first three one-year extensions being at the discretion of Glendower and the final two one-year extensions requiring the consent of the SOF IV advisory committee)
Investment Period	4 years from the last closing of the Fund.
General Partner’s Share	1.25% p.a. of commitments during Investment Period 1.00% p.a. of Invested Capital* for a period of 2 years after the Investment Period, thereafter greater of 90% of previous year and 0.25% * Invested Capital is the amount of capital invested in investments and the remaining unfunded obligations reasonably reserved by Glendower for such investments.
Distributions and Carried Interest	Preferred return: 8%. Carried interest: 12.5% with a 100% catch-up.
Clawback	Yes.
Organizational Expenses	The Fund will bear up to US\$2.5 million.

During the Board meeting on February 22, 2018, the Board approved a motion authorizing the Investment Committee to make a commitment with Glendower Capital Secondary Opportunities Fund IV. The following month, Trustee Stacy updated the Board during the March 23, 2018 Board meeting that the Fund committed \$5 million for the Glendower Capital Secondary Opportunities Fund IV based on discussions by the Investment Committee. On April 16, 2018, Glendower Capital held its initial closing and admitted the Fund as a limited partner with a \$5 million commitment and provided the Partnership Agreement.

d. Investment Account Activity

On April 23, 2018, the Fund made their initial contribution to Glendower Capital for \$250,000, with subsequent contributions in September 2018 and December 2018 for a total investment contribution of approximately \$1 million in 2018. The Fund made additional contributions in 2019 and 2020, with total contributions of approximately \$2.5 million as of December 31, 2020, equal to half of the \$5 million



commitment. As of December 31, 2020, the Fund’s internal rate of return (IRR) net of fees was 27.7%. A summary of the Fund’s investment activity for the Glendower Capital Secondary Opportunities Fund IV, LP during the 2018 – 2020 time period is provided in the table below.

Glendower Capital: Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ -	\$ 1,109,957	\$ 2,019,256	\$ -
Contributions	996,187	730,911	737,895	2,464,993
Distributions	-	(188,239)	(203,298)	(391,537)
Management Fees	(44,521)	(62,500)	(62,500)	(169,521)
Investment Income	(25,652)	(105)	(23,679)	(49,436)
Change in Value	183,943	429,232	539,845	1,153,020
Ending Value	\$ 1,109,957	\$ 2,019,256	\$ 3,007,519	\$ 3,007,519
Net IRR (After Management Fees)*		39.00%	27.70%	27.70%
Commitment Amount	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	
Undrawn Commitment	4,003,813	3,272,902	2,535,007	
<u>Asset Position</u>				
Private Equity Funds	\$ 1,109,957	\$ 2,019,256	\$ 3,007,519	
Total	\$ 1,109,957	\$ 2,019,256	\$ 3,007,519	

* Net IRR based on calculation provided by Glendower Capital on annual statement.

Greenspring Global Partners

a. Investment Manager Overview

Greenspring Associates (“Greenspring”) is a Maryland-based private equity firm founded in 2000 that invests in private equity through secondaries programs, co-investment programs and direct investment programs.⁴⁸ Greenspring manages Greenspring Global Partners, which is a family of venture capital funds focused on minority stake investments in the Information Technology and Software industries. Since 2011, the Fund has invested in four (4) venture capital funds managed by Greenspring, as summarized in the table below.

Venture Capital Fund	Investment Date	Commitment
Greenspring Global Partners V-B	November 2011	\$1,000,000
Greenspring Opportunities V	January 2018	\$1,950,000
Greenspring Secondaries IV	January 2020	\$1,773,500
Greenspring Opportunities VI	January 2020	\$2,000,000
Total Commitments		\$6,723,500

b. Greenspring Global Partners V-B

The Fund committed to invest \$1 million into the Greenspring Global Partners V-B venture fund in 2011, which was the Fund’s first investment with Greenspring. An overview of the Fund’s investment in Greenspring Global Partners V-B is provided below.

Greenspring Global Partners V-B	
Inception Date	November 2011
Asset Category	Alternative (Private Equity)
Custodian Bank	Silicon Valley Bank
Value as of January 1, 2018	\$1,125,398
Value as of December 31, 2020	\$1,760,720
Internal Rate of Return (net of management fees) as of 12/31/2020 ⁴⁹	25.8%
Management Fee (% of assets)	0.5% - 0.7%

As of December 31, 2020, the Fund invested \$910,000 of the \$1 million commitment since 2011, with a remaining commitment of \$90,000. The Fund has received distributions from Greenspring totaling \$823,500 during the 2018 – 2020 time period, which were wired to the Fund’s cash account with Frost Bank. Distributions from Greenspring were net of incentive fees, which totaled \$104,332 during the 2018 – 2020 time period. A summary of the Fund’s investment activity for Greenspring Global Partners V-B during the 2018 – 2020 time period is provided in the table below.

⁴⁸ Greenspring was acquired by StepStone Group in 2021.

⁴⁹ Internal Rate of Return is calculated by Greenspring based on investment performance since inception (net of fees and expenses).

Greenspring Global Partners V-B, L.P. - Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ 1,125,398	\$ 1,230,878	\$ 1,451,703	\$ 1,125,398
Contributions	30,000	-	-	30,000
Distributions	(149,500)	(109,000)	(565,000)	(823,500)
Income	(7,147)	(6,779)	(6,128)	(20,054)
Realized Gains / (Losses)	137,412	154,855	522,137	814,404
Unrealized Gains / (Losses)	113,329	204,800	420,675	738,804
Incentive Fees	(18,614)	(23,051)	(62,667)	(104,332)
Ending Value	\$ 1,230,878	\$ 1,451,703	\$ 1,760,720	\$ 1,760,720
Net IRR (After Management Fees)*	21.90%	22.40%	25.81%	25.81%
Commitment Amount	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	
Undrawn Commitment	90,000	90,000	90,000	
Asset Allocation				
Private Equity Investments	\$ 1,230,878	\$ 1,451,703	\$ 1,760,720	
Total	\$ 1,230,878	\$ 1,451,703	\$ 1,760,720	

* Net IRR is since inception (based on calculation provided by Greenspring on annual statement).

c. Greenspring Opportunities V

During the Board meeting on October 26, 2017, the Investment Committee recommended that the Fund allocate up to \$3 million in the Greenspring Opportunities V fund. At the closing in December 2017, the Fund's final commitment amount was \$1,950,000 million into the Greenspring Opportunities V fund, with the Fund's initial contribution in January 2018. An overview of the Fund's investment in Greenspring Opportunities V is provided below.

Greenspring Opportunities V	
Inception Date	January 2018
Asset Category	Alternative (Private Equity)
Custodian Bank	Silicon Valley Bank
Value as of January 1, 2018	\$0
Value as of December 31, 2020	\$2,501,347
Internal Rate of Return (net of management fees) as of 12/31/2020 ⁵⁰	21.5%
Management Fee (% of assets)	1.3% - 2.7%

As of December 31, 2020, the Fund invested \$1,774,500 of the \$1,950,000 commitment since 2018, with a remaining commitment of \$175,500. As of December 31, 2020, the value of the Fund's investment in Greenspring Opportunities V was approximately \$2.5 million, which was net of incentive fees totaling \$181,863 during the 2018 – 2020 time period. A summary of the Fund's investment activity for Greenspring Opportunities V during the 2018 – 2020 time period is provided in the table below.

⁵⁰ Internal Rate of Return is calculated by Greenspring based on investment performance since inception (net of fees and expenses).

Greenspring Opportunities V, L.P. - Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ -	\$ 620,101	\$ 1,837,507	\$ -
Contributions	565,500	994,500	214,500	1,774,500
Distributions	-	-	-	-
Income	(4,920)	(17,168)	(34,103)	(56,191)
Realized Gains / (Losses)	-	-	-	-
Syndication Costs	(903)	-	-	(903)
Unrealized Gains / (Losses)	74,098	295,893	595,813	965,804
Incentive Fees	(13,674)	(55,819)	(112,370)	(181,863)
Ending Value	\$ 620,101	\$ 1,837,507	\$ 2,501,347	\$ 2,501,347
Net IRR (After Management Fees)*	28.19%	20.10%	21.50%	21.50%
Commitment Amount	\$ 1,950,000	\$ 1,950,000	\$ 1,950,000	
Undrawn Commitment	1,384,500	390,000	175,500	
Asset Allocation				
Private Equity Investments	\$ 620,101	\$ 1,837,507	\$ 2,501,347	
Total	\$ 620,101	\$ 1,837,507	\$ 2,501,347	

* Net IRR is since inception (based on calculation provided by Greenspring on annual statement).

d. Greenspring Secondaries IV

In June 2019, the Investment Committee had a dinner meeting with Greenspring to discuss additional investment opportunities for the Fund. The Investment Committee discussed investing in additional private funds managed by Greenspring during the Investment Committee meeting on June 18, 2019. During the Board meeting on June 20, 2019, the Investment Committee presented a recommendation to commit up to \$2 million into the Greenspring Secondaries IV fund and up to \$2 million into the Greenspring Opportunities VI fund, which was approved unanimously by the Board. Ultimately, the Fund committed \$1,773,500 into the Greenspring Secondaries IV fund, with the Fund's initial contribution in January 2020. An overview of the Fund's investment in Greenspring Secondaries IV is provided below.

Greenspring Secondaries IV	
Inception Date	January 2020
Asset Category	Alternative (Private Equity)
Custodian Bank	Silicon Valley Bank
Value as of January 1, 2018	\$0
Value as of December 31, 2020	\$1,417,609
Internal Rate of Return (net of management fees) as of 12/31/2020 ⁵¹	153.2%
Management Fee (% of assets)	2.9%

As of December 31, 2020, the Fund invested \$939,955 of the \$1,773,500 commitment since January 2020, with a remaining commitment of \$833,545. As of December 31, 2020, the value of the Fund's investment in

⁵¹ Internal Rate of Return is calculated by Greenspring based on investment performance since inception (net of fees and expenses).

Greenspring Secondaries IV was approximately \$1.4 million, which was net of incentive fees totaling \$92,964. A summary of the Fund's investment activity for Greenspring Secondaries IV during the 2018 – 2020 time period is provided in the table below.

Greenspring Secondaries Fund IV, L.P. - Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	939,955	939,955
Distributions	-	-	(17,735)	(17,735)
Income	-	-	(12,648)	(12,648)
Realized Gains / (Losses)	-	-	42,596	42,596
Syndication Costs	-	-	(616)	(616)
Unrealized Gains / (Losses)	-	-	559,021	559,021
Incentive Fees	-	-	(92,964)	(92,964)
Ending Value	\$ -	\$ -	\$ 1,417,609	\$ 1,417,609
Net IRR (After Management Fees)*			153.22%	153.22%
Commitment Amount	\$ -	\$ -	\$ 1,773,500	
Undrawn Commitment	-	-	833,545	
Asset Allocation				
Private Equity Investments	\$ -	\$ -	\$ 1,417,609	
Total	\$ -	\$ -	\$ 1,417,609	

* Net IRR is since inception (based on calculation provided by Greenspring on annual statement).

e. Greenspring Opportunities VI

As described previously in this Report, during the Board meeting on June 20, 2019, the Investment Committee presented a recommendation to commit up to \$2,000,000 into the Greenspring Opportunities VI fund, which was approved unanimously by the Board. Ultimately, the Fund committed \$2,000,000 into the Greenspring Opportunities VI fund, with the Fund's initial contribution in January 2020. An overview of the Fund's investment in Greenspring Opportunities VI is provided below.

Greenspring Opportunities VI	
Inception Date	January 2020
Asset Category	Alternative (Private Equity)
Custodian Bank	Silicon Valley Bank
Value as of January 1, 2018	\$0
Value as of December 31, 2020	\$729,849
Internal Rate of Return (net of management fees) as of 12/31/2020 ⁵²	30.1
Management Fee (% of assets)	2.0%

⁵² Internal Rate of Return is calculated by Greenspring based on investment performance since inception (net of fees and expenses).

As of December 31, 2020, the Fund invested \$600,000 of the \$2,000,000 commitment since January 2020, with a remaining commitment of \$1,400,000. As of December 31, 2020, the value of the Fund's investment in Greenspring Opportunities VI was approximately \$729,849, which was net of incentive fees totaling \$32,365. A summary of the Fund's investment activity for Greenspring Opportunities VI during the 2018 – 2020 time period is provided in the table below.

Greenspring Opportunities VI, L.P. - Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	600,000	600,000
Distributions	-	-	-	-
Interest Reallocation	-	-	729	729
Income	-	-	(8,359)	(8,359)
Realized Gains / (Losses)	-	-	-	-
Syndication Costs	-	-	(1,035)	(1,035)
Unrealized Gains / (Losses)	-	-	170,879	170,879
Incentive Fees	-	-	(32,365)	(32,365)
Ending Value	\$ -	\$ -	\$ 729,849	\$ 729,849
Net IRR (After Management Fees)*			30.13%	30.13%
Commitment Amount	\$ -	\$ -	\$ 2,000,000	
Undrawn Commitment	-	-	1,400,000	
<u>Asset Allocation</u>				
Private Equity Investments	\$ -	\$ -	\$ 729,849	
Total	\$ -	\$ -	\$ 729,849	

* Net IRR is since inception (based on calculation provided by Greenspring on annual statement).

Alkeon Growth Offshore Fund

a. Investment Manager Overview

Alkeon Capital Management, LLC (“Alkeon”) is a Delaware limited liability company registered as an investment advisor with the Securities and Exchange Commission. Alkeon manages the Alkeon Growth Offshore Fund, Ltd., which was incorporated under the laws of the Cayman Islands in May 2002. The Fund invested \$4 million into the Alkeon Growth Offshore Fund in October 2020. An overview of the Fund’s Alkeon Growth Offshore Fund investment account is provided below.

Alkeon Growth Offshore Fund	
Inception Date	October 2020
Asset Category	Alternative (Hedge Fund)
Custodian Bank	Bank of New York Mellon
Value as of October 1, 2020 (Initial Investment)	\$4,000,000
Value as of December 31, 2020	4,429,028
Annualized Rate of Return for 2018 – 2020 (net of management fees)	50.3%
Management Fee (% of assets)	1.5% per annum

b. Investment Strategy

Alkeon Growth Offshore Fund is a feeder fund that invests substantially all of its capital into the Alkeon Growth Master Fund, Ltd (“Master Fund”), which invests its assets primarily in equity securities of U.S. and foreign companies that Alkeon believes can innovate or grow rapidly compared to their peers. The Master Fund also uses short sales when Alkeon believes the market price of a security is above its estimated intrinsic or fundamental value. The Master Fund has achieved an annualized rate of return of 15.5% since inception in 1998, compared to a 4.7% rate of return during the same period for its benchmark, the MSCI World Index.

c. Due Diligence

In Spring 2019, the Investment Committee discussed the addition of a long/short equity manager (i.e., hedge fund) to the Fund’s investment portfolio. Mr. Parenteau, who served as a consultant for the Fund, provided historical performance data to the Investment Committee for 10 hedge funds, with Alkeon providing the highest return since 2003, as shown below.

