

R E P O R T

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
AND SUBSIDIARIES

DECEMBER 31, 2011

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

June 19, 2012

Honorable Mayor and Council of
the City of New Orleans, Louisiana

We have audited the statements of plan net assets of the Firefighters' Pension and Relief Fund of the City of New Orleans New System and Old System and subsidiaries, a component unit of the City of New Orleans, as of December 31, 2011 and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Greenspring Associates Global Partners II-A, L.P., Lakewood Restoration Partners, Ltd. and Austin Falconhead, L.P., which statements reflect total assets as of December 31, 2011 of 2%, 6% and -0%, respectively. These financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Greenspring Associates Global Partners II-A, L.P., Lakewood Restoration Partners, Ltd. and Austin Falconhead, L.P., is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above, present fairly in all material respects, the financial position of the Firefighters' Pension and Relief Fund of the City of New Orleans New System and Old System as of December 31, 2011, and the results of operations and changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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The Fund has approximately \$18,425,727 (11.63% of net assets) of an investment receivable at December 31, 2011 whose value has been determined using unobservable inputs. We have reviewed the procedures used in arriving at the estimated investment receivable. Due to the inherent uncertainty of valuation, the estimated value of the investment receivable may differ from the value collected, and the differences could be material.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required statistical information on pages 41 - 42 and the supplemental schedules on pages 38 - 40 are presented for the purposes of additional analysis and are not a part of the basic financial statements. Such required statistical information for the years ending December 31, 2006 through 2011 and supplemental schedules for the years ending December 31, 2011 and 2010, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2012 on our consideration of the Firefighters' Pension and Relief Fund of the City of New Orleans' internal control over financial reporting and on our tests of its compliance with laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

The following is management's discussion and analysis of the financial performance of the Firefighters' Pension and Relief Fund of the City of New Orleans (NOFF). It is presented as a narrative overview and analysis for purpose of assisting the reader with interpreting key elements of the financial statements, notes to the financial statements, required supplementary information, and supporting schedules for the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Fund's basic financial statements, which are comprised of three components:

- Statement of plan net assets
- Statement of changes in plan net assets, and
- Notes to the financial statements

This report also contains required supplemental information in addition to the basic financial statements themselves.

The statements of plan net assets report the pension fund's assets, liabilities and resultant net assets held in trust for pension benefits. They disclose the financial position of the Fund as of December 31, 2011.

The statement of changes in plan net assets reports the results of the pension fund's operations during the year disclosing the additions to and deductions from the plan net assets. It supports the change that has occurred to the prior year's net asset value on the statement of plan net assets.

Required supplementary information consists of two schedules and related notes concerning the funded status of the Fund.

Supporting schedules include information on changes in reserve balances, administrative expenses and investments.

NOFF FINANCIAL ANALYSIS

NOFF provides retirement allowances and other benefits for firefighters of the City of New Orleans. The Fund consists of two systems, the Old System and the New System. The Old System includes firefighters employed before January 1, 1968. The New System covers firefighters who were employed after December 31, 1967 or Old System members who have elected coverage under the New System.

**FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011**

December 31, 2011 and 2010

	<u>New System</u>		<u>Old System</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Cash	\$ 654,278	\$ 1,022,153	\$ 59,228	\$ 136,986
Receivables	22,251,451	3,529,096	33	154
Investments	195,339,957	210,939,874	14,839,400	13,915,558
Collateral held under security lending	3,884,972	4,249,281	-	-
Other assets	651,469	402,375	-	-
Property and equipment	<u>-</u>	<u>-</u>	<u>4,952</u>	<u>18,745</u>
Total assets	<u>222,782,127</u>	<u>220,142,779</u>	<u>14,903,613</u>	<u>14,071,443</u>
Liabilities	<u>62,173,340</u>	<u>59,607,728</u>	<u>42,088</u>	<u>64,167</u>
Total liabilities	<u>62,173,340</u>	<u>59,607,728</u>	<u>42,088</u>	<u>64,167</u>
Net assets held in trust for pension benefits	158,486,068	160,273,601	14,861,525	14,007,276
Noncontrolling interests	<u>2,122,719</u>	<u>261,450</u>	<u>-</u>	<u>-</u>
Total net assets	<u>\$ 160,608,787</u>	<u>\$ 160,535,051</u>	<u>\$ 14,861,525</u>	<u>\$ 14,007,276</u>

**Consolidated Statements of Changes in Plan Net Assets
For the Years Ended December 31, 2011 and 2010**

	<u>New System</u>		<u>Old System</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Additions:				
Contributions	\$ 13,482,709	\$ 12,804,409	\$ 20,975,082	\$ 21,617,749
Other additions	-	25,746	-	-
Investment income	<u>9,738,617</u>	<u>11,751,117</u>	<u>335,689</u>	<u>1,320,478</u>
Total additions	<u>23,221,326</u>	<u>24,581,272</u>	<u>21,310,771</u>	<u>22,938,227</u>
Total deductions	<u>25,008,859</u>	<u>23,088,160</u>	<u>20,456,522</u>	<u>20,385,885</u>
Increase (Decrease) in plan net assets	<u>\$ (1,787,533)</u>	<u>\$ 1,493,112</u>	<u>\$ 854,249</u>	<u>\$ 2,552,342</u>

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

Additions to Plan Net Assets

Additions to NOFF plan net assets were derived from member and employer contributions, state fire insurance rebates, and investment income. The decrease in investment income is primarily related to the performance of some of NOFF's investments during 2011 as compared to 2010.

	<u>New System</u>			<u>Old System</u>		
	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease) Percentage</u>	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease) Percentage</u>
Member contributions	\$ 1,496,021	\$ 1,372,954	8.96%	\$ -	\$ -	-
City appropriations	11,395,565	10,635,430	7.15%	20,383,959	20,821,724	-2.10%
State insurance rebate	591,123	796,025	-25.74%	591,123	796,025	-25.74%
Transfer from other systems	-	25,746	-100.00%	-	-	-
Net investment income	<u>9,738,617</u>	<u>11,751,117</u>	-17.13%	<u>335,689</u>	<u>1,320,478</u>	-74.58%
	<u>\$ 23,221,326</u>	<u>\$ 24,581,272</u>		<u>\$ 21,310,771</u>	<u>\$ 22,938,227</u>	

Deductions from Plan Net Assets

The majority of deductions from plan net assets include retirement, death and survivor benefits, PLOP and DROP withdrawals and administrative expenses. Deductions from plan net assets increased by \$1,920,699 in the New System in 2011, primarily due to an increase in DROP and increase in retirement benefits. Deductions from plan net assets increased by \$70,637 in the Old System in 2011, primarily as a result of an increase in retirement benefits paid, administrative expenses and DROP and PLOP withdrawals.

	<u>New System</u>			<u>Old System</u>		
	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease) Percentage</u>	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease) Percentage</u>
Retirement benefits	\$ 19,397,624	\$ 17,744,223	9.32%	\$ 19,349,035	\$ 19,366,261	-0.09%
Refund of contributions	159,337	115,938	37.43%	-	-	0.00%
Death benefits	18,000	21,000	-14.29%	57,000	51,000	11.76%
Depreciation expense	-	-	0.00%	13,792	22,859	-39.66%
Administrative expenses	684,779	664,812	3.00%	653,213	601,636	8.57%
DROP withdrawal	2,544,844	2,162,947	17.66%	57,212	28,669	99.56%
PLOP withdrawal	<u>2,204,275</u>	<u>2,379,240</u>	-7.35%	<u>326,270</u>	<u>315,460</u>	3.43%
	<u>\$ 25,008,859</u>	<u>\$ 23,088,160</u>		<u>\$ 20,456,522</u>	<u>\$ 20,385,885</u>	

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

Investments

NOFF is responsible for the prudent management of funds held in trust for the exclusive benefit of our members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments at December 31, 2011 amounted to \$195,339,957 and \$14,839,400 for the New and Old Systems, respectively, as compared to \$210,939,874 and \$13,915,558 at December 31, 2010. Total investments decreased approximately 7.40% in the New System and increased approximately 6.64% in the Old System.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided or requests for additional financial information should be addressed to Richard J. Hampton, Jr., CEO/Secretary-Treasurer of the Firefighters' Pension and Relief Fund of the City of New Orleans, 3520 General DeGaulle, Suite 3001, New Orleans, LA 70114.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PLAN NET ASSETS
DECEMBER 31, 2011

	<u>New System</u>	<u>Old System</u>
ASSETS:		
Cash (Note 5)	\$ 654,278	\$ 59,228
Receivables:		
Accounts receivable, net	145,917	-
Accrued investment income	3,533,843	33
Investments receivable	18,464,283	-
Member contributions receivable	107,408	-
Total receivables	<u>22,251,451</u>	<u>33</u>
INVESTMENTS (at fair value): (Note 1)		
Cash equivalents (Note 5)	7,213,528	14,839,400
Bonds (Note 5)	6,292,195	-
Stocks	33,635,568	-
Mutual funds (Note 17)	18,850,284	-
Notes receivable (Note 13)	19,465,986	-
Investment in limited liability corporations (Note 15)	10,319,328	-
Investment in corporation (Note 16)	2,042,769	-
Investment in partnerships (Note 14)	19,037,832	-
Investment in real estate (Note 18)	78,482,467	-
Total investments	<u>195,339,957</u>	<u>14,839,400</u>
Collateral held under Securities Lending Program (Notes 5 and 11)	<u>3,884,972</u>	<u>-</u>
OTHER ASSETS		
Inventory	65,533	-
Prepaid expenses	8,507	-
Other intangible assets	197,532	-
Development costs	221,069	-
Loan fees	158,828	-
Total other assets	<u>651,469</u>	<u>-</u>
Property and equipment, net of accumulated depreciation of \$124,018 (Note 6)	<u>-</u>	<u>4,952</u>
Total assets	<u>222,782,127</u>	<u>14,903,613</u>
LIABILITIES:		
Accounts payable	1,095,145	41,322
Other payables	309,544	-
Payroll taxes payable	-	766
Deferred lease liability (Note 7)	1,711,359	-
Notes payable (Note 19)	9,768,956	-
Line of credit (Note 19)	45,403,364	-
Obligation under Securities Lending Program (Notes 5 and 11)	3,884,972	-
Total liabilities	<u>62,173,340</u>	<u>42,088</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	158,486,068	14,861,525
NONCONTROLLING INTEREST	2,122,719	-
TOTAL NET ASSETS	<u>\$ 160,608,787</u>	<u>\$ 14,861,525</u>

