



Callan Manager Selection Process

- Open door policy; no charge to submit data to our database (www.callan.com)
- Real estate team conducts all real estate manager research
- In addition to client initiated mandates, Callan proactively presents investment opportunities to clients
- Once initiated, the typical selection process takes 2 – 3 months
- The picture below illustrates our basic approach to every manager search we conduct on behalf of our clients





Summary of Real Estate Evaluation Criteria

ORGANIZATION

- Type of firm, organizational structure
- Historical involvement in business and strategy
- Ownership changes and litigation history
- Ownership and incentive compensation structure of firm

PERSONNEL

- Key personnel, and business history, staffing, turnover, structure, portfolio management team
- Primary investment responsibility and capacity to make and manage new investments
- Growth plans, succession planning
- Compensation system, equity participation
- Vesting in carried interest or incentive fees (as applicable).



Summary of Real Estate Evaluation Criteria, cont.

PHILISOPHY

- Investment philosophy and historical and future investment strategy
- Investment allocation and diversification, size of purchases, limits, concentration
- Co-investment policy with other investors, across other funds/programs managed
- Use of operating/jv partners
- What distinguishes the firm from competitors

INVESTMENT PROCESS

- Deal flow sources and process for originating and screening investments
- Transaction allocation policy; competing capital
- Historical deal log: identified, began due diligence, invested in, and total dollars invested
- Research process and industry expertise, strategy, and application to strategy, value added



Summary of Real Estate Evaluation Criteria, cont.

INVESTMENT PROCESS, cont.

- Due diligence process: qualitative and quantitative aspects, common areas of focus
- Due diligence documentation process
- Internal decision making dynamics
- Outsourcing or subcontracting, (e.g. legal, consulting, environmental, accounting)
- Deal structuring, use of leverage, documentation process, qualifications
- Number of negotiations conducted and discontinuations due to negotiation of terms and price

ASSET MANAGEMENT

- Asset management process and team
- JV partner/operating partner responsibilities, decision-making; kick out of partners
- Sales triggers and process
- Valuation process for debt and equity



Summary of Real Estate Evaluation Criteria, cont.

TERMS AND CONDITIONS

- Management fees, profit sharing, hurdle rates, co-investment by individuals and firm, size of the fund, investment period
- Investor advisory board, investors rights to change fund, no-fault divorce, conflicts of interest, co-investments by investors/terms, new partnerships formed, standard of care and indemnification
- Distributions in cash or securities, policy on extensions
- Conflicts of interest, personal investments, placement agent fees
- Contribution policy (for open end funds)
- Fund raising, closes

INVESTMENT HISTORY (As Applicable)

- Rate of return on prior funds and investments, equity multiples
- Comprehensive list of investments made to date including cash flows and dates, valuations and methodology, location, property type, investment type, leverage, and partner(s) responsible
- Copy of deal log and allocations
- Attribution and comparison to benchmark (as applicable)
- Clawback obligations or potential for prior funds



Summary of Real Estate Evaluation Criteria, cont.

REPORTING

- Frequency of investor contact, reporting duties and responsibilities, sample reports, timing

EXITING

- How liquidity is planned for
- Number of investments managed to complete exit
- Sales strategies (e.g. single asset sales, portfolio, IPOs)
- Redemption process and policy; history

OTHER

- Databases, computer system, facilities
- Outstanding litigation and use of affiliates
- References for key professionals and organization and other references as appropriate
- Current investors, amount of assets committed, and length of time as investor