

**FIRST AMENDMENT TO VALENT VENTURE & GROWTH FUND, L.P.
SUBSCRIPTION AGREEMENT**

This Amendment is made and entered into between the Minneapolis Police Relief Association ("Subscriber"), Valent Venture & Growth Fund, L.P. (the "Partnership") and Valent Investment Advisers, Inc. (the "General Partner"), for the purpose of amending the Subscription Agreement between Subscriber and the Partnership:

The parties hereby agree as follows:

1. Subscriber is an accredited investor as defined in Rule 501(a)(1) under the Securities Act of 1933 by virtue of being a "plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000;" as defined in said Rule.

2. Notwithstanding anything to the contrary contained in the Subscription Agreement or Agreement of Limited Partnership, the General Partner agrees to perform its duties in good faith and to exercise that degree of judgment and care, under the circumstances then prevailing, that persons of prudence, discretion, and intelligence would exercise in the management of their own affairs, not for speculation, considering the probable safety of Subscriber's capital as well as the probable investment return to be derived from Subscriber's assets. The General Partner and the Partnership also agree to comply with all other applicable laws and regulations.

3. Within 45 days following the end of each fiscal year of Subscriber (January 1 - December 31), the General Partner and the Partnership shall deliver to Subscriber a report stating the total amount of fees and commissions paid by Subscriber during such year. The General Partner and the Partnership shall also deliver to Subscriber any other reports or other information required by law or reasonably requested by Subscriber from time to time.

4. Attached hereto is a copy of Minnesota Statutes, Section 356A.06, Subd. 7 - subd. 8b, which contain the investment restrictions applicable to Subscriber under Minnesota law. Also attached is the Statement of Pension Fund Investment Policy adopted by Subscriber's Board. The Partnership and the General Partner acknowledge receipt of the attached materials and agree to handle Subscriber's investments and assets in accordance therewith.

5. No Related Partners or Special Partners shall be admitted to the Partnership without Subscriber's prior written consent.

6. The Partnership shall at all times have at least four unrelated partners after Subscriber's investment.

7. This Amendment is binding upon, and shall inure to the benefit of, the successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the undersigned have caused the execution of this Addendum as of this 1 day of April, 1996, 1996.

MINNEAPOLIS POLICE RELIEF ASSOCIATION

By Gerald R. Bridgeman *GRB*
Its Exec. ~~Officer~~ Director

VALENT VENTURE & GROWTH FUND, L.P.
(By Valent Investment Advisers, Inc., Its General Partner)

By David B. Welliver
David B. Welliver, President

VALENT INVESTMENT ADVISERS, INC.

By David B. Welliver
David B. Welliver, President

INVESTMENT POLICY OF THE MINNEAPOLIS POLICE RELIEF ASSOCIATION

The fund has a long and successful history beginning in 1890, 47 years before Social Security, and many more years before most pension funds began. The fund was incorporated in order to provide for the families of self sacrificing, injured and dead police officers who performed so valiantly for the public good. The fund was closed by state law and cannot accept new members as of June 15, 1980. Full funding is required by 2010, however large benefit payments will be required for some time after that. With this in mind the Board of Directors set the following guidelines.

The Board of Directors has a moral as well as a legal obligation to the members. The main function is to provide the expected and promised benefits to both future and current retirees, spouses and dependent children according to Minnesota State Law.

In order to do this, the Fund (relief association) must be protected, not only the assets, and the benefit structure, but also the right to self destiny and self administration so that the members have as much control over their future as possible.

All assets and investments of the fund shall be as required by Minnesota State Law within the State Board of Investment guidelines.

In protecting assets of the fund the importance of growth is recognized, however it is necessary to be conservative, with downside risk to be minimized.

The constant change in the economic atmosphere requires flexibility. Diversification of assets is a must in order to reduce risk. Not just diversification by class of investment, but also within classes.

Safety of principle is a priority, however safety and performance must be balanced in order to provide the fund with a reasonable long term return on investments. It is the Board's policy to diversify the fund into four main areas:

1. Cash 0-75%
2. Bonds 0-75%
1. Common Stocks 0-75%
4. Other 0-20%

Stock holdings shall be reduced from the maximum 75% by any investments in #4. Other investments shall include Venture Capital, real estate, oil and gas, etc.

The percentage mix among these categories shall be varied as market conditions dictate.

Each of these areas should be diversified within themselves. I.e. approximately 30 or more different stocks within portfolio. Bonds should be mostly U.S. governments. Normally only corporates of the highest quality shall be purchased. The bond maturity range should be

leaning towards mid term maturities, except for special market conditions.

Real Estate must be only of a type whereby liability to the fund is limited, and should be diversified between shopping centers, office space, warehousing, apts, etc. as market conditions warrant. Real Estate investments should have a balance between income and appreciation. Since the M.P.R.A. is a closed fund, new Real Estate investments made in the late mid 1990's to 2000 should lean towards income more than appreciation.