See accompanying notes.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>New System</u>	<u>Old System</u>
ADDITIONS: (Note 1)		
Contributions:		
Member	\$ 1,496,021	\$ -
Employer (Note 3)	11,395,565	-
Appropriations	-	20,383,959
Fire insurance rebate	591,123	591,123
Total contributions	<u>13,482,709</u>	<u>20,975,082</u>
Investment income:		
Securities litigation proceeds	35,192	-
Interest and dividend income	2,093,366	141,040
Net appreciation in fair value of investments	10,604,777	227,058
Other investment income	557,573	-
	<u>13,290,908</u>	<u>368,098</u>
Less investment expense:		
Investment management fees	690,423	32,409
Custodian fees	42,873	-
Foreign taxes	2,771	-
Miscellaneous investment expense	185,306	-
Note interest expense	31,544	-
Golf Course operations	2,552,442	-
	<u>3,505,359</u>	<u>32,409</u>
Net investment income	9,785,549	335,689
Less: Net appreciation in fair value attributable to noncontrolling interest	(72,456)	-
Plus: Loss from golf course operations attributable to noncontrolling interest	25,524	-
Net investment income attributable to the Pension Fund	<u>9,738,617</u>	<u>335,689</u>
OTHER ADDITIONS:		
Transfer from other retirement system	-	-
Total other additions	-	-
Total additions	<u>23,221,326</u>	<u>21,310,771</u>
DEDUCTIONS:		
Retirement benefits paid	19,397,624	19,349,035
Refund of contributions	159,337	-
Death benefits	18,000	57,000
Depreciation expense	-	13,792
Administrative expenses (Page 40)	684,779	653,213
DROP withdrawal	2,544,844	57,212
PLOP withdrawal	2,204,275	326,270
Total deductions	<u>25,008,859</u>	<u>20,456,522</u>
NET INCREASE/(DECREASE)	(1,787,533)	854,249
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year	<u>160,273,601</u>	<u>14,007,276</u>
END OF YEAR	<u>\$ 158,486,068</u>	<u>\$ 14,861,525</u>

See accompanying notes.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

The Firefighters' Pension and Relief Fund (the Fund) was created, pursuant to Louisiana Revised Statute 11:3361, for the purpose of providing retirement allowances and other benefits for firefighters of the City of New Orleans. The Fund is a component unit of the City of New Orleans and is administered by a Board of Trustees. Benefits, including normal retirement, early retirement, disability retirement and death benefits, are provided as specified in La. R.S. 11:3361 et seq.

Consolidation:

The consolidated financial statements include the accounts of the Firefighters' Pension and Relief Fund of the City of New Orleans New System and its 100% owned subsidiary, Corner Pocket, L.L.C. The financial statements also include the 99% owned subsidiaries of Austin Falconhead, L.P., Lakewood Restoration Partners, Ltd, Americus Real Estate Fund I, Ltd., the 96% owned subsidiary of Greenspring Associates Global Partners II, L.P. and the 64.07% owned subsidiary, Sadie Creek Commons, L.L.C. All intercompany transactions and balances have been eliminated upon consolidation.

The Fund is the 100% owner of Corner Pocket, L.L.C., which was formed to acquire, develop and sell property in Boise, Idaho.

The Fund is the 99% owner of Lakewood Restoration Partners, Ltd., which was formed to acquire and develop property located in New Orleans, Louisiana, commonly known as the Lakewood Country Club. The Lakewood Country Club began operations in 2009.

The Fund is the 99% owner of Austin Falconhead, L.P. (the partnership), a Texas limited partnership which owns and operates the Falconhead Golf Club in Austin, Texas. The partnership was formed on December 29, 2006. The partnership entered into a management and services agreement with SG Falcon Services, LLC on January 1, 2008. The owner of SG Falcon Services, LLC is also the general partner of Austin Falconhead, L.P., and therefore, the partnership has chosen to consolidate the operations of SG Falcon Services as of January 1, 2008.

The Fund is the 99% owner of Americus Real Estate Fund I, Ltd., which was formed to acquire commercial real estate properties occupied by public sector tenants meeting established criteria for conversion to a capital lease program.

The Fund is the 96% owner of Greenspring Associates Global Partners II-A, L.P. (the partnership). The partnership was initially formed on October 13, 2003. The primary objective of the partnership is to generate significant returns for its partners, principally through long-term capital appreciation, by making, holding and disposing of privately negotiated equity and equity-related investments ("Portfolio Investments"), principally in (i) venture capital and private equity partnerships ("Portfolio Funds") and (ii) operating companies ("Portfolio Companies"). The objectives of the Portfolio Funds are long-term capital appreciation through investments in companies in the healthcare, information technology, and communications industries. The partnership's ability to redeem investments in Portfolio Funds is restricted. The partnership will continue until the last business day of January 2017, unless sooner dissolved pursuant to the terms of the partnership agreement or by operation of law. The General Partner has the option to extend the term for up to four additional one-year periods with the consent of a majority in interest of the Limited Partners.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Fund is the 64.07% owner of Sadie Creek Commons, L.L.C, which was formed to acquire an 11.41 acre parcel of commercial real estate property in Meridian, Idaho.

The financial statements are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB).

Basis of Accounting:

The Fund's financial statements are prepared using the accrual basis of accounting. Employer and employee contributions are recognized in the period in which the employee is compensated for services performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Interest and dividend income is recognized when earned. Fire insurance rebate monies are recognized when due.

Methods Used to Value and Report Investments:

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchanges are valued at the last reported sales price at current exchange rates. Investments in notes receivables, partnerships, limited liability corporations, corporations and trusts are reported at fair value. Investments in real estate ventures are valued at a multiple of earnings before interest, tax, depreciation and amortization (EBITDA). The multiple or the capitalization rate is based on industry averages taking into consideration age, location and class of the property.

Futures Contracts:

The margin accounts for the purchase of the futures contracts are invested in cash equivalents and are included in that investment category in the statement of plan net assets. The changes in the market value of the contracts are reported as gains or losses in the period in which the change occurs.

Intangible Assets – Austin Falconhead, L.P.:

Intangible assets are stated at historical cost, less accumulated amortization. Amortization expense is generally determined on a straight-line basis over the estimated useful life of the asset. On December 31, 2006, Austin Falconhead, L.P. recorded an intangible asset related to a 99-year land lease for approximately 199 acres of land, which is being utilized by the partnership for the development and operations of the Falconhead Golf Club. The intangible asset is being amortized over the life of the lease. The lease expires on December 31, 2099.

Austin Falconhead, L.P. recorded the intangible asset related to the 99-year land lease based on the estimated fair value of the lease at the date of the transaction. This amount was calculated based on the difference between the appraised value of the assets acquired, less the amounts already allocated to other tangible assets and liabilities. As of December 31, 2011, the gross amount of the intangible asset related to the land lease was \$2,875,382.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Intangible Assets – Austin Falconhead, L.P.: (Continued)

During 2011, Austin Falconhead, L.P. recorded amortization expense of \$30,923 related to the intangible asset. Annual amortization expense expected to be recorded in each of the next five years is estimated to be \$30,923. Total accumulated amortization at December 31, 2011 was \$173,959. For presentation in these financial statements, this intangible asset is classified as investments in real estate.

Impairment of Long-Lived Assets and Amortizable Intangible Assets – Austin Falconhead, L.P.:

Austin Falconhead, L.P. evaluates the recoverability of property and equipment and amortizable intangibles not held for sale whenever events or changes in circumstances indicate that an asset's carrying amount may not be recoverable. Such circumstances may include, but are not limited to (a) a significant decrease in the market value of an asset, (b) a significant adverse change in the extent or manner in which an asset is used or in its physical condition or (c) an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of an asset. The partnership measures the carrying value of the asset against the estimated undiscounted future cash flows associated with it. If the sum of the expected future cash flows is less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds the fair value of the asset. The estimate of fair value is based on various valuation techniques, including the discounted value of the estimated future cash flows.

The evaluation of asset impairment requires the partnership to make assumptions about the future cash flows over the life of the assets being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. Based on the partnership's assessment of the recoverability of the carrying value of the intangible asset related to the land lease, the partnership concluded that no impairment existed as of December 31, 2011.

Property and Equipment – Pension Fund:

Property and equipment is valued on the basis of historical cost less accumulated depreciation and depreciated using the straight-line method of depreciation over the assets useful life. Useful lives range from 3 to 25 years.

2. PLAN DESCRIPTION:

The Firefighters' Pension and Relief Fund was established and placed under the management of the board of trustees for the purpose of providing retirement allowances and other benefits as stated under the provisions of La. R.S. 11:3361 et seq. for active firefighters employed by the City of New Orleans.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
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2. PLAN DESCRIPTION: (Continued)

The Fund consists of two systems, the Old System and the New System. The Old System covers firefighters who were employed before January 1, 1968. The New System covers firefighters who were employed after December 31, 1967 or Old System members who have given written application to the board to elect coverage under the New System.

At December 31, 2011, the Firefighters' Pension and Relief Fund's membership consisted of:

	New <u>System</u>	Old <u>System</u>
Current retirees and beneficiaries	623	608
Terminated vested employees who have not withdrawn contributions (DROP)	87	-
Vested and nonvested active employees covered	<u>614</u>	<u>-</u>
TOTAL PARTICIPANTS AS OF THE VALUATION DATE	<u><u>1,324</u></u>	<u><u>608</u></u>

Retirement Benefits:

Members may retire with twelve years of creditable service at age fifty. The retirement benefit paid is two and one-half percent of average compensation for each year of creditable service during the best four consecutive years of service preceding the date of retirement. If the member continues to remain a member of the system beyond twelve years of service and such member attains the age of fifty, the retirement benefit for each year or portion of a year beyond twelve years of service and after age fifty, shall be an amount equal to three and one-third percent of the average annual compensation for each year or portion of a year. If the member continues service beyond thirty years, the retirement benefit for each year or portion of a year beyond twelve years of service shall be an amount equal to three and one-third percent of the average annual compensation for each year or portion of a year. However, the retirement benefit shall not exceed a total of three and one-third percent each year. The maximum benefit payable is 100% of average compensation earned during any three highest average consecutive years of service preceding retirement.

