



A PARTNERSHIP OF PROFESSIONAL ASSOCIATIONS
ATTORNEYS AT LAW

September 17, 2015

Dear Trustees:

I am writing at the Chair's suggestion to update the Board on our current securities litigation matters. Under our securities litigation policy, reporting is normally to the Director. But, because of the pending leadership transition, the Chair suggested, and I concur, that a report to the Board is timely.

As you may recall, our portfolio is monitored by several law firms which specialize in bringing shareholder litigation when corporate misconduct has resulted in a loss to shareholders. On several occasions over the last 15 years, the Fund, usually in concert with a coalition of other institutional investors, has been among the lead plaintiffs in such actions. Jacksonville has been able to take part in several cases that have resulted in returning nearly \$2 billion to shareholders lost due to officer and director misconduct under federal securities laws.

All such cases are based on a purely contingent fee arrangement. Fees are paid from any settlement pool created for the benefit of all shareholders. All legal fees, including those paid for our work on these cases, are paid from the settlement fund, in an amount set by the court. Jacksonville has never used fund assets to pay fees for the prosecution of these cases. The Fund is also reimbursed for the cost of any staff time spent in responding to document or other informational requests. Our firm, as counsel for the Fund, enrolls as co-counsel in all such cases and actively participates in all the litigation related matters, which averages between 5 and 10% of the fee paid to our primary securities counsel. That fee paid to us reduces the amount received by the primary counsel and does not reduce the damage pool paid to the class.

We have recently resolved a case involving Tower Company, an insurance consortium that intentionally under reported earnings and assets. Despite a substantial dissipation of corporate assets, Jacksonville, along with several other pension funds, was able to secure a \$20 million settlement for the class. The Court has a final approval hearing set in October. As described above, fees will be approved by the Court for payment from the settlement pool.

The Fund is currently involved in other securities actions which are in the early pleading and discovery stages. We are also enrolled as counsel in those cases and will keep the Board advised on any major developments.

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In accordance with our securities litigation policy we will continue to work with the next executive director to effectively manage those recommendations from our various securities counsel in which the Fund's interest warrant our participation in these cases.

As always, if you have any questions, I would be pleased to answer them.

Very truly yours,



ROBERT D. KLAUSNER

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