Venture Capital must be well diversified and should be balanced carefully against cash flow needs in the 21st century.

All investment decisions of the Board shall follow the prudent person rule. Since a main investment goal of the Board is to maximize the total investment return within each class and individual asset balanced against risk. Purely "social investments" are to be avoided, however rare cases should be looked at for other long range consequences that might damage or benefit the fund.

All assets except for in house managed cash shall be held in custody for the Relief Association by a qualified Trust Company or Bank Trust Department. This custody agent shall be responsible by contract for the timely collection of dividends, interest and principal maturities. Depository Trust Corp. may be used by chosen custodian. The custody agent shall sweep the account daily, leaving no unmanaged cash. Stock dividends shall be posted on due date. A cash money market fund of the custody agent's choosing shall be utilized. The custodian is responsible for any release of cash or securities, purchases, sales, wire or other transfers from the account. Three (3) or more signatures of the elected board is required before there is any transfer of assets from the custody account. One actual signature, with that signature attesting to the approval of at least two other board members is acceptable.

One or more professional investment adviser shall be utilized by the Board for advice on balanced fund assets—stocks, bonds, cash. Monthly reports and quarterly meetings with Board required. Advisers shall perform in the upper half of their respective field, over a complete market cycle, considering the Relief Associations investment policy they are required to follow.

The adviser will be held responsible for performance, prudent person standards, competitive brokerage fees and for following laws and guidelines of S.B.I. and the Board policy on any investment suggestions made. The adviser must contact one or more of the elected Board of Directors upon any recommendation to buy, sell or otherwise trade assets in the account. An explanation of the reason for recommendation to be given to the Director.

The adviser shall not be authorized to complete any purchase or sale of assets. This will be accomplished thru the custodian with the appropriate signatures as described in the custodian section of this

page. One copy of this authorization to custody agent, one to adviser, one in office file.

All Real Estate and Venture capital investments shall be selected by the Board after study of the particular investment, and current conditions as to cash flow, fund mix, market timing, diversification etc. Written approval by an attorney of the Boards choosing as to the legality under S.B.I. guidelines of any such investment shall be presented in writing to the board before purchase.

"Other" investments shall be studied on a case by case basis as to risk, return, competitive fees etc. In most cases an attorneys written opinion on legality under state law will be required.

Securities lending is authorized if the fund is indemnified against loss in writing by the lending agent.

Performance measurement of assets shall be compared against board selected indices by a professional hired by the Board. Quarterly reports and annual meetings with board required.

A 5% return on investments is assumed for actuary purposes by State law, however it is the goal for our entire asset base to outperform over a market cycle of approximately 5 years, or peak to peak, or trough to trough, the rate of inflation by 3% or more as measured by the C.P.I. This performance should increase assets at a faster rate than current assumptions under State law.

The common stocks held should equal or exceed the performance of the S&P 500.

Bond performance should equal or exceed the Shearson/Lehman Government composite bond index.

Cash should normally be a minor % of the overall portfolio, but may be heavily utilized during certain times of a market cycle such as a recession, or when short term rates are higher than long, or during falling stock or bond markets. The cash return should equal or exceed the U.S. T-Bill rate.

Real Estate and Venture Capital should be measured against appropriate indices. However it is recognized that since true objective performance measurement of real estate is more difficult-timing, selection and diversification within the investment at the time it is made should be the more important factor over performance indices. Also with our closed fund, income must be more of a concern at some point than capital gains in these investments thereby making performance measurement according to indices more difficult.

Assumptions as to retirement age, age on death, future salaries, etc. reflect heavily on investment decisions. Therefore accurate and current data must be reflected in the annual actuary report. Future cash flow studies must be considered as annual payments to retirees become closer to yearly contributions from the members, state and city.

All fees paid to investment advisers, custody agent, performance evaluator, and other professionals serving the Board shall be competitive.

It is imperative that each elected Board member has as much knowledge as possible in order to properly fulfill his/her duties. It is a policy of the Board to provide financial subscriptions and publications to each director. Each elected director is strongly encouraged to attend two educational financial seminars or conferences each year. Monthly board meetings, quarterly meeting with our investment advisers, MPPC and LCPR and other legislative meetings are to be regularly attended by the individual director as deemed necessary by the Board.

As fiduciaries, possible conflicts of interest must be recognized and avoided by the members of the Board of Directors, elected as well as appointed.

This general policy has been in operation since 1980, it is written in State Law, laws and bylaws of the Association, minutes of the Association and contracts with the investment adviser, custody agent, performance evaluator and other. However it is condensed into these four pages so that those interested can easily understand our investment policy.