Members covered under the Old System may retire with twenty years of creditable service regardless of age. For the first twenty years of service, the retirement benefit paid is 50% of average compensation during the best year of service preceding the date of retirement. For each year of service in excess of twenty years, benefits are an additional 2.5% per year not to exceed 100%. In addition, if the member has attained age 50, his/ her benefit is increased by .5% for each year of service over 25.

FIREFIGHTERS' PENSION AND RELIEF FUND
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2. PLAN DESCRIPTION: (Continued)

Disability Benefits:

Under both systems, disability benefits are paid to employees who become physically or mentally disabled and unable to perform their duties. Nonservice related benefits are 30% of average compensation during the last year of service immediately preceding the date of established disability for those members with ten years of service or less, 40% for those members with more than ten years but less than fifteen years of service and 50% for those members with more than fifteen years of service. Service related benefits for those unable to do any work are the greater of 2/3 of monthly compensation or a regular retirement benefit if the member is so eligible. For those unable to perform firefighting duties but able to do other work, service related benefits are equal to the greater of 1/2 of monthly compensation or a regular retirement benefit if the member is so eligible.

Survivor Benefits:

If a member dies from service-connected causes while actively employed, irrespective of his years of service or eligibility for pension by age, the member's surviving spouse shall be paid a pension in the sum of 66 2/3% of the member's salary at the time of death as an annuity. If the member leaves children under the age of eighteen, those children shall receive a pension of \$300 per month each. If a member is killed or dies in any other manner, the surviving spouse shall be paid a pension in the sum of 50% of the member's salary at the time of death as an annuity and the member's children under 18 years of age shall receive \$300 per month each.

If a member's child is mentally or physically handicapped and totally and permanently disabled, the benefit is payable for life. If the firefighter is unmarried and leaves no dependent children at death, the service related survivor benefit is payable to the firefighter's widowed dependent parent. If the firefighter is unmarried and leaves no dependent children at death, nonservice related survivor benefits are payable to the firefighter's widowed parent. A \$3,000 lump sum benefit is payable upon the death of any active or retired member to the named beneficiary.

Refund Benefits:

Under the New System, upon withdrawal from service, members not entitled to receive benefits from the Fund are paid a refund of accumulated contributions plus interest. For the Old System, upon withdrawal from service, members not entitled to receive benefits from the Fund are paid a refund of 80% of accumulated contributions.

FIREFIGHTERS' PENSION AND RELIEF FUND
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2. PLAN DESCRIPTION: (Continued)

DROP Benefits:

In lieu of terminating employment and accepting a service retirement allowance, any member who has twelve or more years of service and is eligible to receive a service retirement benefit may elect to participate in the Deferred Retirement Option Plan (DROP) for up to five years and defer the receipt of benefits. Upon commencement of participation in the plan, active membership in the system terminates. During participation in the plan, employer contributions cease. The monthly retirement benefit is calculated using the participant's salary without longevity increases, his years of service and benefit option. The DROP benefit is transferred into the DROP fund. This fund does not earn interest during a member's DROP participation. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the system has been terminated for at least one full year.

Upon completion of participation in the DROP, and regardless of whether the member terminates employment, the DROP fund will earn interest annually based on a one-year composite rate of return of the Fund, minus an administrative fee of two percent, to be deducted from the member's account each year. Upon termination of employment prior to or at the end of the specified period of participation, a participant in the plan may receive, at his option, a lump sum from the account equal to the payments into the account.

The monthly benefits that were being paid into the deferred retirement option plan fund will be paid to the retiree. If a participant dies during the participation in the plan, a lump sum equal to his account balance in the plan fund shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the five years, payments into the plan fund cease and the person resumes active contributing membership in the system.

In lieu of terminating employment and accepting a service retirement allowance, any member of this system who has not less than twelve years of creditable service in this system, and who is eligible to receive a service retirement benefit, may elect to participate in the Deferred Retirement Option Plan on a retroactive basis, and receive a lump sum benefit of up to five years, based upon the value of the pension on a retroactive date selected.

PLOP Benefits:

A member, upon application for retirement, may elect to receive the actuarial equivalent of his retirement benefit as a reduced monthly benefit payable for life, plus an initial lump-sum benefit. The amount of the initial lump-sum benefit, as determined by the member, shall not exceed an amount equal to the member's normal retirement benefit times sixty. The member's monthly retirement benefit will be actuarially reduced based on the lump-sum amount withdrawn and the member's age at retirement. The partial lump-sum benefit, together with the member's reduced normal retirement benefit, must be actuarially equivalent to the member's normal retirement benefit.

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS AND SUBSIDIARIES
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2. PLAN DESCRIPTION: (Continued)

PLOP Benefits: (Continued)

The cost-of-living adjustment granted by the Board of Trustees to retirees who elect to receive a reduced retirement benefit and a partial lump-sum benefit shall be based only on the reduced retirement benefit and not on the partial lump-sum benefit.

3. CONTRIBUTIONS AND RESERVES:

Contributions:

The New System is funded by employee and employer contributions established by state statute. Employees contribute 6% of salary for the first twenty years of employment. Employer contributions are made monthly to pay the actuarially determined contributions for the prior year. The actuarial required contribution by the employer was \$29,424,359 for the year ending December 31, 2011.

The Old System is funded by employer contributions established by state statute. There are no active employees in the Old System, thus no employee contributions are required. Employer contributions are made monthly to pay the actuarially determined contributions for the prior year. The actuarial required contribution by the employer was \$22,612,929 for the year ending December 31, 2011.

In addition, the Fund receives fire insurance taxes of 2% of the fire insurance premiums written in the City of New Orleans. In 2011, amounts received as a result of this tax were divided equally between the two systems.

Administrative costs of the Fund are financed through employer contributions.

Reserves:

Use of the term "reserve" by the Fund indicates that a portion of the fund balances is legally restricted for a specific future use. The nature and purpose of these reserves are explained below:

A) Pension Reserve:

The Pension Reserve consists of the reserves for all pensions, excluding cost-of-living increases, granted to members and is the fund from which such pensions and other benefits are paid. Survivors of deceased beneficiaries also receive benefits from this fund. The Pension Reserve balance of the New System is \$229,726,190 and it is 36.15% funded. The Pension Reserve Balance of the Old System is \$162,441,060 and it is 3.51% funded.

FIREFIGHTERS' PENSION AND RELIEF FUND
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3. CONTRIBUTIONS AND RESERVES: (Continued)

Reserves: (Continued)

B) Annuity Savings:

The Annuity Savings is credited with contributions made by members of the Fund. When a member terminates his service, or upon his death before qualifying for a benefit, the refund of his contributions is made from this reserve. When a member retires, the amount of his accumulated contributions is transferred to the Pension Reserve to provide part of the benefits. The Annuity Savings balance of the New System is \$17,348,099 and it is fully funded. Since there are no active members in the Old System there is no Annuity Savings balance.

C) Pension Accumulation:

The Pension Accumulation consists of contributions paid by employers, interest earned on investments and any other income not covered by other accounts. This fund is charged annually with an amount, determined by the actuary, to be transferred to the Pension Reserve to fund retirement benefits for existing recipients. It is also relieved when expenditures are not covered by other accounts. The Pension Accumulation balance of the New System is \$(145,514,299). The Pension Accumulation balance of the Old System is \$(156,731,518).

D) Deferred Retirement Option Plan Account:

The Deferred Retirement Option Plan (DROP) Account receives and holds the monthly retirement benefits deposited on behalf of DROP participants while they continue to work. At termination, a lump sum payment of the DROP deposits is made to the participant or the participant may elect to leave the accumulated benefits on deposit in the DROP account. The DROP account balance of the New System is \$34,670,361 and it is fully funded. The DROP balance of the Old System is \$4,137,122 and it is fully funded.

E) Partial Lump-Sum Option Payment Account:

The Partial Lump-Sum Option Payment (PLOP) Account receives and holds until requested an initial lump-sum benefit which shall not exceed an amount equal to the member's normal retirement benefit times sixty, for those members who upon application for retirement, elect to receive the actuarial equivalent of their retirement benefit as a reduced monthly benefit plus an initial lump-sum benefit. The PLOP account balance of the New System is \$23,415,100 and it is fully funded. The PLOP balance of the Old System is \$5,014,861 and it is fully funded.

FIREFIGHTERS' PENSION AND RELIEF FUND
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4. ACTUARIAL COST METHOD:

The Aggregate Level Normal Cost Method was used to calculate the funding requirements of the New System. This funding method allocates pension costs as a level percentage of payroll over the future working lifetime of current members. The Aggregate Cost Method produces no unfunded accrued liability. Under the Aggregate Cost Method, actuarial gains and losses are spread over future normal costs. Based on actual experience future normal costs will increase or decrease.

The Entry Age Normal Cost Method was used to calculate the funding requirements of the Old System. Under this cost method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated on a level basis as percentage of payroll for each participant between entry age and assumed retirement age(s). That portion of the actuarial present value attributable to current year benefit accruals is called the Normal Cost. The actuarial present value of future benefits in excess of the actuarial present value of the future normal cost is called the actuarial accrued liability. Gains and losses directly increase or decrease the unfunded accrued liability.

Although the Entry Age Normal Cost Method was used to calculate the funding requirements of the Old System, it is funded on a "pay-as-you-go" basis, as more fully described in Footnote 3. Current contributions cover current expenses only.

5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS:

Deposits:

As of December 31, 2011, the Fund's bank account balances were fully insured by FDIC insurance.