PERFORMANCE BAR								
PERIODS ENDING DECEMBER 31, 2018								
	12/2017-12/2018	12/2015-12/2018	12/2013-12/2018	12/2008-12/2018	12/2007-12/2018	7/2008-12/2018	12/2007-12/2018	1/2003-12/2018
Alkeon Growth Partners, L.P. Alkeon Growth Part	-4.66	6.66	4.42	9.17	6.52	6.36	6.52	10.48
Chicago Capital Management, LP Chicago Capita	2.29	3.89	5.67	7.04	7.46	7.20	7.46	8.16
Fox Run Alpha Fund, LP Fox Run Alpha Fund, LP	-8.45	3.73	7.11	5.31	5.78	5.91	5.78	9.51
Granite Pointe Capital Mgt, LP Granite Pointe Ca	19.20	21.36	15.14	16.43	14.15	15.74	14.15	N/A
Krensavage Partners, LP Krensavage Partners,	8.09	11.62	16.44	31.51	N/A	28.21	N/A	N/A
PSAM World Arb Fund Limited PSAM World Arb	1.98	9.33	4.85	8.81	5.25	5.81	5.25	6.91
PSAM World Arb Partners, L.P. PSAM World Arb	2.08	10.12	5.15	9.25	5.88	6.24	5.68	7.17
Vivaldi Merger Arb Fund I Vivaldi Merger Arb Fun	4.11	2.75	3.65	4.63	5.44	5.06	5.44	7.89
Westerly Partners, LP Westerly Partners, LP	15.82	13.11	8.43	13.71	11.83	12.12	11.83	N/A
BarclayHedge Hedge Fund Index	-5.23	3.53	2.69	5.95	3.08	3.72	3.08	5.78

By October 2019, it appeared that the Investment Committee had narrowed down the potential hedge fund investment managers to Alkeon and SEG Partners. Mr. Parenteau provided historical performance data and analytics reports to the Investment Committee for Alkeon and SEG Partners on October 25, 2019. The Investment Committee did not make any recommendations in 2019 but revisited the item in May 2020, with Mr. Parenteau providing updated performance data and analytics reports to the Investment Committee for Alkeon and SEG Partners. On June 4, 2020, Trustee Percy emailed a contact at Alkeon to inform them at the Investment Committee for the Fund planned to make a Board recommendation at the Investment Committee meeting later that day to invest 5% of the assets for the Fund with Alkeon.⁵³ During the Board meeting on June 25, 2020, Trustee Stacy presented to the Board the recommendations of the Investment Committee from the Investment Committee meeting on June 4, 2020. Included in the recommendations to the Board was a recommendation “to add a new strategy of \$5 - \$7 million with Alkeon, equity long/short manager.” The Board unanimously approved the recommendation from the Investment Committee.

d. Investment Account Activity

Several months after the Board approved Alkeon as an investment manager, the Fund wired \$4 million from their Frost Bank cash account to the Alkeon Growth Offshore Fund on October 1, 2020. Transaction detail from the Fund’s Frost Bank statement is provided below.

10/01/2020	To : Midland Firemen's Relief and Retirement Wire transfer to Alkeon Growth Offshore Fund per ltr of direction 9/30/2020 WA612	-4,000,000.00
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During our review period, the Fund’s annualized rate of return during the October 2020 – December 2020 time period was 50.3% (net of management fees). A summary of the Fund’s investment activity for Alkeon Growth Offshore Fund during the 2018 – 2020 time period is provided in the table below.

Alkeon Growth Offshore Fund: Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	4,000,000	4,000,000
Distributions	-	-	-	-
Change in Value	-	-	429,028	429,028
Ending Value	\$ -	\$ -	\$ 4,429,028	\$ 4,429,028
Annualized Rate of Return After Fees			50.31%	50.31%
Asset Allocation				
Alternative Investments (Hedge Fund)	\$ -	\$ -	\$ 4,429,028	
Total	\$ -	\$ -	\$ 4,429,028	

⁵³ Based on our review of email communications between Trustee Percy and Alkeon, it appears that Trustee Percy had a prior relationship with Alkeon through his role as a financial advisor with Raymond James.

CDK Multifamily I, LLC

a. Investment Manager Overview

CDK Realty Advisors, LP (“CDK”) is a SEC registered investment advisor (RIA) that specializes in real estate development and value-add opportunities. Since its inception in 2002, CDK has invested over \$800 million of client money in real estate joint ventures with a group of developers, with investments in multiple property types including Multifamily, Retail, Office, Hotel, Assisted-Living, Dementia Care and Land located across 14 states in the U.S. The Fund began investing with CDK in 2011 and it is our understanding that Trustee Stacy has known the principals for CDK since the early 2000’s through industry conferences as CDK served as an investment manager for the Dallas Fire and Pension System.⁵⁴

b. Formation of CDK Multifamily I, LLC

On November 21, 2013, CDK Multifamily I, LLC was formed as a manager-managed Texas limited liability company between Dallas Police and Fire Pension System, Midland Firemen’s Relief and Retirement Fund, and Lubbock Fire Pension Fund, among other investors. The initial capital contribution from the members of CDK Multifamily I, LLC was approximately \$20.7 million. The Fund committed an investment of \$5 million (24%), which was disbursed through four payments during the 2014 – 2015 time period. A summary of the initial capital contributions by investor for CDK Multifamily I, LLC is provided in the table below.⁵⁵

Investor	Initial Contributed Capital	%
Dallas Police and Fire Pension System	\$10,000,000	48.27%
Midland Fireman’s Relief and Retirement Fund	\$5,000,000	24.14%
Irving Fireman’s Relief and Retirement Fund	\$5,000,000	24.14%
Lubbock Fire	\$340,000	1.65%
Steven E. Brooks	\$150,000	0.72%
BKJK Partners	\$50,000	0.24%
Jon Donahue	\$50,000	0.24%
Marshall B. Edwards	\$50,000	0.24%
Team Cooley	\$50,000	0.24%
Susan Cheng	\$25,000	0.12%
Total	\$20,715,000	100.00%

c. Investment Strategy

CDK Multifamily I, LLC was formed for the purpose of developing, owning and operating five (5) multifamily residential properties through partially owned subsidiaries, located in the states of Texas and

⁵⁴ In 2011 and 2012, the Fund invested approximately \$4 million in five real estate projects through CDK, all of which were sold within five years and returned an average multiple of capital of 2.4.

⁵⁵ The Fund had additional investments in CDK Multifamily I through an entity formed in 2017, IM Multifamily I, LLC, which is discussed in more detail in a subsequent section of this Report.

Tennessee.⁵⁶ CDK’s investment strategy is “build, stabilize and sell” with a target holding period for properties of three to five years. Based on our interview of Trustee Stacy, the Fund’s objective was to earn a multiple of 1.8 – 2.5 times their investment within 34 months. As of this Report, four of the five properties held by CDK Multifamily I have been sold, including three properties sold in 2018 (Grand Crossing, Triomphe and The Bridge) and one property sold in 2021 (The Cadence). A summary of investment returns for CDK Multifamily I as of December 31, 2021 is provided in the table below.⁵⁷

PROPERTY	TOTAL		MULTIPLE	IRR
	CAPITAL	DISTRIBUTIONS		
GRAND CROSSING	\$ 3,669,605	\$ 7,428,518	2.0	18.8%
TRIOMPHE	\$ 4,971,049	\$ 7,338,297	1.5	9.2%
THE BRIDGE	\$ 5,720,215	\$ 9,704,282	1.7	16.6%
STATE STREET	\$ 9,642,924	\$ 164,784		
THE CADENCE	\$ 4,121,143	\$ 8,346,690	2.0	11.5%
TOTAL	\$28,124,936	\$32,982,571		

The State Street property (formerly Jefferson Heights) is a residential multifamily property in Houston, Texas. Based on discussions with members of the Investment Committee, the stabilization of the State Street Property was delayed due to the impact of Hurricane Harvey in 2017, which caused flood damage to the property. According to a report by CDK, the Houston market was overbuilt at the time of completion causing increased competition for tenants at State Street, which forced property management to reduce rental rates below those in the original proformas. In April 2020, the State Street property was recapitalized with Kairoi Residential replacing JPI Companies as general partner. Based on a report prepared by CDK for the 4th quarter 2021, it is a possibility that the State Street property could be marketed for sale sometime in 2023, which would dispose of the final property held by CDK Multifamily I.

d. Due Diligence

During our interview of Trustee Stacy, we were informed that Trustee Stacy performed much of the due diligence on behalf of the Fund by performing site visits to the five properties prior to construction, during the construction phase, as well as during the operational phase.⁵⁸ Trustee Stacy informed us that he provided verbal reports back to the Investment Committee based on the information gathered during his site visits. It

⁵⁶ Prior to the Fund’s investment in CDK Multifamily I, LLC, the Fund’s investments with CDK were single property deals. It is our understanding that the Fund was interested in investing in a portfolio of properties to reduce the administrative burden involved in monitoring and reporting for a pool of single property investments.

⁵⁷ CDK Multifamily I, LLC 4th Quarter 2021 Report prepared by CDK Realty Advisors.

⁵⁸ During a special Board meeting on March 11, 2014, the Board approved the reimbursement of expenses for Trustee Stacy for site visits performed as part of the Fund’s due diligence of investment properties related to CDK Multifamily I.

is also our understanding that the Fund worked collaboratively with CDK in the selection of properties to be included in the CDK Multifamily I investment portfolio.

e. Investment Account Activity

As of December 31, 2020, the Fund invested approximately \$7.5 million in CDK Multifamily I, LLC, including the initial contribution of \$5 million disbursed during the 2014 – 2015 time period, as well as subsequent capital calls during the 2016 – 2020 time period.⁵⁹ The Fund also paid management fees to CDK, equal to 1.5% of assets per annum, as well as incentive fees and annual operation fees. As of December 31, 2020, the Fund received distributions from CDK Multifamily I of approximately \$6.5 million, which primarily related to distributions from the sale of Grand Crossing, Triomphe and The Bridge properties in 2018.⁶⁰ The Fund’s multiple of capital as of December 31, 2020 for their investment in CDK Multifamily I was 1.2, based on the contributions, distributions and management fees since inception, as well as the fair value of the remaining two properties yet to be sold.⁶¹ A summary of the Fund’s investment activity for CDK Multifamily I during the 2018 – 2020 time period is provided in the table below.

CDK Multifamily I, LLC: Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ 8,963,494	\$ 1,610,126	\$ 2,443,794	\$ 8,963,494
Contributions	184,980	1,090,792	-	1,275,772
Distributions	(6,413,174)	-	(53,816)	(6,466,990)
Change in Value*	(1,125,175)	(257,123)	424,267	(958,031)
Ending Value*	\$ 1,610,126	\$ 2,443,794	\$ 2,814,245	\$ 2,814,245
Contributions Since Inception	\$ 6,453,118	\$ 7,543,910	\$ 7,543,910	
Distributions Since Inception	(6,435,138)	(6,435,138)	(6,488,954)	
Management Fees / Incentive Fees	142,067	29,744	52,514	224,325
Annualized Rate of Return After Fees	-14.14%	-17.82%	15.21%	-4.61%
Multiple of Capital	1.17	1.11	1.16	

* Change in Value and Ending Value is based on the fair market value calculated as the Fund's ownership interest multiplied by the value of real estate investments held by CDK Multifamily I (as reported by CDK Multifamily in annual financial statements).

⁵⁹ The Fund contributed approximately \$1 million in additional capital in 2019 as part of a capital call by CDK related to the recapitalization of the State Street property, which was approved by the Board on July 18, 2019.

⁶⁰ The Fund also received a distribution of approximately \$2.3 million in August 2021 from the sale of The Cadence property.

⁶¹ In 2018, the values for CDK Multifamily I, LLC were derived from Plante Moran’s audit of the financial statements for CDK Multifamily I, LLC. During the 2018 audit of CDK Multifamily I, LLC, Plante Moran applied a fair market adjustment to decrease the value of the State Street property. Based on the notes to the financial statements prepared by Plante Moran, the State Street property had been marketed to sell for \$42.5 million in 2018, but the highest bid received was \$38.5 million and the property was subsequently taken off the market. As a result, Plante Moran valued the property at \$38.5 million as a recent indicator of fair value. For CDK Multifamily I, the fair value of their interest in the State Street property decreased from \$4.6 million as of December 31, 2017 to \$0.7 million as of December 31, 2018, a decrease of approximately \$3.9 million. The decrease in fair market value resulted in a \$1.1 million decrease of the Fund’s investment in CDK Multifamily I in 2018.

IM Multifamily I, LLC

a. Background

Within a few years of the formation of CDK Multifamily I, CDK informed the Fund in August 2015 that they had resigned as an investment manager for Dallas Police & Fire Pension System (“DPF”) due to changes in DPF’s real estate investment strategy, which were not compatible with CDK’s investment strategy. In January 2016, DPF informed CDK that they would not provide additional funding to CDK Multifamily I to meet capital calls submitted by CDK to the members. Throughout 2016, the Fund and the Irving Fireman’s Relief and Retirement Fund (“Irving FRRF”) discussed plans for the acquisition of DPF’s interest in CDK Multifamily I. On February 24, 2017, the Fund and Irving FRRF entered into a company agreement for the formation of IM Multifamily I, LLC (“IM Multifamily I”) for purposes of acquiring and maintaining DPF’s membership interest in CDK Multifamily I. In June 2017, the Fund contributed \$6 million to IM Multifamily, equal to 60% of DPF’s interest in CDK Multifamily I. In October 2017, Temple Fireman’s Relief and Retirement Fund (“Temple FRRF”) acquired a 15% minority interest in IM Multifamily I from the Fund (\$1.5 million) and Abilene Fireman’s Relief and Retirement Fund (“Abilene FRRF”) acquired a 5% minority interest from the Fund (\$0.5 million) in November 2017. As a result, by January 2018 the Fund’s net investment in IM Multifamily was \$4 million, which represented a 40% interest in IM Multifamily I, which had a 42.7% interest in CDK Multifamily I. The membership interest in CDK Multifamily I as of December 31, 2017 is provided below.