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Subd. 7. Expanded list of authorized investment securities. (a) Authority. Except to the extent otherwise authorized by law or bylaws, a covered pension plan not described by subdivision 6, paragraph (a), may invest its assets only in accordance with this subdivision.

(b) Securities generally. The covered pension plan has the authority to purchase, sell, lend, or exchange the securities specified in paragraphs (c) to (g), including puts and call options and future contracts traded on a contract market regulated by a governmental agency or by a financial institution regulated by a governmental agency. These securities may be owned as units in commingled trusts that own the securities described in paragraphs (c) to (g).

(c) Government obligations. The covered pension plan may invest funds in governmental bonds, notes, bills, mortgages, and other evidences of indebtedness provided the issue is backed by the full faith and credit of the issuer or the issue is rated among the top four quality rating categories by a nationally recognized rating agency. The obligations in which funds may be invested under this paragraph include guaranteed or insured issues of (1) the United States, its agencies, its instrumentalities, or organizations created and regulated by an act of Congress; (2) Canada and its provinces, provided the principal and interest is payable in United States dollars; (3) the states and their municipalities, political subdivisions, agencies, or instrumentalities; (4) the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, or any other United States government sponsored organization of which the United States is a member, provided the principal and interest is payable in United States dollars.

(d) Corporate obligations. The covered pension plan may invest funds in bonds, notes, debentures, transportation equipment obligations, or any other longer term evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or any state thereof, or the Dominion of Canada or any province thereof if they conform to the following provisions:

(1) the principal and interest of obligations of corporations incorporated or organized under the laws of the Dominion of Canada or any province thereof must be payable in United States dollars; and

(2) obligations must be rated among the top four quality categories by a nationally recognized rating agency.

(e) Other obligations. (1) The covered pension plan may invest funds in bankers acceptances, certificates of deposit, deposit notes, commercial paper, mortgage participation certificates and pools, repurchase agreements and reverse repurchase agreements, guaranteed investment contracts, savings accounts, and guaranty fund certificates, surplus notes, or debentures of domestic mutual insurance companies if they conform to the following provisions:

(i) bankers acceptances and deposit notes of United States banks are limited to those issued by banks rated in the highest four quality categories by a nationally recognized rating agency;

(ii) certificates of deposit are limited to those issued by (A) United States banks and savings institutions that are rated in the highest four quality categories by a nationally recognized rating agency or whose certificates of deposit are fully insured by federal agencies; or (B) credit unions in amounts up to the limit of insurance coverage provided by the National Credit Union Administration;

(iii) commercial paper is limited to those issued by United States corporations or their Canadian subsidiaries and rated in the highest two quality categories by a nationally recognized rating agency;

(iv) mortgage participation or pass through certificates evidencing interests in pools of first mortgages or trust deeds on improved real estate located in the United States where the loan to value ratio for each loan as calculated in accordance with section 61A.28, subdivision 3, does not exceed 80 percent for fully amortizable residential properties and in all other respects meets the requirements of section 61A.28, subdivision 3:

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(v) collateral for repurchase agreements and reverse repurchase agreements is limited to letters of credit and securities authorized in this section;

(vi) guaranteed investment contracts are limited to those issued by insurance companies or banks rated in the top four quality categories by a nationally recognized rating agency or to alternative guaranteed investment contracts where the underlying assets comply with the requirements of this subdivision; and

(vii) savings accounts are limited to those fully insured by federal agencies.

(2) Sections 16A.58 and 16B.06 do not apply to certificates of deposit and collateralization agreements executed by the covered pension plan under clause (1), item (ii).

(3) In addition to investments authorized by clause (1), item (iv), the covered pension plan may purchase from the Minnesota housing finance agency all or any part of a pool of residential mortgages, not in default, that has previously been financed by the issuance of bonds or notes of the agency. The covered pension plan may also enter into a commitment with the agency, at the time of any issue of bonds or notes, to purchase at a specified future date, not exceeding 12 years from the date of the issue, the amount of mortgage loans then outstanding and not in default that have been made or purchased from the proceeds of the bonds or notes. The covered pension plan may charge reasonable fees for any such commitment and may agree to purchase the mortgage loans at a price sufficient to produce a yield to the covered pension plan comparable, in its judgment, to the yield available on similar mortgage loans at the date of the bonds or notes. The covered pension plan may also enter into agreements with the agency for the investment of any portion of the funds of the agency. The agreement must cover the period of the investment, withdrawal privileges, and any guaranteed rate of return.

(f) Corporate stocks. The covered pension plan may invest funds in stocks or convertible issues of any corporation organized under the laws of the United States or the states thereof, the Dominion of Canada or its provinces, or any corporation listed on the New York Stock Exchange or the American Stock Exchange, if they conform to the following provisions:

- (1) The aggregate value of corporate stock investments, as adjusted for realized profits and losses, must not exceed 85 percent of the market or book value, whichever is less, of a fund, less the aggregate value of investments according to subdivision 6;
- (2) Investments must not exceed five percent of the total outstanding shares of any one corporation.