Cash Equivalents:

The Fund considers all investments with original maturities of three months or less to be cash equivalents. Cash equivalents of the New System and Old System consist of government backed pooled funds, and institutional funds. The cash equivalents are held by the Fund's custodian's trust departments in the Fund's name. The cash equivalents of the Old System also consist of repurchase agreements which are collateralized.

Investments:

Statutes authorize the Fund to invest under the Prudent Man Rule. The Prudent Man Rule shall require each fiduciary of this fund and the board of trustees acting collectively on behalf of this fund to act with the care, skill, prudence and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

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5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Investments: (Continued)

Notwithstanding the Prudent Man Rule, the board of trustees shall not invest more than sixty-five percent of the total portfolio in common stock.

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. The risk occurs when investments are concentrated in any one issuer that represents 5% or more of the Fund's net assets. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. At December 31, 2011, the New System held investments in Lakewood Restoration Partners, Ltd. and First NBC Bank Holding Co. which represented 5.6% and 5.1% of the New System's net assets, respectively.

The Fund's investment policy states that no more than 25% of the equity portfolio market value may be invested in any single industry at the time of purchase. In addition, no more than 5% of total Fund assets at market may be invested in any one issuer's securities at the time of purchase (exclusive of issues of the U.S. Treasury or other Federal agencies). The Fund was in compliance with the concentration of credit risk investment policy during the fiscal year ended December 31, 2011.

Credit Risk:

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Following are the credit ratings of the New System's investments in publicly traded debt securities at December 31, 2011.

<u>Rating</u>	<u>Corporate Bonds</u>
BBB-	\$ 341,120
BB+	191,098
B+	886,516
B	1,505,825
B-	1,370,386
CCC+	816,963
CCC	328,600
CCC-	307,710
NR	<u>543,977</u>
	<u>\$ 6,292,195</u>

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5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Credit Risk: (Continued)

The Fund's investment policy allows for investment in publicly-traded debt securities rated at or above Baa by Moody's and BBB by Standard and Poor's at time of purchase.

At December 31, 2011, \$6,831,753 of the New System's cash equivalents were rated AAA by Standard and Poor's, and \$381,775 were not rated. At December 31, 2011, \$3,384,946 of the Old System's cash equivalents were rated AAA by Standard and Poor's and \$11,454,454 were not rated.

Custodial Credit Risk:

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

At December 31, 2011, for cash collateral held under the securities lending program in the amount of \$3,884,972, the New System is exposed to custodial credit risk since the collateral is not in the name of the Fund. The total amount of investments not exposed to custodial credit risk is \$195,339,957 in the New System and \$14,839,400 in the Old System.

The Fund has no formal investment policy regarding custodial credit risk.

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. At December 31, 2011, the Fund had the following investments in long-term debt securities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More Than 10</u>
Corporate bonds	\$ <u>6,292,195</u>	\$ <u> --</u>	\$ <u>3,885,876</u>	\$ <u>1,800,330</u>	\$ <u>605,989</u>
Notes Receivable	\$ <u>19,465,986</u>	\$ <u>12,089,087</u>	\$ <u>4,040,200</u>	\$ <u> --</u>	\$ <u>3,336,699</u>

The Fund's investment policy prohibits investment in debt securities with maturities greater than thirty years at time of purchase. At December 31, 2011, all notes were within the specified maturity guidelines on its debt securities. The Fund owns a \$3,336,699 note receivable with no maturity date specified.

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5. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Interest Rate Risk: (Continued)

The Fund may invest in collateralized mortgage obligations. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result in a decline in interest rates.

6. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at December 31, 2011:

Pension Fund – Old System:

Furniture and equipment	\$ 128,970
Less: Accumulated depreciation	<u>(124,018)</u>
Total Property and Equipment, net	<u>\$ 4,952</u>

Depreciation expense for the year ended December 31, 2011 was \$13,792 in the Old System.

7. OPERATING LEASES:

Austin Falconhead, L.P. (the partnership) leases real property under a 99-year operating lease that expires on December 31, 2099 and requires annual minimum lease payments each year. In addition, the lease requires percentage rents to be paid beginning in 2011. The minimum lease payments are escalated and range from a current rate of \$93,000 per year to \$1,249,553 in 2099. Commencing with calendar year 2011 and for the remainder of the term of the lease, the lease requires that the partnership pay percentage rent in the amount, if any, by which three percent of the partnership's "net operating revenues" during each lease year exceeds the base rent by the partnership for that lease year. The three percent of the partnership's "net operating revenues" did not exceed the minimum lease payment for 2011, and accordingly the company had no obligation to pay percentage rent for the year ended December 31, 2011. Another party to the lease has agreed to pay up to \$93,000 per year in lease expense on behalf of the partnership in return for certain rights and privileges related to the land.

The partnership records lease expense using the straight-line method over the term of the lease, net of any payments received from the third party. The difference between the amount paid and the amount recorded as an expense is recorded as a long-term deferred lease liability on the statement of plan net assets. This liability represents an obligation the partnership will pay in future years based on the projected increases in minimum lease amounts due under the land lease.

In addition to the land lease, the partnership periodically enters into lease transactions for equipment. The partnership generally records lease payments on these operating leases as expenses when incurred.

FIREFIGHTERS' PENSION AND RELIEF FUND
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7. OPERATING LEASES: (Continued)

Lease expense for the year ended December 31, 2011 was \$412,059. Future minimum lease payments under the non-cancelable operating lease are as follows:

Years ending December 31,	
2012	\$ 86,577
2013	89,441
2014	92,392
2015	95,431
2016	63,521
Thereafter	<u>31,492,924</u>
Total	<u>\$ 31,920,286</u>

8. PER DIEM PAID TO BOARD MEMBERS:

Board members are not paid per diem for attending board meetings.

9. USE OF ESTIMATES:

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

10. REQUIRED SUPPLEMENTARY SCHEDULE INFORMATION:

Information in the Required Supplementary Schedules is designed to provide information about the Fund's progress made in accumulating sufficient assets to pay benefits and is presented on pages 41 - 42.

11. SECURITY LENDING AGREEMENTS:

The Board of Trustees of the Fund authorized the Fund to enter into a securities lending program. These agreements consist of the loan of stock and bonds with a simultaneous agreement to reacquire the same loaned security in the future plus a contract rate of interest. The Fund requires the dealer to transfer cash or collateral of no less than 100% of the market value of the securities underlying the securities lending agreements. At December 31, 2011 the fair value of the securities on loan is \$3,773,497. The underlying collateral for these securities is \$3,884,972.

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11. SECURITY LENDING AGREEMENTS: (Continued)

In cases of security loans in which the collateral received by the Fund is cash, the Fund is able to reinvest the cash under the agreement with the dealer. When this occurs the collateral is reported as an asset with a corresponding liability. If the Fund receives collateral other than cash, it may not reinvest the collateral. When this occurs, the Fund does not record the collateral on the financial statements. In both cases, the loaned securities continue to be reported as an asset on the balance sheet. The cash collateral was invested in cash equivalents and fixed income securities at December 31, 2011. The maturities of these investments match the maturities of the securities loans.

At year end, the Fund has no credit risk exposure to borrowers because the amounts the borrowers owe the Fund exceed the amounts the Fund owes the borrowers. The Fund cannot pledge or sell collateral securities received unless the borrower defaults.

The information was not available to compute the gross amount of interest income earned and interest expense incurred from security lending transactions. The net income received from the transactions in the amount of \$8,061 is recorded on the financial statements in investment income.

12. FUTURES CONTRACTS:

The Fund has entered into futures contracts for the purpose of trading. At December 31, 2011, the New System had outstanding 69 index futures contracts, all maturing March 2012. The Old System had outstanding treasury notes and index futures contracts, all maturing March 2012. The notional value of the open contracts at December 31, 2011 was \$4,283,842 and \$11,369,357 for the New System and Old System, respectively. The fair value of the open contracts at December 31, 2011 was \$4,321,470 and \$11,537,307 for the New System and Old System, respectively. Open contracts are valued at the last reported sales price at current exchange rates.

The Fund is required to pledge cash equivalents as collateral for the trading account for the New System. At December 31, 2011, the pledged cash equivalents' carrying value was \$267,480. The Fund is also required to maintain a margin account to serve as the source of funds for any required variation margin. At December 31, 2011, the margin account's balance was \$4,087,447.

The Fund is required to pledge cash equivalents as collateral for the trading account for the Old System. At December 31, 2011, the pledged cash equivalents carrying value was \$587,102. The Fund is also required to maintain a margin account to serve as the source of funds for any required margin variation. At December 31, 2011, the margin account's balance was \$2,679,434.

FIREFIGHTERS' PENSION AND RELIEF FUND
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13. NOTES RECEIVABLE:

During the year ended December 31, 2011, the New System of the Fund had notes receivable as follows:

- a) On March 19, 2003, the Fund loaned \$5,000,000 to American Pension Consultants, L.L.C. (the corporation). The loan bears interest at 9.5%, commencing from the date of the advance of the funds, with interest payments due in quarterly installments commencing March 31, 2003. The principal balance is due at a future date to be mutually agreed to by the Fund and the corporation. The loan is collateralized by \$3,336,700 of life insurance policies purchased with the loan proceeds. The balance of the loan is \$3,336,700 at December 31, 2011. Accrued interest is not being recognized on this note, as collectability is deemed to be uncertain.

- b) On June 14, 2005, the Fund loaned \$2,300,000 to Metairie Hotel, L.L.C. (the corporation). The loan bears interest at 12%, commencing from the date of the advance of the funds, with interest payments due in monthly installments commencing December 31, 2005. The corporation at its sole discretion may pay part or all of the loan principal balance with thirty days written notice. Any unpaid principal balance was due in full on May 31, 2010. This loan is currently in default. The loan is subordinate and subject in right of payment to the prior payment in full of the senior indebtedness of the corporation.

The loan is secured by a non-first priority interest in the assets of the corporation. The balance of the loan is \$1 at December 31, 2011. Interest is not being accrued on this note, as collectability is deemed to be uncertain. As additional consideration for the loan, the Fund was granted a 50% equity interest in the corporation. See footnote 15 for additional detail.