CDK Multifamily I, LLC Members			
Members	Contributed Capital	% [1]	Additional Contributed Capital [2]
IM Multifamily I, LLC [3]	\$ 10,000,000	42.71%	\$ 14,511
Midland Firemen’s Relief and Retirement Fund	5,000,000	26.76%	1,275,395
Irving Firemen’s Relief and Retirement Fund	5,000,000	26.76%	1,275,395
Lubbock Fire Pension Fund	340,000	1.82%	86,733
Steven E. Brooks	150,000	0.73%	22,039
BKJK Partners	50,000	0.27%	12,687
Jon Donahue	50,000	0.27%	12,687
Marshall B. Edwards	50,000	0.27%	12,687
Team Cooley Partners, Ltd.	50,000	0.27%	12,687
Susan Cheng	25,000	0.13%	6,542
	\$ 20,715,000	100.00%	\$ 2,731,363

[1] Represents ownership % as of December 31, 2017.
 [2] Additional Contributed Capital as of December 31, 2017. Includes all additional capital contributions for specific property cash needs and Fund operating costs.
 [3] In June, 2017, Midland Firemen’s Relief and Retirement Fund and Irving Firemen’s Relief and Retirement Fund, through its newly formed entity IM Multifamily I, LLC purchased the membership interest previously held by Dallas Police and Fire Pension System in CDK Multifamily I, LLC.
 In September, 2017, Temple Firefighters’ Relief & Retirement Fund acquired an interest in IM Multifamily I, LLC.

b. Due Diligence

Based on our interview of Trustee Stacy, the Fund was interested in taking over a portion of DPF's \$10 million interest in CDK Multifamily I because they negotiated to acquire DPF's interest at cost, as opposed to fair value. According to Trustee Stacy, the five properties held by CDK Multifamily had already been built by 2017 which reduced the investment risk. Trustee Stacy also informed us that the Board viewed acquisition of additional interest in CDK Multifamily as an investment opportunity due to the perceived value in obtaining DPF's interest at cost, along with the reduced risk due to the properties already finishing construction.

c. Investment Account Activity

As of December 31, 2020, the Fund invested approximately \$4.8 million in IM Multifamily I, including the Fund's initial contribution of \$6 million in June 2017 less the \$2 million received from Temple FRRF and Abilene FRRF to acquire a third of the Fund's interest in IM Multifamily I. The Fund also paid management fees to CDK, equal to 1.5% of assets per annum, as well as incentive fees and annual operation fees. As of December 31, 2020, the Fund received distributions from IM Multifamily I totaling approximately \$4.1 million, which primarily related to distributions from the sale of Grand Crossing, Triomphe and The Bridge properties in 2018. The Fund's multiple of capital as of December 31, 2020 for their investment in IM Multifamily I was 1.2, based on the contributions, distributions and management fees since inception, as well as the fair value of the remaining two properties yet to be sold.⁶² A summary of the Fund's investment activity for IM Multifamily I during the 2018 – 2020 time period is provided in the table below.

IM Multifamily I, LLC: Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ 5,723,774	\$ 1,028,170	\$ 1,560,496	\$ 5,723,774
Contributions	118,078	696,509	-	814,587
Distributions	(4,093,753)	-	(34,365)	(4,128,118)
Change in Value*	(719,929)	(164,183)	270,918	(613,194)
Ending Value*	\$ 1,028,170	\$ 1,560,496	\$ 1,797,049	\$ 1,797,049
Contributions Since Inception**	4,118,078	4,814,587	4,814,587	
Distributions Since Inception	(4,093,753)	(4,093,753)	(4,128,118)	
Management Fees / Incentive Fees	101,740	23,795	38,336	163,871
Annualized Rate of Return After Fees	-14.36%	-18.28%	14.90%	-4.75%
Multiple of Capital	1.21	1.14	1.19	

* Change in Value and Ending Value is based on the fair market value calculated as the Fund's ownership interest multiplied by the value of real estate investments held by IM Multifamily I (as reported by CDK Multifamily in annual financial statements).

**Contributions are net of the \$2 million received by the Fund for the sale of 1/3 of their interest in IM Multifamily I to Temple FRRF and Abilene FRRF in 2017.

⁶² As described previously in this Report, the fair market value for the State Street property was reduced in 2018 during the annual financial audit of CDK Multifamily I performed by Plante Moran. The decrease in fair market value resulted in a \$0.7 million decrease of the Fund's investment in IM Multifamily I in 2018.

Harvest Interests Fund II (fka CDK Strategic Partners, LLC)

a. Formation of CDK Strategic Partners, LLC

In January 2015, CDK and its subsidiaries formed CDK Strategic Partners, LLC for purposes of acquiring and owning real estate property used or to be used for retail, mixed-use, multifamily and senior living projects. In June 2015, CDK Strategic Partners, LLC issued a Confidential Private Placement Memorandum offering \$125 million in membership interests. There were six initial investors in CDK Strategic Partners, LLC with initial commitments totaling approximately \$12.8 million, as summarized in the table below.

Investor	Initial Committed Capital	%
Midland Fireman's Relief and Retirement Fund	\$5,000,000	39.0%
Irving Fireman's Relief and Retirement Fund	\$5,000,000	39.0%
Temple Fireman's Relief and Retirement Fund	\$1,500,000	11.7%
Tyler Fireman's Relief and Retirement Fund	\$1,000,000	7.8%
Michael Melody	\$200,000	1.6%
CDK Realty Advisors	\$127,000	1.0%
Total	\$12,827,000	100.00%

b. Transition to Harvest Interests Fund II, LLC

In August 2016 following the settlement of a lawsuit between CDK and Dallas Police and Fire Pension System, CDK Strategic Partners, LLC was renamed the Harvest Interests Fund II, LLC ("Harvest Interests Fund II"). In addition, Harvest Interests Fund II was restructured as to replace the membership interests of CDK Realty Advisors with Harvest Interests, LLC.

c. Additional Contribution by the Fund in 2017

On March 7, 2017, CDK contacted Trustee Stacy about needing to raise an additional \$2 million by the end of March 2017 to close on an investment for the Academy shopping center property. According to CDK's principal, Kenneth Cooley, CDK had previously allocated \$3 million from Harvest Interests Fund II and was looking to other investors for the additional \$2 million needed at closing but was unable to do so. In his email to Trustee Stacy, Mr. Cooley stated, "*If you guys could invest the additional \$2 million into the Fund that would take care of the issue.*"⁶³ The Fund subsequently invested an additional \$2.1 million into Harvest Interests Fund II, which increased the Fund's investment to \$7.1 million with a 47.6% interest. A summary of the revised membership interests in Harvest Interests Fund II as of March 31, 2017 is provided in the table below.

Investor	Committed Capital as of 3/31/2017	%
Midland Fireman's Relief and Retirement Fund	\$7,130,000	47.6%
Irving Fireman's Relief and Retirement Fund	\$5,000,000	33.4%
Temple Fireman's Relief and Retirement Fund	\$1,500,000	10.0%

⁶³ Email from Kenneth Cooley to David Stacy on March 7, 2017 (re: Academy Investment Email 1).

Investor	Committed Capital as of 3/31/2017	%
Tyler Fireman's Relief and Retirement Fund	\$1,000,000	6.7%
Michael Melody	\$200,000	1.3%
Harvest Interests, LLC Investors	\$148,300	1.0%
Total	\$14,978,300	100.00%

d. Investment Strategy

The purpose of Harvest Interests Fund II was for the Principals of CDK to form a strategic partner real estate program for real estate investor clients of their joint businesses during the previous 14 years. The objective was to match investor clients with medium-size developers of real estate projects who had proven to be successful in prior projects and use efficiencies from those relationships to develop additional real estate projects. The strategy for the Harvest Interests Fund II was to acquire a broader portfolio of real estate properties including retail, multifamily and senior living facilities. Harvest Interests Fund II ultimately invested in seven real estate properties through joint ventures with six development partners. A summary of the seven real estate investments for Harvest Interests Fund II is provided in the table below.⁶⁴

Developer	Project Name	Property Type	Closing Date	Fund Investment	Size
Alamo Manhattan	Jones & Rio	Multifamily	10/20/15	\$ 4,000,000	191 Units
The LaSalle Group	Autumn Leaves of Lee's Summit	Senior Living	3/31/16	1,000,000	54 Beds
JLB Partners	Agave Old Town	Multifamily	7/28/16	2,000,000	364 Units
Carbon Thompson	Medical District	Multifamily	9/30/16	2,000,000	217 Units
McFarlin Group	Mariposa Point at Algodon Center	Senior Living	2/27/17	490,000	94 Beds
Levcor	Huffman Mill Commons	Retail	3/30/17	5,130,000	147,500 SF
Levcor	Burke Mill Village	Retail	8/9/2017	300,000	110,500 SF
				Total Fund \$ 14,920,000	772 MF Units 148 SL Beds 258,000 Retail SF

e. Due Diligence

On May 21, 2015, the Investment Committee discussed the opportunity to participate in the Harvest Interests Fund II (fka CDK Strategic Partners, LLC). CDK's Principals gave a presentation to the Investment Committee during the meeting. Below are the Summary of Terms from CDK's presentation.

⁶⁴ Harvest Interests Fund II – Portfolio Report for 1st Quarter 2018

SUMMARY OF TERMS	
Legal Entity	CDK Strategic Partner Fund, LLC, a Texas limited liability company
Manager	CDK Realty Management, LLC, a Texas limited liability company
Targeted Equity	A minimum of \$100,000,000
Minimum Investment	\$1,000,000
Targeted Returns	The Manager is projecting a 15% to 18% Internal Rate of Return, after fees, for a Individual Project LLC over a three to four year holding period which includes a 9% to 10% Preferred Return. <i>There is no assurance, however, that these projected returns or other goals will be achieved.</i>
Risk Factors	This offering involves significant risks. You should carefully review all documents related to this investment. Membership interests are only suitable and will be sold to Accredited Investors. The Membership Interests have very limited liquidity.
Use of Proceeds	The proceeds will be used to provide equity to a select group of developers for development of retail, multifamily and assisted living projects in the Southwest, Midwest, Southeast and Mountain regions as defined by NCREIF
Capital Call	Portions of each Member’s capital commitment will be called and payable within ten (10) days following notice from the Manager specifying the amount of the capital contribution required per Membership Interest.
Distributions	The Manager will distribute available cash to Members in accordance with the terms of the Operating Agreement of CDK Strategic Partners, LLC.

During the regular Board meeting on May 27, 2015, the Investment Committee recommended to the Board for the Fund to commit \$5 million to the CDK Strategic Partners, LLC, which was approved by the Board.

f. Investment Account Activity

As of December 31, 2020, the Fund invested approximately \$7.3 million in Harvest Interests Fund II, including the Fund’s initial contribution of \$5 million during the 2015 – 2016 time period and subsequent contribution of \$2.1 million in March 2017. The Fund also paid management fees to Harvest Interests, equal to 1.5% of assets per annum, as well as incentive fees and annual operation fees. As of December 31, 2020, the Fund received distributions from Harvest Interests Fund II totaling approximately \$2.5 million, which primarily related to distributions from the sale of The Carter project in 2019 (previously named Agave Old Town).^{65,66} During the 2019 – 2020 time period, two of the real estate investments held by Harvest Interests Fund II foreclosed, including the Mariposa Point project and the Autumn Leaves of Lee’s Summit project. The

⁶⁵ The Fund received approximately \$1.5 million in June 2019 as a distribution related to the sale of The Carter property, which represented a 1.5 multiple of capital.

⁶⁶ The Fund also received a distribution of \$731,852 in January 2019 related to proceeds from a loan refinance for the Jones & Rio project.

Fund received a distribution of approximately \$2.2 million for the sale of the Jones & Rio (Riverwalk) project in December 2021. The Fund also received a distribution of approximately \$0.2 million in January 2022 for the sale of the Huffman Mill Commons project. As of this Report, two properties remain unsold in the Harvest Interests Fund II investment portfolio, including The Addison (fka Medical District) and Burke Mill Village.

The Fund’s multiple of capital as of December 31, 2020 for their investment in Harvest Interests Fund II was 1.2, based on the contributions, distributions and management fees since inception, as well as the fair value of the remaining four properties that had not sold at that time.⁶⁷ A summary of the Fund’s investment activity for Harvest Interests Fund II during the 2018 – 2020 time period is provided in the table below.

Harvest Interests Fund II (fka CDK Stategic Partners, LLC): Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ 9,043,121	\$ 9,197,389	\$ 7,053,751	\$ 9,043,121
Contributions	115,858	136,347	-	252,205
Distributions	-	(2,377,988)	(170,855)	(2,548,843)
Change in Value*	38,410	98,002	(222,376)	(85,964)
Ending Value*	\$ 9,197,389	\$ 7,053,751	\$ 6,660,520	\$ 6,660,520
Contributions Since Inception	7,161,858	7,298,205	7,298,205	
Distributions Since Inception	-	(2,377,988)	(2,548,843)	
Management Fees / Incentive Fees	105,688	126,943	121,696	354,327
Annualized Rate of Return After Fees	-0.74%	-0.31%	-4.88%	-1.65%
Multiple of Capital	1.23	1.22	1.17	

* Change in Value and Ending Value is based on the fair market value calculated as the Fund's ownership interest multiplied by the value of real estate investments held by Harvest Interests Fund II (as reported by Harvest Interests in annual financial statements).

⁶⁷ As described previously in this Report, the fair market value for the State Street property was reduced in 2018 during the annual financial audit of CDK Multifamily I performed by Plante Moran. The decrease in fair market value resulted in a \$1.6 million decrease of the Fund’s investment in IM Multifamily I in 2018.

