

Board Governance

Why the Need for Chapter 176?

MACRS

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A Word on VC Valuation (1)

PORTFOLIO CO.	12/31/11	12/31/12	DIFFERENCE
ABC	\$20.0 Million	\$2.5 Million	-\$17.5 Million
XYZ	\$170.0 Million	\$0.0 Million	-\$170.0 Million
PASSO	\$75.7 Million	\$22.0 Million	-\$53.7 Million
LLC	\$42.9 Million	\$16.1 Million	-\$27.0 Million
ARGO	\$8.7 Million	\$3.3 Million	-\$5.4 Million
RAG	\$114.0 Million	\$95.0 Million	-\$19.0 Million
NORO	\$20.4 Million	\$3.9 Million	-\$16.3 Million
TRICKLE	\$13.2 Million	\$0.0 Million	-\$13.2 Million
ANNACANNA	\$16.6 Million	\$4.2 Million	-\$12.4 Million
FANNA	\$39.3 Million	\$33.7 Million	-\$5.6 Million
ORH	\$31.0 Million	\$22.9 Million	-\$7.1 Million

The total value of the partnership was reduced in one year from \$587,631,842 as of 12/31/11 to \$278,981,753 as of 12/31/12 – a reduction of approximately \$298.8 Million.

A Word on VC Valuation (2)

APPLYING THIS TO THE INTEREST OF ONE PENSION FUND INVESTOR:

Beginning Balance – 1/1/12	\$6,995,487
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Capital Balance – 12/31/13	\$3,299,610
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Cumulative through 12/31/12	
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Contributions	\$7,593,683
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Capital Balance 12/31/12	\$3,299,610
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It is also noteworthy that over \$2.8 Million was paid to various placement agents in raising funds for the partnership.

CFM - \$37 Million

- At Least \$2.0 Million In Brokerage Paid to an Undisclosed Third Party
- Payments Generated By Brokerage Costs Added to Trading Costs
- Manager Demanded Arrangement as a Condition to Trade With Counterparty
- Inaccurate and Misleading Portfolio Valuations
- Manager Deviated From Original Style
- Currency Hedging

Cutler First America Asia - \$ 18 Million

- 5 Retirement Systems – Brockton, Haverhill, Middlesex, Natick, Salem
- Failed to Provide Fair Mkt. Value Quarterly Statements
- Portfolio Co. Paid Employee of Cutler Asia (GP)
- Failed to Disclose Related Party Transactions
- Misleading Statements as to Portfolio Company
- Investment In China
- Complex Investment Structure

Zero Stage Capital VI VII - \$ 13.7 Million

- Worcester Reg., Hampden, Salem, Middlesex
- GP's Suing Each Other
- SBA Take Over
- VI and VII Disasters
- V Successful

Keystone - \$7.3 Million

- Kieran Dale
- Diverted \$9 Million of Partnership Funds (\$27 Million Lost)
- Reported the Diversion as Portfolio Company Investment
- False Financial Statements
- Melrose, Middlesex, Watertown, Lynn - \$7.3 Million
- Philadelphia, Pennsylvania and Connecticut
- SEC Action

National Scandals

- Fletcher Asset Management – Louisiana Funds
- Madoff/Feeder Funds – Upstate Bakery Drivers; Plumbers & Steamfitters Local 267; Laborers Local 214; Engineers Joint Welfare Fund
- NY – “Chooch”; Hevesi-Morris; Rattner-Quadrangle;
- MF Global

RED FLAGS

- Often Hedge Funds, Real Estate, Alternative Investments
- One Key Figure – Madoff, Kneafsey, Corzine, Fletcher
- Valuation of Portfolio Secretive – Fees, RFP Rate of Return
- Limited Reporting - Change in Investment Strategy
- Lack of Transparency – Hide Activities, Feeder Funds
- Third Party Payments – Party Providing Vague Services
- Directed Brokerage – Compensation to Unknown Parties
- Confusing Fee Structure - Surprises on Gross v. Net Return