- c) During 2006, the Fund loaned \$2,200,000 and \$800,000 to Aventura Maya, LLC (the borrower) on two separate notes. Both notes bear interest at 8% commencing from the date of the notes. Interest payments for both notes are due quarterly beginning on December 1, 2006. Principal payments are due quarterly beginning on August 31, 2008 until the principal balance is paid in full for both notes. Any unpaid principal balance is due in full on May 31, 2013. The notes are secured by an agreement granting the Fund an additional 50% ownership interest in the borrower's hotel in case of default. The balance of the loans is \$3,000,000 at December 31, 2011. For the year ended December 31, 2011, the Fund earned interest of \$240,000 which is recorded in investment income.

FIREFIGHTERS' PENSION AND RELIEF FUND
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13. NOTES RECEIVABLE: (Continued)

- d) During 2009, the Fund loaned \$2,663,863 to Maritime Building, L.L.C. (the corporation). The note bears interest at 8% for a one year period following the date of the note, 10% for months thirteen through eighteen, 12% for months nineteen through twenty-four, and 18% thereafter. Principal and interest were payable in a lump sum on September 9, 2011. The loan is currently in default. The note is secured by a personal guaranty agreement by the manager of the corporation and a security interest in the corporation's investor contributions and investor notes receivable. The balance of the note is \$2,395,308 at December 31, 2011. For the year ended December 31, 2011, the Fund earned interest of \$431,357 which is recorded in investment income.
- e) During 2007, the Fund loaned \$1,500,000 to Stephens Garage Building, L.L.C. (the corporation). The note bears interest at 12%. The principal balance together with all accrued and unpaid interest was due on April 12, 2010. This loan is currently in default which bears a default rate of 18%. The note is secured by a personal guaranty agreement by the majority owner of the corporation and a non-first mortgage and security agreement in the assets of the corporation. The balance of the note is \$1,500,000 at December 31, 2011. For the year ended December 31, 2011, the Fund did not accrue interest on the note as collectability is deemed to be uncertain.
- f) During 2007, the Fund loaned \$2,777,778 to Broadway Manager, L.L.C. (the corporation). The note bears interest at 10% for a two year period following the date of the note, 12% for months twenty-five through thirty-six, 15% for months thirty-seven through forty-eight and 18% thereafter. The first year's interest was paid on the effective date of the note. Interest payments are due quarterly beginning on March 31, 2008 to the extent that the corporation has cash flow available. The entire principal balance became due on January 31, 2011. The loan is currently in default. The note is secured by a personal guaranty agreement by a third-party guarantor, a certificate of term life insurance on the third party guarantor, and a second mortgage on the corporation's property. The balance of the note is \$2,777,778 at December 31, 2011. For the year ended December 31, 2011, the Fund earned interest of \$493,056 which is recorded in investment income.
- g) On January 11, 2008, the Fund loaned \$780,000 to Parks of Plaquemines, L.L.C. (the corporation). The Fund loaned an additional \$156,000, \$585,000 and \$195,000 during the years ended December 31, 2011, 2010 and 2009, respectively. The note bears interest at 10% per year. The outstanding principal balance together with all accrued and unpaid interest became due on January 11, 2011. The balance of the note is \$1,716,000 at December 31, 2011. For the year ended December 31, 2011, the Fund earned interest of \$158,586, which is recorded in investment income.

FIREFIGHTERS' PENSION AND RELIEF FUND
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13. NOTES RECEIVABLE: (Continued)

- h) On June 22, 2010, the Fund formed Fireland Fund, LLC which was created to purchase a promissory note held by Alpha Mortgage Fund I. The borrower on this note was Sadie Creek Commons, LLC. The terms of the note remained the same after purchase and carried an interest rate of 15.75% per year and matured on December 18, 2007. The loan was in default at the time of purchase. During the year ended December 31, 2011, the Fireland Fund, LLC foreclosed on the property and as a result became 100% owner of the property formerly owned by Sadie Creek Commons, LLC. The note receivable with a balance of \$2,150,000 was retired during the year ended December 31, 2011 in exchange for complete ownership of the aforementioned property. During the year ended December 31, 2011, the Fund allowed two additional investors to purchase an interest in Fireland Fund, LCC, thereby reducing the Funds ownership percentage from 100% to 64.07%. There was no interest accrued on this note during the year ended December 31, 2011.
- i) On December 29, 2011, the Fund loaned \$3,500,000 to PMAT Algiers Plaza, LLC. The note bears interest at 12% through March 31, 2012, 18% from April 1, 2012 through June 30, 2012, and 24% thereafter. The outstanding principal balance together with all accrued and unpaid interest is due on December 29, 2012. The balance of the note is \$3,500,000 at December 31, 2011. For the year ended December 31, 2011, the Fund earned interest of \$3,500, which is recorded in investment income.
- j) On February 14, 2011, the Fund loaned \$790,200 to Waltemath Family Limited Partnership for the sale of land on the westbank of New Orleans. The note is due in one installment plus accrued interest of 8%. The payment is due sixty months from the execution date of February 14, 2011. The note shall be paid from sales proceeds on the sale of lots.
- k) On June 2011, the Fund loaned \$200,000 to NLDMII Investments, LLC for the production of a movie. The note bears interest at 15% per annum. In addition, the Fund will receive an additional 2% of the investment per month for each month beyond one year the interest is not paid for up to one year.
- l) In 2011, the Fund loaned \$250,000 to Cuilling, LLC for the production of a movie. The note bears interest at 20% per annum. Payment is to be made within 18 months of funding.

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14. INVESTMENT IN PARTNERSHIPS:

During the year ended December 31, 2011, the New System of the Fund had investments in partnerships as follows:

- a) The Fund has an investment as a limited partner in First America Asia Fund I, L.P. (the partnership). The partnership was formed to achieve significant long-term capital gains through investment in holding companies owned by companies which will use the funds to invest in private joint ventures in Asia, excluding Japan. As of December 31, 2011, the investment was written off in the amount of \$1.
- b) The Fund has committed to invest \$2,000,000 in Trans-Europe Buyout Partners III, L.P. (the partnership). As of December 31, 2011, the Fund has invested \$501,219 in the partnership. The partnership was formed to qualify as a Professional Investor Fund and thereafter to invest in buyout funds. As of December 31, 2011, the Fund has an investment of \$372,239 in the partnership.

Net income or loss is allocated on an annual basis to the capital accounts of the partners in proportion to their capital commitments. The Fund's share of partnership loss for 2011 was \$153,399 and is included in investment income.

- c) The Fund has committed to invest \$3,000,000 in Trans-Europe Buyout Partners IV, L.P. (the partnership). As of December 31, 2011, the Fund has invested \$714,539 in the partnership. The partnership was formed to qualify as a Professional Investor Fund and thereafter to invest in buyout funds. As of December 31, 2011, the Fund has an investment of \$900,293 in the partnership.

Net income or loss is allocated on an annual basis to the capital accounts of the partners in proportion to their capital commitments. The Fund's share of partnership loss for 2011 was \$194,818 and is included in investment income.

- d) The Fund has committed and invested \$3,000,000 in the LEM Real Estate Mezzanine Fund, L.P. (the partnership). The partnership was formed to seek current and deferred returns through investments in high yielding, subordinated real estate related debt and preferred equity interests including junior or subordinated mortgage loans, loans secured by pledges of partnership interests, preferred equity investments and other high-yielding investments collateralized by various types of real estate properties. As of December 31, 2011, the Fund has an investment of \$1,210,518 in the partnership.

Net losses are allocated to the partners in proportion to the partners' participating percentages. Net income is allocated and based on the partners' respective ownership interests. The Fund's share of partnership loss for 2011 was \$195,238 and is included in investment income.

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14. INVESTMENT IN PARTNERSHIPS: (Continued)

- e) The Fund has committed and invested \$1,026,500 in the OCM Mezzanine Fund, L.P. (the partnership). The partnership was formed for the purpose of allowing qualified investors to pool their assets to invest in mezzanine investments. As of December 31, 2011, the Fund has an investment of \$113,785 in the partnership.

Net income or loss is allocated to the capital accounts of the partners in proportion to their capital commitments. The Fund's share of partnership loss for 2011 was \$4,929 and is included in investment income.

- f) Greenspring Associates Global Partners II, L.P. (the partnership), which is 96% owned by the Fund, has investments in partnerships. As of December 31, 2011, the partnership has an investment of \$2,056,197 in the partnership.
- g) The Fund has committed to invest \$500,000 in Louisiana Fund I, L.P. (the partnership). As of December 31, 2011, the Fund has invested \$405,000 in the partnership. The partnership was formed to invest in early stage companies that are located primarily in Louisiana. As of December 31, 2011, the Fund has an investment of \$941,039 in the partnership.

Net income or net loss is allocated to the capital accounts of the partners generally in proportion to their respective ownership interests. The Fund's share of partnership income for 2011 was \$81,652 and is included in investment income.

- h) The Fund has committed and invested \$1,000,000 in Murphree Venture Partners VI (the partnership). The partnership was formed to invest in the debt and equity securities in various private and public companies. As of December 31, 2011, the Fund has an investment of \$866,859 in the partnership.

Net income or loss is allocated to the capital accounts of the partners generally in proportion to their respective ownership interests. The Fund's share of partnership loss for 2011 was \$82 and is included in investment income.

- i) The Fund has committed and invested \$3,000,000 in Trans-Europe Buyout Partners VII, L.P. (the partnership). The partnership was formed to qualify as a Professional Investor Fund and thereafter to invest in buyout funds. As of December 31, 2011, the Fund has an investment of \$3,272,613 in the partnership.

Net income or loss is allocated on an annual basis to the capital accounts of the partners in proportion to their capital commitments. The Fund's share of partnership income for 2011 was \$276,678 and is included in investment income.

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14. INVESTMENT IN PARTNERSHIPS: (Continued)

- j) The Fund has committed and invested \$3,000,000 in Greenspring Associates Crossover Ventures I, L.P. (the partnership). The partnership was formed to capture returns associated with investing in small companies, venture backed private companies and mature investment funds. As of December 31, 2011, the Fund has an investment of \$3,421,483 in the partnership.