CDK Single Property Investments

a. Investment Manager Overview

In addition to the Fund’s real estate investments in CDK Multifamily I, IM Multifamily I, and Harvest Interests Fund II, CDK served as the Fund’s investment manager for other real estate investments during the 2018 – 2020 time period. Based on an Investment Management Agreement between CDK and the Fund, CDK was appointed as a fiduciary and investment manager in connection with the Fund’s investment of the following assets:⁶⁸

Asset	Acquisition Fee	Asset Management Fee	Incentive Fee	Effective Date
Aspen Heights SIAH 2013	None	None	20% of proceeds after a 12% IRR	January 1, 2017
Autumn Leaves Cinco Ranch	None	None	20% of proceeds after a 12% IRR	January 1, 2017
Aspen Heights SIAH 2014	None	None	20% of proceeds after a 12% IRR	January 1, 2017
Autumn Leaves Stockbridge	None	None	20% of proceeds after a 12% IRR	January 1, 2017
Beach House Jacksonville Beach	None	None	20% of proceeds after a 12% IRR	January 1, 2017
Autumn Leaves Georgetown	None	None	20% of proceeds after a 12% IRR	January 1, 2017
Autumn Leaves SW OKC	None	None	20% of proceeds after a 12% IRR	January 1, 2017
Autumn Leaves Westover Hills	None	None	20% of proceeds after a 12% IRR	January 1, 2017
Beach House Naples	None	\$30,000 annual fee payable quarterly in arrears	20% of proceeds after a 12% IRR	January 1, 2017

b. Aspen Heights SIAH 2013

The Fund invested \$1 million in 2012 in student housing real estate properties through a joint venture formed by Silverado Interests and the developer, Aspen Heights, named SIAH 2013 Investor, LLC, with CDK serving as the Fund’s investment manager. As of December 31, 2020, the Fund has received distributions totaling approximately \$1.1 million, and earned a multiple of capital of 1.3. A summary of the Fund’s investment activity for Aspen Heights SIAH 2013 during the 2018 – 2020 time period is provided in the table below.

⁶⁸ The Autumn Leaves – SW OKC property was sold in Q4 2017 and as such was not considered as part of our review.

Aspen Heights 2013: Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ 182,189	\$ 74,351	\$ 271,285	\$ 182,189
Contributions	-	-	-	-
Distributions	(79,271)	(9,248)	-	(88,519)
Change in Value	(28,567)	206,182	(161,555)	16,060
Ending Value	\$ 74,351	\$ 271,285	\$ 109,730	\$ 109,730
Contributions Since Inception	1,000,000	1,000,000	1,000,000	
Distributions Since Inception	(1,131,022)	(1,140,270)	(1,140,270)	
Annualized Rate of Return After Fees	-15.68%	277.31%	-59.55%	2.86%
Multiple of Capital	1.21	1.41	1.25	
Asset Allocation				
Real Estate Investments	\$ 74,351	\$ 271,285	\$ 109,730	
Total	\$ 74,351	\$ 271,285	\$ 109,730	

c. Aspen Heights SIAH 2014

The Fund invested \$1 million in 2013 in student housing real estate properties through a joint venture formed by Silverado Interests and the developer, Aspen Heights, named SIAH 2014 Investor, LLC, with CDK serving as the Fund's investment manager. As of December 31, 2020, the Fund has received distributions totaling approximately \$1.1 million, and earned a multiple of capital of 1.2. A summary of the Fund's investment activity for Aspen Heights 2014 during the 2018 – 2020 time period is provided in the table below.

Aspen Heights 2014: Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ 472,187	\$ 56,995	\$ 55,732	\$ 472,187
Contributions	-	-	-	-
Distributions	(383,923)	(11,732)	-	(395,655)
Change in Value	(31,269)	10,469	-	(20,800)
Ending Value	\$ 56,995	\$ 55,732	\$ 55,732	\$ 55,732
Contributions Since Inception	1,000,000	1,000,000	1,000,000	
Distributions Since Inception	(1,082,536)	(1,094,268)	(1,094,268)	
Annualized Rate of Return After Fees	-6.62%	18.37%	0.00%	-1.49%
Multiple of Capital	1.14	1.15	1.15	
Asset Allocation				
Real Estate Investments	\$ 56,995	\$ 55,732	\$ 55,732	
Total	\$ 56,995	\$ 55,732	\$ 55,732	

d. Autumn Leaves - Cinco Ranch

The Fund invested \$250,000 in 2013 in a senior living dementia care facility in Katy, Texas named Autumn Leaves of Cinco Ranch, with The LaSalle Group as the developer and CDK as the Fund’s investment manager. In 2019, The LaSalle Group filed for bankruptcy and CDK informed the Fund that their book value for the investment would be adjusted to \$0. The Fund did not receive any distributions for their investment in Autumn Leaves – Cinco Ranch. A summary of the Fund’s investment activity for Autumn Leaves – Cinco Ranch during the 2018 – 2020 time period is provided in the table below.

Autumn Leaves - Cinco Ranch: Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ 104,844	\$ 82,691	\$ -	\$ 104,844
Contributions	-	-	-	-
Distributions	-	-	-	-
Change in Value	(22,153)	(82,691)	-	(104,844)
Ending Value	\$ 82,691	\$ -	\$ -	\$ -
Contributions Since Inception	250,000	250,000	250,000	
Distributions Since Inception	-	-	-	
Annualized Rate of Return After Fees	-21.13%	-100.00%		-100.00%
Multiple of Capital	0.33	-	-	
Asset Allocation				
Real Estate Investments	\$ 82,691	\$ -	\$ -	
Total	\$ 82,691	\$ -	\$ -	

e. Autumn Leaves - Stockbridge

The Fund invested \$250,000 in 2013 in a senior living dementia care facility in Stockbridge, Georgia named Autumn Leaves of Stockbridge, with The LaSalle Group as the developer and CDK as the Fund’s investment manager. In 2019, The LaSalle Group filed for bankruptcy and CDK informed the Fund that their book value for the investment would be adjusted to \$0. The Fund did not receive any distributions for their investment in Autumn Leaves – Stockbridge. A summary of the Fund’s investment activity for Autumn Leaves – Stockbridge during the 2018 – 2020 time period is provided in the table below.

Autumn Leaves - Stockbridge: Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ 133,618	\$ 111,689	\$ -	\$ 133,618
Contributions	-	-	-	-
Distributions	-	-	-	-
Change in Value	(21,929)	(111,689)	-	(133,618)
Ending Value	\$ 111,689	\$ -	\$ -	\$ -
Contributions Since Inception	250,000	250,000	250,000	
Distributions Since Inception	-	-	-	
Annualized Rate of Return After Fees	-16.41%	-100.00%		-100.00%
Multiple of Capital	0.45	-	-	
Asset Allocation				
Real Estate Investments	\$ 111,689	\$ -	\$ -	
Total	\$ 111,689	\$ -	\$ -	

f. Beach House - Jacksonville

The Fund invested approximately \$2.1 million (initial investment of \$1.7 million in 2013) in a senior living dementia care facility in Jacksonville, Florida named Beach House Assisted Living and Memory Care, with Prevarian Senior Living as the developer and CDK as the Fund's investment manager.⁶⁹ In 2018, CDK informed the Fund that Beach House – Jacksonville has had trouble achieving sustained occupancy due to increased competition and turnover in management personnel. CDK also informed the Fund that after discussions with the developer, Prevarian determined that selling the property would be the better option than holding for an extended period of time. In March 2021, CDK informed the Fund that the sale of Beach House – Jacksonville had closed, however, the closing price was insufficient to payout investors after paying off the debt on the project. CDK also indicated that the project was heavily impacted by the COVID-19 pandemic. The Fund did not receive any distributions for their investment in Beach House - Jacksonville. A summary of the Fund's investment activity for Beach House - Jacksonville during the 2018 – 2020 time period is provided in the table below.

⁶⁹ The Fund invested in Beach House – Jacksonville through an entity formed by CDK named CDKRA Beach House, LLC, which pooled investments into the property from multiple investors. The Fund was the largest investor with a 44.7% interest, followed by Irving FRRF with a 40.2% interest and Lubbock Fire Pension Fund with a 13.4% interest.

Beach House Jacksonville: Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ 300,713	\$ 173,341	\$ 314,147	\$ 300,713
Contributions	166,961	147,047	-	314,008
Distributions	-	-	-	-
Change in Value	(294,333)	(6,241)	(302,920)	(603,494)
Ending Value	\$ 173,341	\$ 314,147	\$ 11,227	\$ 11,227
Contributions Since Inception	1,970,886	2,117,933	2,117,933	
Distributions Since Inception	-	-	-	
Annualized Rate of Return After Fees	-97.88%	-3.60%	-96.43%	-200.23%
Multiple of Capital	0.09	0.15	0.01	
Asset Allocation				
Real Estate Investments	\$ 173,341	\$ 314,147	\$ 11,227	
Total	\$ 173,341	\$ 314,147	\$ 11,227	

g. Autumn Leaves - Georgetown

The Fund invested \$200,000 in 2013 in a senior living dementia care facility in Georgetown, Texas named Autumn Leaves of Georgetown, with The LaSalle Group as the developer and CDK as the Fund's investment manager. In 2019, The LaSalle Group filed for bankruptcy, however the Autumn Leaves – Georgetown property remained active as The LaSalle Group's brokerage firm, JLL, worked to package a sale of the property. As of December 31, 2020, the Autumn Leaves – Georgetown property had yet to be sold and the Fund's book value for the property was \$98,000, which was based on the estimated distribution from a sale. Since inception, the Fund has received total distributions of \$26,266 for their investment in Autumn Leaves – Georgetown. A summary of the Fund's investment activity for Autumn Leaves – Georgetown during the 2018 – 2020 time period is provided in the table below.

Autumn Leaves - Georgetown: Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ 169,908	\$ 183,048	\$ 159,734	\$ 169,908
Contributions	-	-	-	-
Distributions	-	-	-	-
Change in Value	13,140	(23,314)	(61,734)	(71,908)
Ending Value	\$ 183,048	\$ 159,734	\$ 98,000	\$ 98,000
Contributions Since Inception	200,000	200,000	200,000	
Distributions Since Inception	(26,266)	(26,266)	(26,266)	
Annualized Rate of Return After Fees	7.73%	-12.74%	-38.65%	-16.76%
Multiple of Capital	1.05	0.93	0.62	
Asset Allocation				
Real Estate Investments	\$ 183,048	\$ 159,734	\$ 98,000	
Total	\$ 183,048	\$ 159,734	\$ 98,000	

h. Autumn Leaves – Westover Hills

The Fund invested \$500,000 in 2014 in a senior living dementia care facility in San Antonio, Texas named Autumn Leaves of Westover Hills, with The LaSalle Group as the developer and CDK as the Fund’s investment manager. In 2019, The LaSalle Group filed for bankruptcy and CDK informed the Fund that their book value for the investment would be adjusted to \$0. The Fund did not receive any distributions for their investment in Autumn Leaves – Westover Hills. A summary of the Fund’s investment activity for Autumn Leaves – Westover Hills during the 2018 – 2020 time period is provided in the table below.

Autumn Leaves - Westover Hills: Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ 258,582	\$ 175,004	\$ -	\$ 258,582
Contributions	-	-	-	-
Distributions	-	-	-	-
Change in Value	(83,578)	(175,004)	-	(258,582)
Ending Value	\$ 175,004	\$ -	\$ -	\$ -
Contributions Since Inception	500,000	500,000	500,000	
Distributions Since Inception	-	-	-	
Annualized Rate of Return After Fees	-32.32%	-100.00%		-100.00%
Multiple of Capital	0.35	-	-	
Asset Allocation				
Real Estate Investments	\$ 175,004	\$ -	\$ -	
Total	\$ 175,004	\$ -	\$ -	

i. Beach House Naples

The Fund made an initial investment of \$2.5 million in October 2014 in a senior living dementia care facility in Naples, Florida through the investment entity CDK Beach House Naples, LLC (“Beach House Naples”), with Prevarian Senior Living as the developer and CDK as the Fund’s investment manager. The Fund made additional contributions to Beach House Naples in 2018 and 2019 totaling \$446,409 related to capital calls due to a loan modification and additional operating expenses. In December 2019, the CDK Beach House property was sold and the Fund received a total distribution of approximately \$3.1 million, and a subsequent distribution of \$221,860 in December 2020 for the final release of the holdback in escrow following the sale. The Fund paid management fees of \$30,000 per year for Beach House Naples. The Fund’s total distribution of approximately \$3.3 million resulted in a multiple of capital of 1.1 times the Fund’s investment, net of all management fees. A summary of the Fund’s investment activity for Beach House Naples during the 2018 – 2020 time period is provided in the table below.



CDK Beach House Naples: Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ 981,716	\$ 994,884	\$ -	\$ 981,716
Contributions	284,685	161,724	-	446,409
Distributions	-	(3,105,669)	(221,860)	(3,327,529)
Change in Value	(271,517)	1,949,061	221,860	1,899,404
Ending Value	\$ 994,884	\$ -	\$ -	\$ -
Management Fees	30,000	28,859	-	58,859
Contributions Since Inception	2,814,685	2,976,409	2,976,409	
Distributions Since Inception	-	(3,105,669)	(3,327,529)	
Annualized Rate of Return After Fees	-30.71%	193.01%		42.19%
Multiple of Capital	0.31	0.99	1.07	
Asset Position				
Real Estate Investments	\$ 994,884	\$ -	\$ -	
Total	\$ 994,884	\$ -	\$ -	

Moriah Real Estate Company, LLC

a. Investment Manager Overview

Moriah Real Estate Company, LLC (“Moriah”) is a Midland-based private equity firm founded in 2008 that invests in commercial real estate in Texas across all five real estate asset classes (office, industrial, land, retail and multifamily). The Fund has invested approximately \$2.9 million through joint ventures in five real estate projects managed by Moriah since 2011. A summary of the Fund’s real estate investments managed by Moriah is provided in the table below, and detailed throughout the remainder of this section of the Report.⁷⁰

Investment Name	Investment Year	Investment Amount	Distributions (through 2020)	Investment Status
AM Houston	2011	\$935,000	\$3,287,029	Sold (2018)
DFW 4	2012	\$589,695	\$993,366	Sold (2017)
Moriah Hospitality	2013	\$489,600	\$61,880	Active
Big 22	2014	\$800,000	\$94,407	Active
SRC Preferred Equity	2019	\$76,404	\$0	Active
Total		\$2,890,699	\$4,436,683	

b. AM Houston

The Fund invested \$935,000 in 2011 in the AM Houston multifamily portfolio managed by Moriah, which included a portfolio of four multifamily properties in Houston, Texas. The fund received distributions from Moriah upon the sale of each of the four properties, with the Fund receiving approximately \$1.1 million in distributions in 2018 for the sale of the final property. Since inception, the Fund received distributions totaling approximately \$3.3 million, generating an internal rate of return of 46.7% of the 7.5 year holding period, and a multiple of capital of 3.5 times their investment. A summary of the Fund’s investment activity for AM Houston during the 2018 – 2020 time period is provided in the table below.