(g) Other investments. (1) In addition to the investments authorized in paragraphs (b) to (f), and subject to the provisions in clause (2), the covered pension plan may invest funds in:

- (i) venture capital investment businesses through participation in limited partnerships and corporations;
- (ii) real estate ownership interests or loans secured by mortgages or deeds of trust through investment in limited partnerships, bank sponsored collective funds, trusts, and insurance company commingled accounts, including separate accounts;
- (iii) regional and mutual funds through bank sponsored collective funds and open-end investment companies registered under the Federal Investment Company Act of 1940¹;
- (iv) resource investments through limited partnerships, private placements, and corporations; and
- (v) international securities.

- (2) The investments authorized in clause (1) must conform to the following provisions:
- (i) the aggregate value of all investments made according to clause (1) may not exceed 35 percent of the market value of the fund for which the covered pension plan is investing;
 - (ii) there must be at least four unrelated owners of the investment other than the state board for investments made under clause (1), item (i), (ii), (iii), or (iv);
 - (iii) covered pension plan participation in an investment vehicle is limited to 20 percent thereof for investments made under clause (1), item (i), (ii), (iii), or (iv); and

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(iv) covered pension plan participation in a limited partnership does not include a general partnership interest or other interest involving general liability. The covered pension plan may not engage in any activity as a limited partner which creates general liability.

Subd. 7a. Restrictions. Any agreement to lend securities must be concurrently collateralized with cash or securities with a market value of not less than 100 percent of the market value of the loaned securities at the time of the agreement. For a covered pension authorized to purchase put and call options and futures contracts under subdivision 7, any agreement for put and call options and futures contracts may only be entered into with a fully offsetting amount of cash or securities. Only securities authorized by this section, excluding those under subdivision 7, paragraph (g), clause (1), items (i) to (iv), may be accepted as collateral or offsetting securities.

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Subd. 8a. Collateralization requirement. (a) The governing board of a covered pension plan shall designate a national bank, an insured state bank, an insured credit union, or an insured thrift institution as the depository for the pension plan for assets not held by the pension plan's custodian bank.

(b) Unless collateralized as provided under paragraph (c), a covered pension plan may not deposit in a designated depository an amount in excess of the insurance held by the depository in the Federal Deposit Insurance Corporation, the federal savings and loan insurance corporation, or the national credit union administration, whichever applies.

(c) For an amount greater than the insurance under paragraph (b), the depository must provide collateral in compliance with section 118.01 or with any comparable successor enactment relating to the collateralization of municipal deposits.

Subd. 8b. Disclosure of investment authority; receipt of statement. (a) For this subdivision, the term "broker" means a broker, broker-dealer, investment advisor, investment manager, or third party agent who transfers, purchases, sells, or obtains investment securities for, or on behalf of, a covered pension plan.

(b) Before a covered pension plan may complete an investment transaction with or in accord with the advice of a broker, the covered pension plan shall provide annually to the broker a written statement of investment restrictions applicable under state law to the covered pension plan or applicable under the pension plan governing board investment policy.

(c) A broker must acknowledge in writing annually the receipt of the statement of investment restrictions and must agree to handle the covered pension plan's investments and assets in accord with the provided investment restrictions. A covered pension plan may not enter into or continue a business arrangement with a broker until the broker has provided this written acknowledgment to the chief administrative officer of the covered pension plan.

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Amended by Laws 1994, c. 604, art. 2, § 3, eff. July 1, 1994; Laws 1995, c. 122, § 2; Laws 1995, c. 262, art. 6, §§ 1, 2.

15 U.S.C.A. § 80a-1 et seq.

Historical and Statutory Notes

1994 Legislation

The 1994 amendment, in subd. 7, designated par. (a) as such and therein corrected a citation, and added pars. (b) to (f).

1995 Legislation

Laws 1995, c. 122, § 2 added subd. 7a, relating to restrictions.

Laws 1995, c. 122, § 4, provides in part that § 2 (adding subd. 7a) is effective May 6, 1995, and applies only to investments made after that date

and does not require sale of assets purchased before that date.

Laws 1995, c. 262, art. 6, §§ 1 and 2, added subd. 8a, relating to designation of a depository institution for assets not held by the custodian bank, and a collateralization requirement; and added subd. 8b, relating to disclosure of investment authority, and acknowledgment of receipt of the statement of investment restrictions.

Laws 1995, c. 262, art. 6, § 3, provides that §§ 2 and 2 (adding subs. 8a and 8b) are effective January 1, 1996.

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