Net income or loss is allocated to the capital accounts of the partners generally in proportion to their respective ownership interests. The Fund's share of the partnership income for 2011 was \$8,198 and is included in investment income.

- k) The Fund has committed to invest \$5,000,000 in Sail Venture Partners II, L.P. (the partnership). As of December 31, 2011, the Fund has invested \$4,649,643 in the partnership. The partnership was formed to invest in emerging clean energy, clean water and other clean technology companies that can profoundly impact the environment, health and national security. As of December 31, 2011, the Fund has an investment of \$5,257,222 in the partnership.

Net income or loss is allocated to the capital accounts of the partners generally in proportion to their respective ownership interests. The Fund's share of the partnership income for 2011 was \$426,523 and is included in investment income.

- l) The Fund has committed to invest \$1,000,000 in Louisiana Sustainability Fund, LP (partnership). The partnership was formed for the purpose of investing venture capital in early and later stage Cleantech companies. As of December 31, 2011, the Fund has an investment of \$625,583 in the partnership.

Net income or loss is allocated to the capital accounts of the partners generally in proportion to their respective ownership interests. The Fund's share of the partnership income for 2011 was \$56,613 and is included in investment income.

15. INVESTMENT IN LIMITED LIABILITY CORPORATIONS:

During the year ended December 31, 2011, the New System of the Fund had investments in limited liability corporations as follows:

- a) The Fund has an investment in the South Peters Hotel Investors, L.P. (the partnership). The partnership was formed for the purpose of acquiring, developing and operating a hotel and parking garage complex. Net income of the partnership is allocated to the capital accounts of the partners based upon each partners' capital contribution in

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15. INVESTMENT IN LIMITED LIABILITY CORPORATIONS: (Continued)

relation to the total capital contributions made or required to be made by all of its partners. In addition, the Fund was entitled to an annual return of seven and one-half percent on its capital contribution, which accrued from the date of investment of the capital contribution until the date of operation of the hotel. The Fund is also entitled to an annual priority return of fourteen percent of its capital contribution from the date the hotel is in operation. The hotel began operations near the end of 2000. The hotel and parking garage complex were sold during 2010. As of December 31, 2011, the Fund has an investment of \$171,835 in the corporation due to residual amount due to the Fund on the sale. The Fund did not earn a priority return on its capital contribution in 2011 as a result of the sale.

- b) The Fund has committed to invest \$4,000,000 in the Wilton Private Equity Fund, LLC (the corporation). As of December 31, 2011, the Fund has invested \$3,827,646 in the corporation. The corporation is a Delaware limited liability corporation that invests in closed-end private investment funds that target investments in leveraged buyouts, mezzanine financings, distressed debt, natural resources and venture capital. As of December 31, 2011, the Fund has an investment of \$1,665,828 in the corporation.

For the year ended December 31, 2011, the Fund's share of the corporation's net income was \$407,101 which is recorded in investment income.

- c) The Fund has committed and invested \$4,000,000 in the Intercontinental Real Estate Investment Fund III, LLC (the corporation). The corporation is a closed-end, commingled real estate investment fund which targets properties which are generating a current return and also have the potential for capital appreciation through some degree of asset repositioning, re-tenanting or through physical or financial repositioning. As of December 31, 2011, the Fund has an investment of \$3,148,685 in the corporation.

For the year ended December 31, 2011, the Fund's share of the corporation's net income was \$503,211, which is recorded in investment income.

- d) The Fund has committed and invested \$3,000,000 in the Endgame Entertainment Fund, LLC (the corporation), a Delaware limited liability corporation that was created to enable its investors to participate in entertainment investment opportunities across a variety of sectors at various stages of funding. As of December 31, 2011, the Fund has an investment of \$1,280,692 in the corporation.

For the year ended December 31, 2011, the Fund's share of the corporation's net loss was \$175,436, which is included in investment income.

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15. INVESTMENT IN LIMITED LIABILITY CORPORATIONS: (Continued)

- e) The Fund has committed and invested \$1,000,000 in the Intercontinental Real Estate Investment Fund IV, LLC (the corporation). The corporation is a closed-end, commingled real estate investment fund organized to acquire, own, develop, manage, operate, mortgage, and sell real estate and interests in real estate. As of December 31, 2011, the Fund has an investment of \$508,045 in the corporation.

For the year ended December 31, 2011, the Fund's share of the corporation's net loss was \$71,990 which is recorded in investment income.

- f) The Fund has an investment in Green Trails, LLC (the corporation), a Louisiana limited liability corporation that was formed to develop a residential subdivision in Baton Rouge, Louisiana. During 2011, this investment was liquidated.

The Fund's share of the corporation's 2011 net income was \$304,733, which is included in investment income.

- g) The Fund has committed and invested \$1,000,000 in PMAT Bellair Investment, LLC (the corporation), a Delaware limited liability corporation that was created to acquire, operate and manage a retail shopping center in Daytona Beach, Florida. As of December 31, 2011, the Fund has an investment of \$548,460 in the corporation.

For the year ended December 31, 2011, the Fund's share of the corporation's net loss was \$248,219. The Fund also accrued priority return income of \$95,000 on its capital contribution. Both amounts are recorded in investment income.

- h) The Fund has committed and invested \$3,000,000 in PMAT Cocowalk Holdings, LLC (the corporation) a Delaware limited liability corporation that was created to acquire, operate and manage a retail shopping center in Coconut Grove Florida. As of December 31, 2011, the Fund has an investment of \$2,705,186 in the corporation.

For the year ended December 31, 2011, the Fund's share of the corporation's net loss was \$541,099. The Fund also accrued priority return income of \$0 on its capital contribution. Both amounts are recorded in investment income.

- i) The Fund has an investment in Parks of Plaquemines, LLC (the corporation), a Louisiana limited liability corporation that was formed to develop a residential subdivision. As of December 31, 2011, the Fund has an investment of \$217,285 in the corporation.

The Fund's share of the corporation's 2011 net loss was \$122,422, which is included in investment income.

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15. INVESTMENT IN LIMITED LIABILITY CORPORATIONS: (Continued)

- j) As additional consideration for a loan to Metairie Hotel, LLC (see footnote 13 for details), the Fund was granted a 50% equity interest in the corporation. As of December 31, 2011, this investment has no value. For the year ended December 31, 2011, the Fund's share of the loss related to this interest was \$200,468 and is included in investment income. The Fund's equity interest in the corporation is subject to reduction in future years if certain conditions related to the repayment of the loan are met.
- k) In August 2006, the Fund committed and invested \$750,000 in the Aventura Maya, LLC (the corporation). The corporation was created to own and operate a hotel in Mexico. As of December 31, 2011, the Fund has an investment of \$73,112 in the corporation.

For the year ended December 31, 2011, the Fund's share of net income related to this investment was \$0 and is included in investment income.

- l) The Fund has committed and invested \$1,000,000 in PMAT Aurora Village LLC (the corporation), a Delaware limited liability corporation that was created to acquire, operate and manage a retail shopping center in New Orleans, Louisiana. On December 29, 2011, the investment in PMAT Aurora Village LLC was sold to PMAT Algiers Plaza, LLC.

For the year ended December 31, 2011, the Fund's share of the corporation's net income was \$289,389, which was recorded as investment income.

- m) As additional consideration for a loan to Ambassador Hotel of New Orleans, LLC (the corporation), the Fund was granted a 19% equity interest in the corporation. The corporation paid off the loan in 2005. During the year ended December 31, 2011, the corporation went through bankruptcy proceedings thereby eliminating the Funds interest in the entity. For the year ended December 31, 2011, the Fund's share of the loss related to this interest was \$0.
- n) The Fund has an investment with Phoenix Gaming Group, L.L.C. (the corporation), a Mississippi limited liability corporation that was created to operate casinos under the Mississippi Gaming Control Act. This investment was dissolved during 2011.
- o) Americus Real Estate Fund I, Ltd. (the partnership), which is 99% owned by the Fund, has investments in limited liability companies. As of December 31, 2011, the partnership has an investment of \$200 in limited liability corporations.

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16. INVESTMENT IN CORPORATION:

During the year ended December 31, 2011, the New System of the Fund had an investment in a corporation as follows:

- a) The Fund has committed and invested \$8,777,535 with Land Baron Investments, Inc. (the corporation), a Nevada corporation that invests in real property primarily located in the Western United States. As of December 31, 2011, the Fund had an investment of \$2,042,769 with the corporation.

For the year ended December 31, 2011, the Fund's share of net loss related to this investment was \$1,554 and is included in investment income.

17. MUTUAL FUNDS:

During the year ended December 31, 2011, the New System of the Fund had investments in mutual funds as follows:

- a) The Fund has invested \$5,000,000 in the Whalehaven Fund, Ltd. (the company). The company was formed as a feeder fund of the Whalehaven Capital Fund Limited (the master) and invests substantially all of its net assets in the master. The primary objective of the company is to seek a high level of short to medium term capital appreciation primarily through investing in debt and equity securities and other types of private equity transactions. At December 31, 2011, the Fund has an investment of \$5,337,784 in the company.

The Fund's share of income from the company for 2011 was \$253,247 and is included in investment income.

- b) The Fund has invested \$10,073,458 in the Clinton Magnolia Fund, Ltd. (the company). The company was formed as a feeder fund of the Clinton Magnolia Master Fund, L.P. (the master) and invests exclusively in the master. At December 31, 2011, the Fund has an investment of \$13,512,500 in the company.

The Fund's share of income from the company for 2011 was \$1,725,000 and is included in investment income.

- c) The Fund has an investment in various mutual funds in the Orleans Capital Management Alternative Energy Fund. The investment was sold during the year ended December 31, 2011 and had a balance of \$0 at December 31, 2011. The Fund's share of the income from these investments during the year ended December 31, 2011 was \$1,980 and is included in investment income.

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18. INVESTMENT IN REAL ESTATE:

The Fund has an investment in land located in Biloxi, Mississippi. The land will eventually be used for the development of casinos. As of December 31, 2011, the value of the land is \$6,306,290.