Moriah AM Houston: Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value - Net Invested Capital	\$ 1,002,788	\$ -	\$ -	\$ 1,002,788
Contributions	-	-	-	-
Distributions	(1,143,085)	-	-	(1,143,085)
Income	-	-	-	-
Changes in Fair Value	140,296	-	-	140,296
Ending Value	\$ -	\$ -	\$ -	\$ -
Contributions Since Inception	935,000	-	-	-
Distributions Since Inception	(3,287,029)	-	-	-
Annualized Rate of Return After Fees	25.17%			25.17%
Multiple of Capital	3.52			
Asset Allocation				
Real Estate Investments	\$ -	\$ -	\$ -	-
Total	\$ -	\$ -	\$ -	-

⁷⁰ The DFW 4 real estate investment managed by Moriah was sold prior to our review period.

c. Moriah Hospitality

The Fund invested \$489,600 in the Moriah Hospitality, LLC partnership (“Moriah Hospitality”) managed by Moriah, which included a portfolio of four hotel properties across the southern and western parts of Texas, specifically in markets that serve the oil and gas industry.⁷¹ The Fund’s initial investment in Moriah Hospitality in 2012 was \$435,000, which represented a 3.6% ownership interest. On June 20, 2016, Moriah sent a letter to investors recommending an unplanned capital call of \$1.5 million, equal to \$54,600 for the Fund based on their ownership interest. Moriah’s letter to investors required a vote reply from investors by June 23, 2016 to approve or deny the capital call. On July 5, 2016, Ms. Crow informed the Board that Trustee Stacy did not receive the capital call letter with sufficient time to respond and considered taking action against Moriah for breach of fiduciary duty. Ultimately, the Board elected to fund the capital call of \$54,600, and stipulated a requirement for Moriah to present a detailed update to the Board in July 2016, as well as in person updates to the Board every three months. As of December 31, 2020, the Fund has received \$61,880 in distributions from Moriah Hospitality since inception, compared to total contributions of \$489,600. The Fund’s interest in Moriah Hospitality as of December 31, 2020 was reduced to approximately \$61,000 as a result of lower demand following the downturn in the oil and gas industry. A summary of the Fund’s investment activity for Moriah Hospitality during the 2018 – 2020 time period is provided in the table below.

Moriah Hospitality, LLC: Investment Activity for 2018 - 2020				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2018 - 2020</u>
Beginning Value - Net Invested Capital	\$ 427,720	\$ 380,616	\$ 275,442	\$ 427,720
Contributions	-	-	-	-
Distributions	-	-	-	-
Changes in Fair Value	(47,104)	(105,174)	(214,429)	(366,707)
Ending Value	\$ 380,616	\$ 275,442	\$ 61,013	\$ 61,013
Contributions Since Inception	489,600	489,600	489,600	
Distributions Since Inception	(61,880)	(61,880)	(61,880)	
Annualized Rate of Return After Fees	-11.01%	-27.63%	-77.85%	-47.75%
Multiple of Capital	0.90	0.69	0.25	
Asset Allocation				
Real Estate Investments	\$ 380,616	\$ 275,442	\$ 61,013	
Total	\$ 380,616	\$ 275,442	\$ 61,013	

⁷¹ The hotel properties managed by Moriah Hospitality were located in Midland, Cotulla, Kenedy and Pleasanton.

d. Moriah Big 22

During a special Board meeting on March 11, 2014, the Board approved a motion for the Fund to commit \$800,000 to Moriah Big 22, LLC (“Moriah Big 22”), a real estate partnership managed by Moriah. Moriah Big 22 invested operates a portfolio of 22 real estate properties across 11 cities in Texas and Louisiana. In March 2014, the Board also approved the reimbursement of expenses for Trustee Stacy, who performed site visits at each of the real estate properties as part of the Fund’s due diligence for Moriah Big 22. As of December 31, 2020, the Fund has received total distributions since inception of approximately \$94,000 through Moriah Big 22 and the book value of the Fund’s interest was approximately \$650,000. A summary of the Fund’s investment activity for Moriah Big 22 during the 2018 – 2020 time period is provided in the table below.

Moriah Big 22: Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value - Net Invested Capital	\$ 705,593	\$ 655,508	\$ 724,132	\$ 705,593
Contributions	-	-	-	-
Distributions	-	-	-	-
Changes in Fair Value	(50,085)	68,624	(75,585)	(57,046)
Ending Value	\$ 655,508	\$ 724,132	\$ 648,547	\$ 648,547
Contributions Since Inception	800,000	800,000	800,000	
Distributions Since Inception	(94,407)	(94,407)	(94,407)	
Annualized Rate of Return After Fees	-7.10%	10.47%	-10.44%	-2.77%
Multiple of Capital	0.94	1.02	0.93	
Asset Allocation				
Real Estate Investments	\$ 655,508	\$ 724,132	\$ 648,547	
Total	\$ 655,508	\$ 724,132	\$ 648,547	

e. Moriah SRC Preferred Equity

In July 2019, Moriah sent a letter to investors of Moriah Big 22 to request additional capital of \$4.25 million to provide a capital infusion, which would be directed into a new special purpose entity, Moriah SRC Preferred Equity, LLC (“Moriah SRC Preferred Equity”). The Fund’s portion of the \$4.25 million in requested capital was \$76,404. On July 31, 2019, the Fund disbursed \$76,404 to Independent Bank in McKinney, Texas to be held by Moriah SRC Preferred Equity, as a capital infusion for the Moriah Big 22 investment. A summary of the Fund’s investment activity for Moriah SRC Preferred Equity during the 2018 – 2020 time period is provided in the table below.

Moriah SRC Preferred Equity, LLC: Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value - Net Invested Capital	\$ -	\$ -	\$ 76,500	\$ -
Contributions	-	76,404	-	76,404
Distributions	-	-	-	-
Income	-	-	-	-
Changes in Fair Value	-	96	40,500	40,596
Ending Value	\$ -	\$ 76,500	\$ 117,000	\$ 117,000
Contributions Since Inception	-	76,404	76,404	
Distributions Since Inception	-	-	-	
Annualized Rate of Return After Fees		0.30%	52.94%	35.09%
Multiple of Capital		1.00	1.53	
<u>Asset Allocation</u>				
Real Estate Investments	\$ -	\$ 76,500	\$ 117,000	
Total	\$ -	\$ 76,500	\$ 117,000	

Davis Investment Ventures Fund II

a. Investment Manager Overview

The Davis Companies provides investment management services on behalf of its real estate funds since 2009 and has served as an investment manager for the Fund since 2012 through the Fund's investment in Davis Investment Ventures Fund II. The Fund committed \$1.7 million to Davis Investment Ventures Fund II with contributions during the 2012 – 2016 time period.

b. Investment Strategy

Davis Investment Ventures Fund II acquired a portfolio of 11 Class B flex/office buildings in Exton, Pennsylvania, which are located in a planned business community comprised of nearly 2 million square feet on approximately 300 acres. At acquisition, the portfolio was approximately 80% occupied.

c. Investment Account Activity

In 2020, the Fund made an additional contribution into Davis Investment Ventures Fund II of \$92,502 bringing the Fund's total contributions since inception to \$1,792,502. Management fees of 1.5% per annum of committed capital are deducted from the Fund's equity value. As of December 31, 2020, the Fund has received distributions totaling approximately \$1.7 million since inception with a remaining equity value of approximately \$1 million. A summary of the Fund's investment activity for Davis Investment Ventures Fund II during the 2018 – 2020 time period is provided in the table below.

Davis Investment Ventures Fund II-B, L.P.: Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Beginning Value	\$ 2,008,035	\$ 1,483,419	\$ 937,931	\$ 2,008,035
Contributions	-	-	92,502	92,502
Distributions	(546,351)	(564,435)	(92,502)	(1,203,288)
Income	85,681	9,970	3,951	99,602
Realized Gains / (Losses)	299,108	77,553	38,187	414,848
Management Fees / Operating Expenses	(34,523)	(25,897)	(20,424)	(80,844)
Earned Carried Interest	33,888	75,391	49,373	158,652
Unrealized Gains / (Losses)	(362,419)	(118,070)	(43,408)	(523,897)
Ending Value	\$ 1,483,419	\$ 937,931	\$ 965,610	\$ 965,610
Contributions Since Inception	1,700,000	1,700,000	1,792,502	
Distributions Since Inception	(998,591)	(1,563,026)	(1,655,528)	
Annualized Rate of Return After Fees	1.08%	1.28%	2.95%	1.12%
Multiple of Capital	1.46	1.47	1.46	
Asset Allocation				
Real Estate Investments	\$ 1,483,419	\$ 937,931	\$ 965,610	
Total	\$ 1,483,419	\$ 937,931	\$ 965,610	

Frisco Rockhill Development

a. Background

On February 7, 2020, the Fund entered into Subscription Agreements for a partnership interest in Frisco Rockhill Partners I, LP and Frisco Rockhill Land, LP, which were formed for the development of a multifamily property and associated land adjacent to a planned golf resort in Frisco, Texas (collectively the “Frisco Rockhill Development”).⁷² The Frisco Rockhill Development was to be developed by Dallas-based Carbon Companies, in partnership with Greenway Investment Company. The owner of the development project was Frisco Rockhill Apartments I, LP. The Fund acquired a 9.3% ownership interest in Frisco Rockhill Partners I, LP and a 7.9% ownership interest in Frisco Rockhill Land, LP.

b. Due Diligence

On December 9, 2019 during a Special Board meeting, the Board discussed an investment opportunity with Carbon Companies in the Frisco Rockhill Development. Trustee Stacy presented to the Board of summary of due diligence efforts, including his review of the proposal, proforma projections, past performance of the developer, on the ground due diligence, and discussions with partners in the Frisco Rockhill Development. The Board unanimously approved the motion to invest \$2.5 million in the Frisco Rockhill Development, as shown below.

<p>Item #1 Discuss opportunity with Carbon in Frisco Rockhill Multifamily Development and Land Acquisition, take action if required.</p> <p>TRUSTEE STACY PRESENTED A SUMMARY OF HIS EXTENSIVE REVIEW OF PROPOSAL, PRO FORMA, PAST PERFORMANCE OF DEVELOPER, CARBON, ON THE GROUND DUE DILIGENCE, AND SEVERAL DISCUSSIONS WITH PARTNERS. TRUSTEE PEARCY MADE A MOTION TO INVEST \$875,000 FRISCO ROCKHILL LAND, \$1,625,000 FRISCO ROCKHILL APARTMENTS I; FOR A TOTAL OF \$2.5 MILLION IN FRISCO ROCKHILL DEVELOPMENT, SECOND BY JAMES MARTIN; UNANIMOUSLY APPROVED.</p>
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c. Investment Account Activity

On February 20, 2020, the Fund disbursed \$2.5 million to Frisco Rockhill Apartments I, LP from its cash account with Frost Bank for the Frisco Rockhill Development. The allocation of the \$2.5 million contribution was \$1,625,000 to Frisco Rockhill Partners I, LP and \$875,000 to Frisco Rockhill Land, LP. Transaction detail for the investment contribution from the Fund’s bank statement is provided below.

⁷² The Fund’s Vice Chairman, Trustee Stacy, signed the subscription agreements on behalf of the Fund.

02/20/20	CASH DISBURSEMENT PAID TO COMERICA BANK, DALLAS TEXAS WIRE-DOMESTIC & FOREIGN ONLY WIRE TO FRISCO ROCKHILL APTS ILP PER LTR DTD 2/19	2,500,000.00-
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As of December 31, 2020, there was no additional activity in the Fund's investment account for the Frisco Rockhill Development other than the initial contribution of \$2.5 million in February 2020. Based on our review of the Fund's K-1 for Frisco Rockhill Partners I, LP in 2021, the Fund's entire \$1,625,000 investment in Frisco Rockhill Partners I, LP was reported as a loss leaving a capital account balance of \$0. The K-1 for Frisco Rockhill Land, LP for 2021 reflected a capital account balance of \$875,000, equal to the Fund's initial contribution.

101 and 105 N. G Street Properties

a. Background

In August 2016, the Fund acquired commercial property located at 101 N. G Street and 105 N. G Street in Midland, Texas for a total purchase price of \$800,000. The seller of the property was Patrick Gorman, individually and as surviving and only partner of DOS Investments. We did not identify any affiliations between the Fund and Mr. Gorman. Detail of each property acquired by the Fund in 2016 is provided throughout the remainder of this section of the Report.

b. 101 N. G Street

The property acquired by the Fund located at 101 N. G Street is 1,600 square feet on a 0.24 acre lot and is being utilized as a barber shop. During the 2018 – 2020 time period, the tenant for the property was Handsome Devils, who paid rent to the Fund of \$1,900 per month. A summary of the Fund’s investment activity for 101 N. G Street during the 2018 – 2020 time period is provided in the table below.

101 N. G Street Property: Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Property Value	\$ 98,767	\$ 98,767	\$ 98,767	\$ 98,767
Changes in Fair Value	-	-	739	739
Ending Value	\$ 98,767	\$ 98,767	\$ 99,505	\$ 99,505
Rental Income*	22,800	22,800	19,000	64,600
Asset Allocation				
Real Estate Investments	\$ 98,767	\$ 98,767	\$ 99,505	
Total	\$ 98,767	\$ 98,767	\$ 99,505	

**The Fund did not charge rent to their tenant for certain months in 2020 when the building was closed as a result of the COVID-19 pandemic.*

c. 105 N. G Street

The property acquired by the Fund located at 105 N. G Street is 8,000 square feet and is being utilized as office space for the Fund, including office space for the Fund’s administrator and a conference room for Board meetings. The Fund also leases five office suits to commercial tenants who pay monthly rent to the Fund.⁷³ The Fund incurred expenditures to maintain the property, including renovation and maintenance expenditures, insurance, as well as monthly utilities and cleaning fees.⁷⁴ In 2018, the Fund incurred renovation

⁷³ We noted that the broker for the Fund’s purchase of the property in 2016 was Justin Roland with Roland Real Estate PLLC. At some point after the Fund’s purchase of the property, Roland Real Estate became a tenant at 105 N. G Street.

⁷⁴ Building expenditures for the 105 N. G Street property were paid from the Fund’s Community National Bank checking account and Visa credit card account with Commerce Bank, which are discussed in more detail in the Fund Expenditures section of this Report.



and maintenance expenditures in excess of \$200,000, including expenditures related to flooring, ceiling and windows.⁷⁵ A summary of the Fund’s investment activity for 105 N. G Street during the 2018 – 2020 time period is provided in the table below.