The Fund has an investment in land located in Westwego, Louisiana. The land will be used for the development of commercial businesses. The value of the land as of December 31, 2011 is \$4,816,842.

The Fund has an investment in land located in New Orleans, Louisiana. The value of the land as of December 31, 2011 is \$2,400,000.

Lakewood Restoration Partners, Ltd., which is 99% owned by the Fund, has an investment in property located in New Orleans, Louisiana. The property consists of a golf course and future development for residential and commercial property. The value of the property is \$38,500,000 as of December 31, 2011.

Austin Falconhead, LP, which is 99% owned by the Fund, has an investment in a golf course located in Austin, Texas. The appraised value of the property is \$10,100,000 as of December 31, 2011.

Corner Pocket, L.L.C., which is 100% owned by the Fund, has an investment in land located in Idaho. The value of this land is \$1,325,640 as of December 31, 2011.

Americus Real Estate Fund I, Ltd., which is 99% owned by the Fund, has an investment in real estate located in Austin, Texas. The value of this real estate as of December 31, 2011 is \$10,400,000.

Fireland Fund, LLC, which is 64.07% owned by the Fund, has an investment in real estate located in Meridian, Idaho. The value of this real estate as of December 31, 2011 is \$4,633,695.

19. NOTES PAYABLE/LINES OF CREDIT:

During the year ended December 31, 2008, Corner Pocket, L.L.C. (100% owned by the Fund) signed a note with a financial institution in the amount of \$1,700,000. The note was incurred to assist in the purchase of investment property which will be developed and sold. This property is pledged as collateral on the note. This note was refinanced on July 5, 2010. The principal balance is due on July 5, 2020 and interest payments are due monthly beginning August 5, 2010. The note bears interest at a rate of prime plus 2% for the first thirty six months and at a rate prime plus of 3.5% for month thirty seven through the date of maturity. For the year ended December 31, 2011, interest expense on the note was \$31,544.

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19. NOTES PAYABLE/LINES OF CREDIT: (Continued)

Americus Real Estate Fund I, Ltd. (the partnership) had a note payable with a financial institution which accrued interest at LIBOR plus 3.5%, reset monthly, LIBOR at 0.25%. The principal balance and all unpaid accrued interest on this note were due on August 1, 2010. On August 6, 2010, this note was refinanced in the form of two notes with balances of \$7,240,835 and \$828,121, respectively, as of December 31, 2011. These notes bear interest at a rate of 7.25% per annum. The principal balance and all unpaid interest on the notes are due on August 6, 2015 and November 12, 2015, respectively. For the year ended December 31, 2011, interest expense on the notes was \$591,819.

Austin Falconhead, LP (99% owned by the Fund) has a \$17,500,000 revolving line of credit with a financial institution scheduled to mature on December 28, 2012. The line of credit bears interest at the rate of 6.75% per year. The interest expense incurred on the line of credit was approximately \$1,241,212 during the year ended December 31, 2011. The line of credit is secured by a multiple indebtedness mortgage on the partnership's property and an assignment of leases and rents which also includes rights to all of the partnership's assets and future earnings. In addition, the Fund pledged an investment receivable with a total December 31, 2011 value of \$18,725,727 as collateral on the line of credit. The balance outstanding on this line of credit at December 31, 2011 was \$16,229,439. The amount of the line of credit that remained unused at December 31, 2011 was \$1,270,561.

On March 9, 2010, Austin Falconhead, LP entered into a second \$500,000 line of credit agreement with a financial institution. The line of credit was to be used to fund interest payments on debt held by a related party, HCH Land Partners, Ltd., which is 50% owned by the Fund. The line of credit and debt held by HCH Land Partners, Ltd. is secured by a deed of trust on the real property held by Austin Falconhead, LP. The line of credit is due on demand and matures on March 9, 2013 and bears interest at 7.5% per year. The balance outstanding on this line of credit at December 31, 2011 was \$173,925. The amount of the line of credit that remained unused at December 31, 2011 was \$326,075.

Lakewood Restoration Partners, Ltd. (99% owned by the Fund) has a \$31,500,000 revolving line of credit with a financial institution scheduled to mature on December 28, 2012. The line of credit bears interest at the rate of prime plus 1% floating daily with a floor of 5.5% and a ceiling of 6.5%. The interest expense incurred on the line of credit was approximately \$1,800,000, which was capitalized during the year ended December 31, 2011. The line of credit is secured by the partnership's property and an assignment of leases and rents that also includes rights to all of the partnership's assets and future earnings. In addition, the line of credit is secured by a guarantee of the Fund and a pledge of securities owned by the Fund. The balance outstanding on this line of credit at December 31, 2011 was \$29,000,000. The amount of the line of credit that remained unused at December 31, 2011 was \$2,500,000.

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19. NOTES PAYABLE/LINES OF CREDIT: (Continued)

The following is a combined schedule of debt maturities as of December 31, 2011:

2012	\$ 45,436,963
2013	407,211
2014	262,719
2015	7,416,183
2016	22,289
2017 - 2020	<u>1,626,955</u>
Total	<u>\$ 55,172,320</u>

20. COMMITMENTS AND CONTINGENCIES:

Austin Falconhead, L.P. (the partnership) or its parent are named as defendants in various lawsuits. The partnership intends to defend itself vigorously against these claims and believes that the resulting outcomes of these matters will not have a material adverse impact on the partnership's operations, financial conditions or cash flows.

Under the terms of the various security agreements and deeds of trust, all of Austin Falconhead, L.P.'s assets and income are pledged as collateral to secure the \$17,500,000 revolving line of credit, the \$500,000 line of credit and the \$3,000,000 note payable to a financial institution held by a related party, HCH Land Partners, Ltd.

Lakewood Restoration Partners, Ltd. (the partnership) or its parent are named as defendants in various lawsuits. The partnership intends to defend itself vigorously against these claims and believes that the resulting outcomes of these matters will not have a material adverse impact on the partnership's operations, financial conditions or cash flows.

The revolving line of credit held by Lakewood Restoration Partners, Ltd. in the amount of \$31,500,000 is secured by the partnerships property and an assignment of leases and rents. The revolving line of credit has also been secured by a guarantee of the Fund and a pledge of securities owned by the Fund.

21. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLAN:

The funded status of the Fund as of December 31, 2011, the most recent actuarial valuation date, is as follows:

New System:

Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	(Surplus) Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
\$ 159,645,451	\$430,550,112	\$270,904,661	37.08%	\$29,994,149	903.20%

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22. LAWSUIT:

During the year ended December 31, 2010, a lawsuit was filed by city firefighters against the City of New Orleans to adjust their pensions for longevity raises not received while employed by the City. A judgment was obtained against the City for the difference in the amount retired firefighters were receiving as their pension benefit and what they should have received had the longevity raises been included in their retirement benefit calculation. The judgment applies to all firefighters who retired on or after March 2, 1990. The increase in their pension payment is to be calculated in accordance with longevity factors determined by the Court. The judgment states that benefits are only to be upwardly adjusted when the funds are appropriated by the City.

On March 17, 2010, the firefighters obtained a consent judgment authorizing the Fund, upon receiving the appropriated funds from the City of New Orleans, to upwardly adjust monthly pension benefits owed to those members who retired on or after March 2, 1990, starting on January 1, 2010 in accordance with the longevity factors determined by the Court. During the year ended December 31, 2010, the City appropriated funds necessary to pay the increased benefit to those members currently receiving cash benefits.

As of December 31, 2011, the City has not appropriated funds to pay the increased benefit owed to members prior to December 31, 2009. The Fund is currently in the process of determining the amount of the increased benefit owed to members for pensions prior to December 31, 2009.

Member DROP and PLOP accounts were not increased during the year ended December 31, 2011 since the City appropriation received did not cover these accounts.

The Fund has calculated the increased benefit owed to the members in their DROP and PLOP accounts. As of December 31, 2011, the amount of DROP benefits owed to members is estimated to be \$15,809,790 and \$3,149,017 for the New and Old Systems, respectively. As of December 31, 2011, the amount of PLOP benefits owed to these members is estimated to be \$11,290,212 and \$1,412,022 for the New and Old Systems, respectively. These amounts are not reserved in these financial statements since the judgment states that benefits are only to be upwardly adjusted when the funds are appropriated by the City of New Orleans.

23. INVESTMENT RECEIVABLE:

The Fund invested in Series N shares of the FIA Leveraged Fund, (Fund) an open ended investment fund which is registered as a mutual fund. FIA Leveraged Fund is a feeder fund to the master fund – Fletcher International, Ltd. During the year, the Fund requested a redemption of their shares in FIA Leveraged Fund in accordance with their agreement. FIA Leveraged Fund failed to provide the Fund with confirmation on the value of their shares in the Fund and full payment. As a result, a lawsuit was filed. The lawsuit was filed in the Grand Court, Financial Services Division, Cayman Island and sought an order from the Grand Court that FIA Leveraged Fund be wound up (liquidated). The Fund was awarded on April 5, 2012 a winding up judgment. Liquidators were appointed over the FIA Leveraged Fund to fulfill the redemption. The receivable as of December 31, 2011 is valued at \$18,425,727.

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SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES - NEW SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2011

	Pension Reserve	Annuity Savings	DROP	PLOP	Unfunded / Pension Accumulation	Total
BALANCES, JANUARY 1, 2011	\$ 222,035,675	\$ 16,635,408	\$ 31,485,560	\$ 20,185,204	\$ (130,068,246)	\$ 160,273,601
Prior Period Adjustment	(624,716)	-	-	624,716	-	-
ADJUSTED BALANCES JANUARY 1, 2011	<u>221,410,959</u>	<u>16,635,408</u>	<u>31,485,560</u>	<u>20,809,920</u>	<u>(130,068,246)</u>	<u>160,273,601</u>
REVENUES AND TRANSFERS:						
Contributions:						
Member	-	1,496,021	-	-	-	1,496,021
Employer	-	-	-	-	11,395,565	11,395,565
Fire insurance rebate	-	-	-	-	591,123	591,123
Transfer from other retirement system	-	-	-	-	-	-
Interest on accumulated savings	-	537,155	-	-	-	537,155
Net income from investments and other sources	-	-	-	-	9,738,617	9,738,617
Transfers from annuity savings	1,161,148	-	-	-	-	1,161,148
Pensions transferred from pension reserve	-	-	5,729,645	4,809,455	-	10,539,100
Actuarial transfers	37,645,962	-	-	-	-	37,645,962
Total revenues	<u>38,807,110</u>	<u>2,033,176</u>	<u>5,729,645</u>	<u>4,809,455</u>	<u>21,725,305</u>	<u>73,104,691</u>
EXPENDITURES AND TRANSFERS:						
Retirement benefits paid	19,397,624	-	2,544,844	2,204,275	-	24,146,743
Refunds to members	-	159,337	-	-	-	159,337
Transfers to pension reserve	-	1,161,148	-	-	-	1,161,148
Pensions transferred to DROP	5,729,645	-	-	-	-	5,729,645
Pensions transferred to PLOP	4,809,455	-	-	-	-	4,809,455
Death benefits	18,000	-	-	-	-	18,000
Interest transferred to annuity savings	537,155	-	-	-	-	537,155
Administrative expenses	-	-	-	-	684,779	684,779
Transfer to other retirement system	-	-	-	-	-	-
Actuarial transfers	-	-	-	-	37,645,962	37,645,962
Total expenditures	<u>30,491,879</u>	<u>1,320,485</u>	<u>2,544,844</u>	<u>2,204,275</u>	<u>38,330,741</u>	<u>74,892,224</u>
NET INCREASE (DECREASE)	<u>8,315,231</u>	<u>712,691</u>	<u>3,184,801</u>	<u>2,605,180</u>	<u>(16,605,436)</u>	<u>(1,787,533)</u>
BALANCES, DECEMBER 31, 2011	\$ <u>229,726,190</u>	\$ <u>17,348,099</u>	\$ <u>34,670,361</u>	\$ <u>23,415,100</u>	\$ <u>(146,673,682)</u>	\$ <u>158,486,068</u>

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES - OLD SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2011

	Pension Reserve	Annuity Savings	DROP	PLOP	Unfunded / Pension Accumulation	Total
BALANCES, JANUARY 1, 2011	\$ 163,626,653	\$ -	\$ 3,900,304	\$ 4,295,073	\$ (157,814,754)	\$ 14,007,276
REVENUES AND TRANSFERS:						
Contributions:						
Fire insurance rebate	-	-	-	-	591,123	591,123
Appropriations	-	-	-	-	20,383,959	20,383,959
Net income (loss) from investments and other sources	-	-	-	-	335,689	335,689
Pensions transferred from pension reserve	-	-	294,030	1,046,058	-	1,340,088
Actuarial transfers	19,560,530	-	-	-	-	19,560,530
Total revenues	<u>19,560,530</u>	<u>-</u>	<u>294,030</u>	<u>1,046,058</u>	<u>21,310,771</u>	<u>42,211,389</u>
EXPENDITURES AND TRANSFERS:						
Retirement benefits paid	19,349,035	-	57,212	326,270	-	19,732,517
Pensions transferred to DROP	294,030	-	-	-	-	294,030
Death benefits	57,000	-	-	-	-	57,000
Depreciation expense	-	-	-	-	13,792	13,792
Pensions transferred to PLOP	1,046,058	-	-	-	-	1,046,058
Administrative expenses	-	-	-	-	653,213	653,213
Actuarial transfers	-	-	-	-	19,560,530	19,560,530
Total expenditures	<u>20,746,123</u>	<u>-</u>	<u>57,212</u>	<u>326,270</u>	<u>20,227,535</u>	<u>41,357,140</u>
NET INCREASE (DECREASE)	<u>(1,185,593)</u>	<u>-</u>	<u>236,818</u>	<u>719,788</u>	<u>1,083,236</u>	<u>854,249</u>
BALANCES, DECEMBER 31, 2011	\$ <u>162,441,060</u>	\$ <u>-</u>	\$ <u>4,137,122</u>	\$ <u>5,014,861</u>	\$ <u>(156,731,518)</u>	\$ <u>14,861,525</u>

FIREFIGHTERS' PENSION AND RELIEF FUND
 OF THE CITY OF NEW ORLEANS AND SUBSIDIARIES
 SUPPLEMENTARY INFORMATION
 SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>New System</u>	<u>Old System</u>
Accounting, auditing and legal fees	\$ 184,546	\$ 417,754
Actuary fees	-	26,325
Computer support services	-	70,903
Employee benefits	-	9,483
Insurance	-	58,221
Interfund allocation	500,000	(500,000)
Office supplies and printing	-	83,092
Other	233	6,978
Payroll and payroll taxes	-	388,040
Pension seminars and education	-	26,067
Postage	-	13,055
Professional - medical	-	13,200
Rent	-	29,664
Telephone	-	10,431
TOTAL	<u>\$ 684,779</u>	<u>\$ 653,213</u>

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
SCHEDULES OF CONTRIBUTIONS
DECEMBER 31, 2006 THROUGH 2011

<u>NEW SYSTEM</u>		
<u>YEAR</u>	Actuarial Required Contributions Employer and Other <u>Sources</u>	Percent Contributed Employer and Other <u>Sources</u>
2006	\$ 10,343,624	90.54 %
2007	11,137,274	79.76
2008	10,965,337	95.56
2009	14,513,495	75.67
2010	24,532,819	38.68
2011	29,424,359	40.74

<u>OLD SYSTEM</u>		
<u>YEAR</u>	Actuarial Required Contributions Employer and Other <u>Sources</u>	Percent Contributed Employer and Other <u>Sources</u>
2006	\$ 19,004,742	103.82 %
2007	18,608,771	92.09
2008	19,336,042	100.22
2009	21,708,975	68.90
2010	22,166,070	94.17
2011	22,612,929	92.76

The percent contributed by employer includes contributions received from the trust which reduced the contribution receivable in the following amounts.

<u>YEAR</u>	<u>Amount</u>
2006	\$ 19,004,742
2007	16,368,917
2008	18,600,000
2009	13,692,654
2010	-
2011	-

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - NEW AND OLD SYSTEM
DECEMBER 31, 2006 THROUGH 2011

NEW SYSTEM						
Actuarial Valuation Date	Actuarial Valuation Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL As A Percentage Of Covered Payroll
December 31, 2007	\$ 229,316,592	\$ 300,189,015	\$ 70,872,423	76.39 %	\$ 22,458,735	315.60 %
December 31, 2008	212,727,368	321,386,623	108,659,255	66.19	22,735,424	477.90
December 31, 2009	189,802,659	375,117,772	185,315,113	50.59	27,699,898	669.00
December 31, 2010	160,645,159	406,731,749	246,086,590	39.50	27,427,244	897.20
December 31, 2011	159,645,451	430,550,112	270,904,661	37.08	29,994,149	903.20

The actuarial valuation of assets, actuarial accrued liability and unfunded amounts were calculated using the entry age actuarial cost method which is different from the actuarial method used for funding purposes. The above schedule of funding progress is to provide a surrogate for the funding status and funding progress of the plan.

OLD SYSTEM						
Actuarial Valuation Date	Actuarial Valuation Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL As A Percentage Of Covered Payroll
December 31, 2006 *	\$ 20,215,252	\$ 165,856,304	\$ 145,641,052	12.19 %	\$ -	N/A
December 31, 2007 *	19,036,826	170,527,005	151,490,179	11.16	-	N/A
December 31, 2008 *	16,839,037	168,202,486	151,363,449	10.01	-	N/A
December 31, 2009	11,454,934	166,080,563	154,625,629	6.90	-	N/A
December 31, 2010	14,007,276	171,822,030	157,814,754	8.15	-	N/A
December 31, 2011	14,861,525	171,593,042	156,731,517	8.66	-	N/A

*The actuarial valuation of assets differs from the audited net assets held in trust for pension benefits. The audited amount includes contributions receivable of \$13,720,273, \$41,700,427 and \$55,168,470 for the years ended December 31, 2008, 2007 and 2006, respectively, in accordance with accounting principles generally accepted in the United States of America. For actuarial purposes, the receivable is not deemed an asset of the Fund.



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON A FINANCIAL AUDIT PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

June 19, 2012

Honorable Mayor and Council of
the City of New Orleans, Louisiana

We have audited the financial statements of the Firefighters' Pension and Relief Fund of the City of New Orleans and subsidiaries, a component unit of the City of New Orleans, as of and for the year ended December 31, 2011, and have issued our report thereon dated June 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Firefighters' Pension and Relief Fund of the City of New Orleans is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Firefighters' Pension and Relief Fund of the City of New Orleans' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Firefighters' Pension and Relief Fund of the City of New Orleans' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Firefighters' Pension and Relief Fund of the City of New Orleans' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Firefighters' Pension and Relief Fund of the City of New Orleans' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the use of the City Council, Board of Trustees, and the Office of the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

FIREFIGHTERS' PENSION AND RELIEF FUND
OF THE CITY OF NEW ORLEANS AND SUBSIDIARIES
SUMMARY OF SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Firefighters' Pension and Relief Fund of the City of New Orleans and Subsidiaries for the year ended December 31, 2011 was unqualified.

2. Internal Control:

Significant deficiencies: None noted

Material weaknesses: None noted

3. Compliance and Other Matters:

None

4. Status of Prior Year Comments:

10-01 During the prior year audit, errors were noted in some member's DROP and PLOP funded accounts. The errors consist of incorrect interest, unrecorded additions, and incorrect allocations between funded and unfunded accounts. It appears that the majority of these errors were due to time constraints and the complicated nature of the longevity adjustment calculations which were made during 2010. During early 2011 the Fund was in the process of reviewing member balances in order to ensure accuracy. Incorrect member balances could lead to over or underpayment of benefits to members as well as misstatements in the financial statements. We recommended that the Fund continue to review member balances, allocate adequate time to performing the calculations and ensure that all employees have a thorough understanding of the adjustments made to members' accounts due to the longevity lawsuit in order to ensure accuracy. This finding has been resolved.