105 N. G Street Property: Investment Activity for 2018 - 2020				
	2018	2019	2020	2018 - 2020
Property Value	\$ 946,485	\$ 1,134,952	\$ 1,190,922	\$ 946,485
Changes in Fair Value	188,467	55,970	31,595	276,032
Ending Value	\$ 1,134,952	\$ 1,190,922	\$ 1,222,517	\$ 1,222,517
Rental Income*	38,920	52,013	41,665	132,597
Building Expenditures				
Maintenance and Renovations	\$ 202,330	\$ 61,200	\$ 42,770	\$ 306,301
Utilities	14,407	16,281	17,037	47,725
Insurance	5,314	6,115	9,590	21,019
Cleaning Services	3,350	6,000	6,000	15,350
Total Expenditures	\$ 225,402	\$ 89,596	\$ 75,397	\$ 390,395
Asset Allocation				
Real Estate Investments	\$ 1,134,952	\$ 1,190,922	\$ 1,222,517	
Total	\$ 1,134,952	\$ 1,190,922	\$ 1,222,517	

*The Fund did not charge rent to their tenant for certain months in 2020 when the building was closed as a result of the COVID-19 pandemic.

⁷⁵ Based on our interviews with Board members and the Fund’s administrator, the renovations were necessary to attract tenants for the property. It is our understanding that the Fund did not hire a general contractor for the renovations and instead paid contractors directly as a cost-saving measure.

Section II - Fund Expenditures

I. Background

a. Community National Bank Checking Account

Other than the Fund's cash account with Frost Bank (WA612) used to disburse pension payments and allocate funds into investment accounts as approved by the Board, the Fund's only other cash account was with Community National Bank ("CNB Checking Account"). During the period of our review, the Fund utilized the CNB Checking Account for paying expenses on behalf of the Fund, including investment management fees, salary and benefit reimbursements to the City for the Fund's administrator, as well as maintenance and renovation expenditures related to the office buildings in Midland owned by the Fund, among other expense categories. The CNB Checking Account was funded through monthly transfers from their Frost Bank cash account, with transfers into the CNB Checking Account totaling approximately \$3 million during the 2018 – 2020 time period.

b. Commerce Bank Visa Credit Card Account

The Fund's CNB Checking account was also utilized to pay off the balance of the Fund's Visa credit card account with Commerce Bank ("Visa Credit Card Account"). The Fund had three cardholders for their Visa Credit Card Account, which included the Fund's administrator, Ms. Crow, the Fund's Board President, David Stacy, and the Treasurer/Secretary, James Martin. The Fund's Visa Credit Card Account was primarily utilized for payment of the Fund's utility bills, travel expenditures for Board members, certain maintenance and renovation expenditures for the Fund's office building in Midland, as well as registration fees for TEXPERS and NCPERS conferences.

II. Analysis of Expenditures

a. Work Performed

Our analysis of the Fund's expenditures included the review of the Fund's monthly statements during the 2018 – 2020 time period for the CNB Checking Account and the Visa Credit Card Account, as well as the categorization of each expenditure during the review period.⁷⁶ For certain transactions we requested supporting documentation from the Fund (i.e., receipts, invoices, expense reports).⁷⁷

⁷⁶ For purposes of our analysis, we extracted the transaction detail from the monthly account statements into a Microsoft Excel spreadsheet and categorized each expenditure based on the transaction detail.

⁷⁷ We requested supporting documentation from the Fund for expense reimbursements to Board members and administrator for travel expenditures incurred for attendance at TEXPERS and NCPERS conferences. For all expense reimbursements

b. Summary of Expenditures by Category

Based on our review of monthly bank statements, we identified 940 expense transactions from the Fund’s CNB Checking Account and Visa Credit Card Account, which totaled over \$3 million during the 2018 – 2020 time period. A categorization of expenditures incurred by the Fund during the period of review is provided in the table below, with detail for all 940 transactions attached to this Report in **Appendix B**.

Summary of Expenditures by Category (CNB Checking Account and Visa Credit Card Account)				
	2018	2019	2020	Total
<u>Investment Expenditures</u>				
Investment Management Fees	\$ 594,165	\$ 568,968	\$ 526,659	\$ 1,689,792
Investment Consulting Fees	27,500	55,000	55,500	138,000
Bank Custodial Services (Frost)	29,823	30,721	13,461	74,005
Total Investment Expenditures	\$ 651,487	\$ 654,689	\$ 595,621	\$ 1,901,797
<u>Building Expenditures</u>				
Maintenance and Renovations	\$ 202,330	\$ 61,200	\$ 42,770	\$ 306,301
Utilities	14,407	16,281	17,037	47,725
Insurance	5,314	6,115	9,590	21,019
Cleaning Services	3,350	6,000	6,000	15,350
Total Building Expenditures	\$ 225,402	\$ 89,596	\$ 75,397	\$ 390,395
<u>Administrative Expenditures</u>				
Salary and Benefits	\$ 163,056	\$ 157,379	\$ 140,126	\$ 460,561
Audit Fees	22,500	38,500	8,000	69,000
Actuary Fees	2,635	46,390	13,615	62,640
Travel Expenses	31,471	27,785	3,214	62,470
Software Fees	11,156	9,953	11,740	32,850
Legal Fees	405	-	25,132	25,537
TEXPERS / NCPERS Registration Fees	6,318	7,520	3,079	16,917
Fiduciary Liability Coverage	3,898	3,960	3,958	11,816
Office Supplies & Equipment	5,666	694	215	6,574
Miscellaneous	1,580	1,033	2,569	5,182
Total Administrative Expenditures	\$ 248,684	\$ 293,215	\$ 211,648	\$ 753,547
Total Expenditures	\$1,125,572	\$ 1,037,500	\$ 882,666	\$ 3,045,739

Additional detail of our review for certain expenditure categories is provided throughout the remainder of this section of the Report.

requested, we received an authorized expense report with supporting receipts for travel expenditures, including lodging, airfare, mileage and ground transportation.

c. Investment Management Fees

As described previously in Section I of this Report, the Fund paid fees to investment managers on a quarterly basis, which were approved by the Board and paid through the CNB Checking Account. During the 2018 – 2020 time period, fees paid to investment managers from the Fund’s CNB Checking Account totaled approximately \$1.7 million. The Fund’s total fees paid to investment managers totaled approximately \$2.3 million, which include fees for certain private investments which were deducted from the Fund’s capital balance on their quarterly statement, rather than paid separately by the Fund. We also reviewed quarterly invoices submitted by investment managers and reconciled to payments by the Fund. A summary of investment management fees paid from the Fund’s CNB Checking Account is provided in the table below.

Summary of Investment Management Fees Paid from CNB Checking Account: 2018 - 2020				
Payee	2018	2019	2020	Total
CDK / Harvest Interests	\$ 268,880	\$ 256,749	\$ 271,980	\$ 797,609
Westwood Holdings Group, Inc.	92,754	86,281	71,188	250,223
SeaCrest Investment Management	66,700	69,041	41,827	177,567
Lazard Asset Management	56,143	39,443	64,589	160,174
Loomis Sayles	44,039	45,714	50,213	139,965
NBW Capital LLC	41,777	38,288	26,863	106,928
Glovista Investments, LLC	23,873	33,452	-	57,325
Total Investment Management Fees	\$ 594,165	\$ 568,968	\$ 526,659	\$ 1,689,792

d. Investment Consultant Fees

We identified payments to Parenteau Analytics totaling \$138,000 from the Fund’s CNB Checking Account during the 2018 – 2020 time period. The payments were made to Parenteau Analytics under a consulting agreement with the Board to provide performance analytics on a quarterly basis, which was originally approved in August 2017 and amended in January 2019. The Fund’s engagement of Parenteau Analytics is discussed in more detail in Section III of this Report.

e. Bank Custodial Services

In March 2006, the Fund entered into an Agreement for Custodial Account (Without Advisory Service) with The Frost National Bank (“Frost Bank”) whereby the Fund appointed Frost Bank as custodian for the Fund as approved by a Board resolution. The Fund paid monthly fees to Frost Bank for custodial services from their CNB Checking Account, which totaled approximately \$74,000 during the period of review.

f. Building Expenditures

As described in Section I of this Report, in 2016 the Fund acquired commercial property located at 101 and 105 N. G Street in Midland, Texas. A portion of the property was utilized as office space for the Fund,

while the remaining units were intended to be leased to commercial tenants. The properties were purchased at a discounted price of \$100,000 and it is our understanding that significant improvements were required for the Fund to attract and retain commercial tenants. Based on discussions with Trustee Stacy, the Fund did not hire a general contractor to complete the renovation projects and hired contractors directly in an effort to reduce costs, with expenditures approved by the Board. We identified over \$300,000 in expenditures related to the maintenance and renovation of the properties at 101 and 105 N. G Street, which were paid from both the CNB Checking Account and Visa Credit Card Account, as summarized below.

Summary of Maintenance and Renovation Expenses: 2018 - 2020				
Payee	2018	2019	2020	Total
Candel J. Quintana (Quintana Home Repairs)	\$ 56,423	\$ -	\$ 29,625	\$ 86,048
Barbed P. Construction	67,507	-	-	67,507
Jesus Ibarra	6,000	48,209	-	54,209
Diamond Electric	19,070	-	4,766	23,836
Harris Acoustics of Midland, Inc.	17,297	-	-	17,297
Keystone Tile	16,399	-	-	16,399
Lupe Cedillo	7,000	-	-	7,000
Tall City Tint, LLC	-	-	4,875	4,875
Home Depot	2,744	1,860	-	4,604
Miguel Morales	3,000	-	-	3,000
Steven Fairchild	-	-	3,000	3,000
Hal Miller	-	2,800	-	2,800
Advanced Hydrotech	-	2,750	-	2,750
Target A/C & Heating	1,465	1,283	-	2,748
Sherwin Williams	410	2,088	-	2,497
Atlas Glass Co.	1,800	-	-	1,800
Sierra Tile and Stone	1,000	-	-	1,000
L & D Services	-	950	-	950
Builders & Homeowners	-	945	-	945
Able Locksmith	908	-	-	908
Border States Electric	901	-	-	901
Lowe's	378	288	-	666
SIMS Plastics	-	-	245	245
Westlake Hardware	30	-	124	154
Bakers Entomology & Pesticide Service	-	-	135	135
Mr. Key Locksmith	-	29	-	29
Total	\$ 202,330	\$ 61,200	\$ 42,770	\$ 306,301

In addition to maintenance and renovation expenditures, the Fund paid monthly utilities for the properties, including electric, gas, water and internet. We identified payments for utilities for the 101 and 105 N. G Street properties totaling approximately \$48,000 during the period of review, as summarized in the table below.

Summary of Payments for Utilities: 2018 - 2020				
Payee	2018	2019	2020	Total
Green Mountain Energy	\$ 8,327	\$ 8,754	\$ 8,158	\$ 25,239
SuddenLink	4,052	4,161	5,150	13,364
City of Midland	1,780	3,365	1,106	6,252
MidTx Utilities	-	-	2,623	2,623
Atmos Energy	247	-	-	247
Total Payments for Utilities	\$ 14,407	\$ 16,281	\$ 17,037	\$ 47,725

The Fund also incurred expenditures for property insurance for the office buildings, with payments to Hartford Insurance totaling approximately \$21,000 during the 2018 – 2020 time period. The Fund also paid \$500 per month for cleaning services related to the office buildings, with payments totaling approximately \$15,000 during the 2018 – 2020 time period.

g. Salary and Benefits

During the period of our review, salary and benefits for the Fund’s Administrator were paid by the City with the Fund issuing a monthly payment to the City for reimbursement. We reviewed a sample of six monthly payments to the City for salary and benefits and determined that the Fund maintained records detailing the breakout of deductions for benefits for each monthly payment. Total payments to the City related to salary and benefits for the Fund’s administrator totaled approximately \$461,000 during the 2018 – 2020 time period, which included longevity pay, insurance, retirement benefits, and Medicare.⁷⁸

h. Travel Expenses

The Fund incurred travel expenses for Board members and Administrator to attend conferences related to public pension funds (e.g., TEXPERS and NCPERS), which included in-state and national events. Certain expenses pertaining to mileage or expenses paid with a personal credit card were reimbursed to the individual, upon approval of an expense report. Expense reimbursements paid by the Fund for travel expenses totaling approximately \$30,000 during the 2018 – 2020 time period.⁷⁹ In addition to expense reimbursements, travel expenses were paid through the Visa Credit Card Account, including lodging, airfare, parking, ground transportation and meals, which totaling over \$32,000 during the 2018 – 2020 time period. A

⁷⁸ As of January 1, 2018, Ms. Crow’s base salary was \$96,198, which was increased in October each year for cost of living adjustments of 3% - 4%. Ms. Crow’s base salary increased to \$100,046 effective October 1, 2018, \$104,048 effective October 1, 2019, and \$107,169 effective October 1, 2020.

⁷⁹ We reviewed expense reports and receipts for all expense reimbursements over \$800, which included 12 expense reimbursements totaling approximately \$21,000. Based upon our review of expense reimbursements, we determined that sufficient supporting documentation (e.g., receipts, invoices) was submitted and expenses were authorized.



summary of travel expenses incurred by the Fund through expense reimbursements and credit card purchases is provided in the table below.

Summary of Travel Expenses: 2018 - 2020				
Payee	2018	2019	2020	Total
Expense Reimbursements				
Shera Crow	\$ 5,111	\$ 10,952	\$ 1,947	\$ 18,010
Brian McGary	2,453	3,392	-	5,844
James Martin	1,857	2,085	-	3,943
David Stacy	1,065	163	42	1,270
Seth Boles	112	378	-	490
Matt Marshall	-	298	-	298
Michael Cole	150	-	-	150
Total Expense Reimbursements	\$ 10,748	\$ 17,269	\$ 1,989	\$ 30,006
Credit Card Expenses				
Lodging	\$ 14,905	\$ 7,801	\$ 983	\$ 23,689
Airfare	3,957	1,179	-	5,135
Parking / Ground Transportation	1,191	743	193	2,127
Meals	670	793	49	1,512
Total Credit Card Expenses	\$ 20,723	\$ 10,516	\$ 1,225	\$ 32,464
Total Travel Expenses	\$ 31,471	\$ 27,785	\$ 3,214	\$ 62,470

Based on our interview of Ms. Crow and Board members, as well as our review of supporting documentation for expense reimbursements, we determined that it was common for Ms. Crow to pay for travel expenses for Board members, which she paid through the Visa Credit Card Account or her personal credit card. As a result, the majority of expense reimbursements paid to Ms. Crow during the 2018 – 2020 time period related to travel expenses paid by Ms. Crow on behalf of Board members.

Section III - Management and Oversight

I. Board of Trustees

a. Board Structure

The Fund is governed by a Board of seven (7) trustees composed of two (2) representatives from the City, three (3) firefighters elected by a majority vote of the firefighters, and two (2) citizens who must be elected by the majority vote of the Board.^{80,81} A summary of the Board of Trustees for the Fund during the 2018 – 2020 time period is provided in the table below.

Summary of Board of Trustees for the Fund: 2018 - 2020				
Trustee	Type	2018	2019	2020
Brian McGary	Firefighter	Chair	Chair	Chair
David Stacy	Firefighter	Vice Chair	Vice Chair	Vice Chair
James Martin	Firefighter	Secr./Treas.	Secr./Treas.	Secr./Treas.
Van Percy	Citizen			
Alan Meyers	Citizen			
Pam Simecka (Finance Director)	City			
Seth Boles (Comptroller)	City			
Jennifer Fung (Interim Finance Director)	City			
Mark Mason (Finance Director)	City			
Jerry Morales (Mayor)	City			
Patrick Payton (Mayor)	City			
<u>Legend</u>				
Active Board Member				

b. Board Meetings

The Board meets monthly with regular Board meetings held on the last Thursday each month. In advance of each Board meeting, a meeting agenda was disseminated to the Board members by the Fund’s Administrator, Ms. Crow, along with the minutes from the previous month’s Board meeting. During the 2018 – 2020 time period, meeting packets were not typically distributed to Board members in advance of Board meetings and it is our understanding based on discussions with Board members that hard copy documents

⁸⁰ The representatives for the City include the Mayor (or the Mayor’s designee) and the Director of Finance (or their designee).

⁸¹ The citizen trustees elected to the Board must not be officers or employees of the City.

related to meeting agenda items were instead made available for review at the Board meeting. We also determined that during the 2018 – 2020 time period, materials provided to the Board during regular Board meetings were not maintained in a meeting packet, and instead maintained in a folder for the respective investment manager or professional services provider. A summary of the meeting structure for the regular Board meetings during the 2018 – 2020 time period is provided in the table below.

Summary of Board Meeting Structure	
Agenda Item	Description
Public Comments	Receive public comments where individuals may address the Board on issues related to the Fund.
Meeting is called to order by Board Chairman after hearing public comments	
Consent Agenda	<ul style="list-style-type: none"> • Approval of minutes from prior meeting • Review monthly benefits paid to pensioners and dependents during prior month(s) • Review balance for the Fund for prior month • Ratification of transactions made by the Fund’s investment managers for prior month (e.g., Consider ratification of transactions made by Glovista Investments, LLC for the period March 1 thru March 31, 2019) • Approval of expense reimbursements to Board members and Administrator for travel expenditures related to attending conferences and other Fund-related travel • Approval of building expenses, including maintenance, renovations, utilities, cleaning services, among other items • Approval of payments to investment managers for quarterly asset management fees • Approval of payments for administrative expenditures, including salaries and benefits for Administrator, auditing and actuarial services, office supplies and insurance, among other items
Updates from Investment Managers	The Board received periodic updates and presentations from certain of the Fund’s investment managers.
Building Committee Report	The Board received updates (typically from either Trustees Stacy or Martin) on progress of renovations to the 105 N. G Street property.
Investment Committee Report	Trustees Stacy and/or Pearcy provided updates to the Board from recent Investment Committee meetings, including any recommendations for new investments, termination of existing investment managers, or changes to the Statement of Investment Policies.
Other Items	<p>Other items discussed by the Board during regular Board meetings included, but are not limited to:</p> <ul style="list-style-type: none"> • Discuss and approve any changes to pension contributions • Receive reports and presentations from auditors and actuaries • Administrators report • Updates from Claude Parenteau • Reports on conferences attended by Board members • Consideration and discussion for professional service firms to be hired by the Fund (e.g., consultants, auditors, actuaries, insurance and legal firms, among others) • Discussion of operational matters (e.g., transition to an independent server) • Election of officers on an annual basis

c. Investment Manager Updates to the Board

Based on our review of Board meeting minutes, we identified 19 updates and/or presentations by investment managers for the Fund to the Board during the 2018 – 2020 time period. We observed that 9 of 19 investment manager updates were provided by Moriah, whose firm is based in Midland. As described previously in this Report, in 2016 the Fund required Moriah to provide quarterly updates to the Board in lieu of the Fund taking legal action against Moriah for breach of fiduciary duty following a capital call related to the Moriah Hospitality investment. NBW Capital and Westwood each provided annual updates to the Board, and two updates provided by SeaCrest. Silverado Interests (a partner of CDK) and Greenspring each provided an update to the Board during our review period, however, the updates appeared to be part of a discussion of additional investment opportunities for the Fund. We did not identify updates to the Board from at least 9 of the Fund’s other investment managers during the 2018 – 2020 time period. A summary of the investment manager updates provided to the Board during the 2018 – 2020 time period is provided in the table below.

Summary of Investment Manager Updates to the Board: 2018 - 2020		
Board Meeting Date	Investment Manager	Description
2/22/2018	Moriah	Wes Gotcher and Spencer Woolfolk of Moriah presented an update on the Fund’s properties with Moriah.
4/26/2018	Moriah	Wes Gotcher, Will Lunsford, and Spencer Woolfolk with Moriah presented an update on the Fund’s properties with Moriah.
4/26/2018	Silverado Interests	Amanda Cooley, Rick Slaven, and Ken Colley with Silverado presented updates on the Fund’s portfolio and new opportunities with Silverado Interests.
7/30/2018	Moriah	Wes Gotcher, Will Lunsford, and Spencer Woolfolk of Moriah presented an update of the Fund’s properties with Moriah.
8/23/2018	NBW Capital	Ben Neidermeyer of NBW presented an update on the Fund’s 7 years with NBW.
11/29/2018	Moriah	Wes Gotcher and Will Lunsford of Moriah presented an update on the Fund’s portfolio with Moriah.
11/29/2018	Westwood	Amy Lester and Kim Calhoun of Westwood presented an update of the Fund’s portfolio with Westwood.
2/28/2019	Moriah	Will Lunsford of Moriah presented update on the Fund’s portfolio with Moriah.
4/25/2019	Westwood	Amy Lester of Westwood presented an update of the Fund’s portfolio with Westwood.
5/30/2019	Moriah	Wes Gotcher and Spencer Woolfolk of Moriah presented an update of the Fund’s portfolio with Moriah.
7/18/2019	Moriah	David Stacy presented an update on the Fund’s portfolio with Moriah.
9/26/2019	NBW Capital	Ben Neidermeyer of NBW presented an update on the Fund’s portfolio with NBW.
10/24/2019	SeaCrest	Ron Lenihan and Raj Gupta of Seacrest presented an update on the Fund’s portfolio with SeaCrest.

Summary of Investment Manager Updates to the Board: 2018 - 2020		
Board Meeting Date	Investment Manager	Description
11/21/2019	Greenspring	Van Percy gave an update on the Fund's portfolio with Greenspring. David Stacy also provided an update on the Fund's current portfolio and opportunities.
12/31/2019	Moriah	Spencer Woolfolk of Moriah presented an update on the Fund's portfolio with Moriah.
4/23/2020	Westwood	Amy Lester, Matthew Nall, and Todd Williams of Westwood presented an update on the Fund's portfolio with Westwood.
5/28/2020	Moriah	Will Lunsford, Spencer Woolfolk, and Brock Lytton of Moriah presented an update on the Fund's portfolio with Moriah.
10/29/2020	NBW Capital	Ben Neidermeyer presented an update to the Board on the Fund's portfolio with NBW.
11/19/2020	SeaCrest	Ron Lenihan, Howard Schloss, and Raj Gupta of SeaCrest presented an update on the Fund's portfolio with SeaCrest.

II. Investment Committee

a. Investment Committee Structure

The Fund's Investment Committee was formed to include four (4) members of the Board, including the three (3) firefighter members and one (1) citizen member. During the 2018 – 2020 time period, the members of the Investment Committee were David Stacy, Brian McGary, James Martin and Van Percy.

b. Investment Committee Meetings

During the 2018 – 2020 time period, the Investment Committee held meetings on an ad hoc basis based on upcoming decisions or changes to the Fund's investments, with meetings typically held either at the Fund's offices at 105 N. G Street or the office of Trustee Percy. Based on discussions with the members of the Investment Committee during the period of our review, the purpose of the Investment Committee was to review and evaluate the current and projected macroeconomic conditions and make decisions about the allocation of the Fund's investments based on their outlook. If a decision was made to add exposure to an asset class (e.g., international equities), the Investment Committee performed phone interviews with 3-4 investment managers within the asset class. In addition, the Investment Committee reviewed historical performance data and analytics for investment managers in a particular asset class prepared by the Fund's consultant, Claude Parenteau.⁸² Following their interview of investment managers and review of historical performance data, the Investment Committee voted on the selection of an investment manager to recommend to the Board during the following regular Board meeting.

⁸² Services provided by Claude Parenteau on behalf of the Fund during the 2018 – 2020 time period are discussed in more detail in this section of the Report.

We identified 12 Investment Committee meetings held during the 2018 – 2020 time period, including two meetings in 2018, five meetings in 2019 and five meetings in 2020. We reviewed meeting minutes for the 12 Investment Committee meetings, which contained limited detail of discussion or materials reviewed by the Investment Committee. A summary of Investment Committee meetings during the 2018 – 2020 time period, including Board actions based on recommendations from the Investment Committee is provided in the table below.

Summary of Investment Committee Meetings: 2018 - 2020				
Investment Committee Meeting Date	Meeting Agenda	Meeting Minutes	Update to the Board	Board Action
2/15/2018	Yes	Yes	Yes (2/22/2018)	<ul style="list-style-type: none"> Board authorized Investment Committee to make a commitment towards private equity fund managed by Glendower
3/6/2018	Yes	Yes	Yes (3/22/2018)	<ul style="list-style-type: none"> Investment Committee heard presentation from Glendower and approved motion to commit \$5 million to Glendower Access Secondary Opportunities IV
3/5/2019	Yes	Yes	No	<ul style="list-style-type: none"> Investment Committee meeting rescheduled due to only have two (2) members present
4/11/2019	Yes	Yes	Yes (4/25/2019)	<ul style="list-style-type: none"> Board approval of Westwood Short Duration Fixed Income investment Board approval to allow Investment Committee to adopt the amendments to the Fund's Statement of Investment Policies
6/18/2019	Yes	Yes	Yes (6/20/2019)	<ul style="list-style-type: none"> Board approval of \$4 million investment commitments to private equity funds managed by Greenspring (as recommended by Investment Committee)
8/22/2019	Yes	Yes	No	<ul style="list-style-type: none"> Investment Committee meeting held immediately after Board meeting Mr. Parenteau presented to Investment Committee a comparison of Westwood MLP and NBW Capital MLP to other investment managers with similar products Trustee Percy made a recommendation for Morgan Stanley to manage the Fund's international investment products and Investment Committee agreed to conduct additional due diligence Trust Percy recommended that the Investment Committee consider debt investment opportunities, including PIMCO as an investment manager
9/23/2019	Yes	Yes	Yes (9/26/2019)	<p>Board approved the following:</p> <ul style="list-style-type: none"> Termination of investments managed by Glovista; Termination of investments with Federated (held in Raymond James account); Allocate proceeds from Glovista and Raymond James accounts into the Morgan Stanley International Growth Opportunity Fund

Summary of Investment Committee Meetings: 2018 - 2020				
Investment Committee Meeting Date	Meeting Agenda	Meeting Minutes	Update to the Board	Board Action
4/14/2020	Yes	Yes	Yes (4/23/2020)	<ul style="list-style-type: none"> Investment Committee elected to wait on making any recommendations to the Board until each committee member contacts several investment managers to discuss views on high yield exposure and long/short equities
4/22/2020	Yes	Yes	Yes (4/23/2020)	<p>Trustee Stacy presented a summary of Investment Committee meetings over the last few weeks and recommendations. The Board approved the following:</p> <ul style="list-style-type: none"> Amended Statement of Investment Policies variance limits for cash and equivalents to 1%-15%; Liquidate non-U.S. debt at earliest economic advantage; Increase allocation to SeaCrest Hybrid from \$1.5 million to \$2.5 million; Liquidate all three fixed income products managed by Westwood and move to a risk-off product from a vendor to be determined
6/4/2020	Yes	Yes	Yes (6/25/2020)	<ul style="list-style-type: none"> Board approval to liquidate Westwood MLP and merge into NBW MLP account; Add new strategy of \$5-\$7 million with Alkeon (long/short manager); Allocate \$4-\$7 million into SeaCrest Hybrid account for purposes of producing sufficient monthly cash flow
7/15/2020	Yes	Yes	Yes (7/30/2020)	<ul style="list-style-type: none"> Investment Committee discussed cash flow, asset allocations, and risks to the Fund due to COVID-19 Investment Committee agreed to continue to assess and monitor market risk but no action necessary
11/11/2020	Yes	Yes	Yes (11/19/2020)	<ul style="list-style-type: none"> Trustee Stacy reported to the Board that Alkeon was funded with \$4 million; Trustee Stacy also reported that the Fund will be rebalanced to include SeaCrest diversified income strategy to provide cash flow for day to day needs; No recommendation and no action necessary

III. Consulting Services Provided by Claude Parenteau

a. Background

Claude Parenteau (“Mr. Parenteau”) is the President of Parenteau & Associates, Inc. based in Fort Worth, Texas, which he founded in 2005 and renamed Parenteau Analytics in or around 2017. Parenteau Analytics became certified as a registered investment advisor with the Texas State Securities Board in June 2019. Based on discussions with Mr. Parenteau and Board members for the Fund, Mr. Parenteau was affiliated with the Fund prior to 2018 in the capacity of a sales representative, during which time Mr. Parenteau made presentations to the Board for investment products associated with various investment managers such as

SeaCrest, Glovista, NBW Capital and BirdRock. It is also our understanding that prior to 2018 the Fund invested in certain investment products where Mr. Parenteau acted as the sales representative, including the Glovista international equities product that the Fund invested in during the 2009 – 2019 time period.

b. Performance Analytics Services

In August 2017, the Board contracted with Parenteau Analytics to provide performance analytics to the Board for the Fund’s investment managers in traditional liquid asset classes (i.e., equities and fixed income) for a fee of \$30,000 annually. Under the agreement, Parenteau Analytics was to present performance data to the Board on a quarterly basis, including performance reports for each investment manager through subscription-based data from Informa Investment Solution’s PSN product. In January 2019, the Board amended their agreement with Parenteau Analytics to include performance analytics for alternative investments through subscription-based data from Prequin, including hedge fund and real estate investments held by the Fund (in addition to the traditional investment managers). The additional fees paid to Parenteau Analytics for performance data on alternative investments was \$25,000 annually, with total annual fees of \$55,000 for both traditional and alternative investments. The amended agreement also included additional fees of \$6,250 per year for Parenteau Analytics for the completion of the TEXPERS Survey for the Fund, although it did not appear that Parenteau Analytics received compensation from the Fund for the completion of the TEXPERS Survey. The amended agreement for Parenteau Analytics was approved by the Board on January 25, 2019.

Based on our review of email communications, we determined that Mr. Parenteau provided an email packet for each investment manager to the Investment Committee each quarter during the 2018 – 2020 time period, which contained performance analytics data for the investment product. Mr. Parenteau described the quarterly data as “style-based performance attribution” data as opposed to “trade date based attribution” data. The intent of the data provided by Mr. Parenteau each quarter was to evaluate the historical performance of the investment manager relative to their benchmark (based on a hypothetical investment amount), as opposed to the Fund’s actual investment performance.

c. Recommendations to the Investment Committee

Based on our review of email communications, it did not appear that Mr. Parenteau made formal recommendations to the Investment Committee in his role as a performance analytics consultant during the 2018 – 2020 time period, although we identified instances where Mr. Parenteau presented opportunities or made suggestions to members of the Investment Committee. In an email to the Investment Committee in February 2018, Mr. Parenteau stated, “*My hope is to be able to find and show you ideas over time which may be new, unique, and different – and, if I cannot, then you should not continue working with me.*” In a separate email to Trustee Percy in February 2018, Mr. Parenteau stated that he had “*zero intention of ever disagreeing with any recommendations you make to the Board, all I’m hoping to do is be additive value.*”

Mr. Parenteau also provided the Investment Committee with performance data analytics for different investment managers when the Fund was looking to add a new investment to the Fund, or change investment managers for a particular asset class. In October 2019, Mr. Parenteau provided comparative data for several hedge fund managers to the Investment Committee, who ultimately recommended the Alkeon Growth Offshore Fund to the Board. In April 2020, Mr. Parenteau informed the Investment Committee that in his opinion, the JP Morgan U.S. Treasury Securities Money Market Capital Fund was the “safest and cheapest” money market fund. The following month the Fund allocated \$10 million into the JP Morgan money market fund.

d. Commissions Received by Mr. Parenteau from Glovista

In his capacity as a sales representative for Glovista prior to the period of our review, Mr. Parenteau received commissions from Glovista from the time the Fund contracted with Glovista as an investment manager in 2009 until the Fund’s liquidation of the investment in 2019. Based on our discussions with Mr. Parenteau and members of the Investment Committee, Mr. Parenteau advocated for the termination of the Fund’s investment with Glovista due to poor performance, which also resulted in the termination of Mr. Parenteau’s commission payments from Glovista. During the August 2017 – October 2019 time period, Mr. Parenteau received commissions from Glovista while engaged by the Fund to provide and present performance data for the evaluation of investment managers. We have not determined the amount of commissions received from Glovista during the August 2017 – October 2019 time period. Trustee Stacy indicated to Weaver that Mr. Parenteau disclosed to the Board prior to his being engaged as a consultant in 2017 that he continued to receive commission payments from Glovista. Trustee Stacy also stated to Weaver that the Board acknowledged that Mr. Parenteau continued to receive commissions from Glovista prior his being engaged, although the Board’s acknowledgement was not documented or detailed in the meeting minutes.

e. Commissions Received by Mr. Parenteau from SeaCrest

In addition to Glovista, Mr. Parenteau also received commissions from SeaCrest in his capacity as a sales representative for the Fund’s investment with SeaCrest in 2009. In November 2020, Mr. Parenteau informed the Investment Committee that he notified SeaCrest he would no longer accept commission payments related to investment products previously sold to the Fund. Mr. Parenteau indicated that he made the decision to reduce any conflicts of interest, and remove and remove a “major personal, internal conflict” as shown in the excerpt from Mr. Parenteau’s email to the Investment Committee below.

From: Claude Parenteau <claude@parenteauassociates.com>
Sent time: 11/12/2020 04:36:37 PM
To: David Stacy; David Stacy <DStacy64@gmail.com>; Van Pearcy <Van.Pearcy@raymondjames.com>; Shera Crow <SheraCrow@midlandfirf.com>; Brian McGary; James Martin
Subject: Just F.Y.I. from Claude Parenteau

Gentlemen (and Shera):

I have just notified SeaCrest that I no longer will accept payments from them from the Midland account. I "absolved" them of our contractual relationship relating to your account. This is purely to reduce any conflicts of interest on your account, and it applies no matter how large their account may get with you. This removes a major personal, internal conflict within me, and, to be honest with you, it is a relief. There is no acrimony between me and SeaCrest. It's purely a matter of perception and personal preference. If I have never shared with you the Chinese proverb about "tying one's shoes in a cabbage patch" - ask me about it next time we talk.

God Bless you and your families, sincerest gratitude always, and wishing everyone a great evening.

C.P.

During the August 2017 – November 2020 time period, Mr. Parenteau received commissions from SeaCrest while engaged by the Fund to provide and present performance data for the evaluation of investment managers. We have not determined the amount of commissions received from SeaCrest during the August 2017 – November 2020 time period. Trustee Stacy indicated to Weaver that Mr. Parenteau disclosed to the Board prior to his being engaged as a consultant in 2017 that he continued to receive commission payments from SeaCrest. Trustee Stacy also stated to Weaver that the Board acknowledged that Mr. Parenteau continued to receive commissions from SeaCrest prior his being engaged, although the Board's acknowledgement was not documented or detailed in the meeting minutes.

IV. Monthly Reporting of Fund Values

a. Background

During the 2018 – 2020 time period, the Fund's Administrator, Ms. Crow, maintained a spreadsheet that tracked the values of each investment held by the Fund based on statements and reports received from custodians and investment managers. The spreadsheet also categorized investments by asset class and calculated the percentage of total portfolio value for each asset class. It is our understanding that the spreadsheet was utilized to provide an update to the Board each month regarding the balance of investments held by the Fund.

b. Board Efforts to Update Fund Reporting Solution

Based on discussions with Ms. Crow and Board members, there were issues in obtaining the data from their custodian (Frost Bank) and investment managers, which was needed to update the spreadsheet of Fund values each month. We were informed that the platform utilized by Frost Bank lacked the sophistication needed to provide accurate, timely and detailed reporting data to the Fund, and that the size of the Fund had outgrown the service offerings of Frost Bank. Additionally, many of the Fund's investments were held by

other custodian banks outside of Frost Bank, such as Charles Schwab and Bank of New York Mellon. The Fund also experienced issues reporting values for real estate investments, which typically reported investments at book value as opposed to fair value. Investment managers for real estate and hedge fund investments typically provided reports on a quarterly basis as opposed to monthly. Board members also informed us that the volume of investment accounts and investment managers made it difficult and time consuming for one person to track values for the entirety of the Fund's investments each month due to the process being manual in nature.

As early as 2016, the Board researched the engagement of an outside firm to provide an automated reporting solution for the Fund, and was in discussions with EMA Softech in or around February 2016.⁸³ The Investment Committee reviewed a sample of reporting data prepared by EMA Softech for certain investment managers and May 2016 but did not move forward with engaging EMA Softech or any other outside firms at in 2016 due to the Board's determination that the solutions were not cost-effective.

In 2016, Mr. Parenteau also had discussions with Trustee Stacy about an automated reporting solution for the Fund and was interested in providing competitive ideas to the Board. After the Fund contracted with Parenteau Analytics as a consultant for the Fund in August 2017, Mr. Parenteau expressed in email communications that he hoped to be able to assist the Board in improving the reporting process. As of November 2018, Mr. Parenteau was in the process of taking over the reporting related to the TEXPERS annual survey, with the objective of implementing a reporting process that could also be used going forward for the Fund's monthly and quarterly reporting. Specifically, Mr. Parenteau informed the Investment Committee of a plan to establish a central repository of reports from investment managers and prepare a form to be completed by each investment manager on a quarterly basis, which would be submitted directly to Mr. Parenteau. Mr. Parenteau informed the Investment Committee that investment managers would provide data directly to him to prepare a composite reporting of values across all investments, which would allow Ms. Crow to focus on other administrative functions for the Fund. It is our understanding that Mr. Parenteau was unable to successfully implement the centralized reporting for the Fund due to similar issues previously experienced by the Fund in getting timely data from all of the custodians and investment managers.

By mid-2019, Mr. Parenteau appeared to have shifted his focus to helping the Board identify a third-party firm that could provide an automated reporting solution for the Fund. In June 2019, Mr. Parenteau provided the Investment Committee with two quotes from outside firms, which ranged from 2.5 – 5 basis points. Based on our interviews of Investment Committee members and Mr. Parenteau, the Fund did not move forward with an outside firm due to the cost of the service relative to perceived value by the Board. In September 2019, Mr. Parenteau continued to work with Ms. Crow to "*migrate the generation of the monthly valuation spreadsheet*" to him, and requested to have all investment managers provide monthly valuation and

⁸³ EMA Softech is based in Plano, Texas and provides automation solutions for operational processes to investment advisors and pension funds, including the upload of reporting data from a portfolio management system.

performance information directly to him. On September 25, 2019, Mr. Parenteau informed the Investment Committee that his goal was to complete the transition of the Fund's monthly reporting from Ms. Crow to himself by the end of the year.

However, the following month, Mr. Parenteau emailed Trustee Stacy and Ms. Crow regarding his concerns about taking over the reporting function for the Fund, stating "*there is no way that anyone on earth can do this by year end.*" In an October 2019 email, Mr. Parenteau informed Trustee Stacy and Ms. Crow that while he is always looking for additional revenues, taking over the Fund's reporting was beyond his capability at that time while in school and working on his CFA certification. In the same email, Mr. Parenteau provided suggestions to Trustee Stacy and Ms. Crow to solve the existing issues experienced by the Fund in reporting investment performance (see excerpt from Mr. Parenteau's email below).

Again, happy to be on the conference call with you both today to discuss, but, in the meantime, here are my suggestions to you:

- 1.) Forensic audit;
- 2.) Partner with firm that can generate this "legacy" data for my programs to work properly;
- 3.) Search for an alternative custodian;
- 4.) After getting the "legacy" data generated, I will look at software which can simply download directly from bank statements and manager statements (even alternatives), so that I can try to offer you a better option going forward, as a bundled, "one-stop-shop".

Again, your fund means the world to me, and, if you want to, please "shop" this around; maybe there is someone else out there who has some methodology that I am not aware of. I think I am pretty aware of HOW this gets done, and what options are out there, and, in my world, the above is the only path I know from A to B.

CP.

In a December 2019 email, Mr. Parenteau informed the Investment Committee that his goal for 2020 was to take over the Fund's reporting for the PRB-1000, TEXPERS Survey, and monthly valuation spreadsheet. Mr. Parenteau further stated that he had hoped to take over the reporting function in 2019 but the CFA licensing exam took all of his time. In a follow-up email several days later, Mr. Parenteau informed Trustee Stacy and Ms. Crow that he was not going to take over the reporting for the PRB-1000 as this service was already being provided by John Crider at no cost to the Fund. Mr. Parenteau also stated that he planned to spend the next 30 days exploring portfolio management software that would serve as a comprehensive solution for the Fund's reporting and satisfy the PRB's requirements, as well as be scaled for all pension funds in TLFFRA. Mr. Parenteau indicated that he planned to pause all of his marketing and selling efforts in 2020 and focus 100% of his effort on coming up with an automated reporting solution for the Fund, as well as any other TLFFRA fund that would also value it.

In January 2020, Mr. Parenteau informed the Investment Committee that he had contacted 30 firms that offer "off-the-shelf" reporting products with the ability to obtain data directly from the investment managers. Mr. Parenteau indicated that based on his discussions with several of the firms he spoke to, the Fund could obtain monthly, quarterly and annualized portfolio performance reporting from an outside firm for approximately \$20,000 per year. In February 2020, Mr. Parenteau provided a report to the Investment

Committee with information and quotes for four outsourced portfolio accounting software products, as well as research on other potential custodians. In April 2020, Mr. Parenteau emailed Trustees Stacy and Pearcy and recommended Panoramix as a portfolio accounting system for the Fund, which would cost \$6,000 per year and had the ability to report alternative investment products. While no action was taken by the Board in April 2020, Mr. Parenteau provided an updated recommendation in November 2020 for two software options which he estimated to cost the Fund \$35,000 per year. On November 16, 2020, Mr. Parenteau provided a recommendation to Trustee Stacy to utilize the third-party software Addepar, which he estimated to cost \$35,200 per year, including \$27,200 for the software and \$8,000 per year to be paid to Mr. Parenteau. Based on a subsequent email several days later, it appeared that Trustee Stacy and Ms. Crow explained the obstacles in getting cleansed performance information for the entire portfolio on an aggregated basis. Mr. Parenteau indicated that he would not be able to help if the Fund was unable to find a “reliable source of inflows and outflows.” In an email on February 25, 2021, Mr. Parenteau agreed that due to the fact that the private placement real estate managers such as CDK and Moriah did not respond to his requests for statements, his idea for an automated software solution for the Fund would not be feasible.

c. Agreement with MTO Financial Services in November 2021

In March 2021, Mr. Parenteau informed the Investment Committee that January 2021 was the first month he has attempted to take over the monthly reporting spreadsheet maintained by Ms. Crow, indicating that the updated values show an increase of approximately \$5 million from the previous version. While it appeared that Mr. Parenteau made an effort to take over the monthly reporting for a few months, in October 2021 Mr. Parenteau emailed Trustee Stacy and Ms. Crow to recommend MTO Financial Services (“MTO”) as an outside service provider for consolidated portfolio reporting. Mr. Parenteau provided a cost estimate of \$85,000 during the first year and \$35,000 each year after. Mr. Parenteau also indicated that the reporting from MTO would satisfy the reporting criteria requested by Trustee Stacy by providing time-weighted present value reporting. It is also our understanding that MTO utilized the Addepar software platform previously recommended by Mr. Parenteau.

During the Board meeting on November 18, 2021, the Board discussed a proposed resolution to assign Parenteau Analytics “to do consolidated aggregated portfolio accounting,” although the resolution was not approved and no action was taken. Despite the resolution not being approved by the Board, the following day the Fund executed a Financial Reporting Service Agreement with MTO to provide ongoing financial verification and reporting services for the Fund, including historical data for all investments and preparation of monthly and quarterly reports by the 15th of each month. The agreement with MTO included an onboard fee of \$10,000, and a quarterly fee equal to 4% of assets monitored through the Addepar platform (estimated to be \$9,000 per quarter based on total assets of \$90 million). MTO completed their initial monthly reporting in January 2022, which was shared with the Board during the Board meeting on January 25, 2022.

Appendices
