

MEETING DATE

OCT 26 2011

AGENDA ITEM

#4

**Value Added and Opportunistic Real Estate
Semi-Finalist Report**

for

**Contra Costa County
Employees' Retirement Association**

October 19, 2011

Milliman
650 California Street, 17th Floor
San Francisco, CA 94108-2702
(415) 403-1333

This report was prepared using data from third parties and other sources including but not limited to Milliman computer software and databases. Reasonable care has been taken to assure the accuracy of the data contained in this report, and comments are objectively stated and are based on facts gathered in good faith. Nothing in this report should be construed as investment advice or recommendations with respect to the purchase, sale or disposition of particular securities. Past performance is no guarantee of future results. We take care to assure the accuracy of the data contained in this report, and we strive to make our reports as error-free as possible. Milliman disclaims responsibility, financial or otherwise, for the accuracy and completeness of this report to the extent any inaccuracy or incompleteness in the report results from information received from a third party or the client on the client's behalf.

This analysis is for the sole use of the Milliman client for whom it was prepared, and may not be provided to third parties without Milliman's prior written consent except as required by law. Milliman does not intend to benefit any third party recipient of this report, even if Milliman consents to its release.

There should be no reliance on Milliman to report changes to manager rankings, ratings or opinions on a daily basis. Milliman services are not intended to monitor investment manager compliance with individual security selection criteria, limits on security selection and/or prohibitions to the holding of certain securities or security types.

Table of Contents

Search Overview	1
Real Estate Fund Search Process	1
Review of Real Estate Terminology	3
Review of Current CCCERA Real Estate Program.....	4
Product Comparison	5
Fee Structure Comparison	6
Manager Summaries	8

Contra Costa County Employees' Retirement Association Value Added and Opportunistic Real Estate Search

Search Overview

At the September 7, 2011 meeting of the Board, CCCERA made the decision to authorize Milliman to conduct an expedited review of available value added and opportunistic real estate funds and to commit up to \$300 million across three-four funds. In the June 2011 Asset Allocation Study, Milliman recommended an increase in the target real estate allocation from 11.5% to 12.5%, and the Board approved. This increase, coupled with the desire to scale back the large concentration of the CCCERA real estate allocation in REIT securities, drove the recommendation to conduct a search at this time. The review was conducted on an expedited basis because we knew of several strong real estate funds that will be closing by the end of the year.

Real Estate Fund Search Process

Milliman began reviewing the value added and opportunistic real estate funds that are raising funds currently or will be in the very near future. We looked for the following qualifications among value added and opportunistic in the Institutional Real Estate Inc. database;

1. Fundraising target of at least \$300 million and not more than \$2 billion;
2. At least \$600 million of real estate assets;
3. Funds with a US or Global focus and a diversity of property types;
4. Excluded funds that focused solely on debt instruments;
5. Excluded funds that have not been able to meet fundraising target within 18 months;
6. Excluded first-time funds;

Through this process, along with our inclusion of three additional funds that were not listed in the database, we settled on a group of 14 candidates, noted below.

	Firm	Product
1	AEW	2 value added and 1 opportunistic fund
2	Angelo Gordon	1 value added and 1 opportunistic fund
3	Apollo	1 value added fund
4	CBRE	1 value added fund
5	Cornerstone	1 value added fund
6	Fortress	1 opportunistic fund
7	Invesco	1 value added fund
8	LaSalle	1 value added fund
9	Long Wharf	1 value added fund
10	Oaktree	1 opportunistic/special situations fund
11	Siguler Guff	1 opportunistic/special situations fund
12	TA Associates	1 value added fund
13	Urdang	1 value added fund
14	Walton Street	1 value added fund

Questionnaires were distributed to these firms on September 29, 2011 and responses were received on October 11, 2011. We reviewed the questionnaire responses and eliminated several funds. Reasons for elimination included: relative performance lagged their peers, not having an appropriate fund available, portfolio management personnel turnover and general organizational concerns.

The remaining six firms are presented as semi-finalists for the real estate mandate. We will be prepared to discuss the semi-finalist candidates in detail at the October 26, 2011 meeting and to answer any questions at that time.

These candidates fall into two camps: value added (two candidates) and opportunistic/special situation (4 candidates).

	Firm	Product
1	Cornerstone	Cornerstone Real Estate Fund VIII
2	LaSalle	LaSalle Income & Growth Fund VI

	Firm	Product
1	Angelo Gordon	AG Realty Fund VIII
2	Oaktree	Oaktree Real Estate Opportunities Fund V
3	Siguler Guff	Siguler Guff Distressed Real Estate Opportunities Fund
4	Walton Street	Walton Street Real Estate Opportunities Fund VII

We feel that the prospective opportunities in real estate over the next 3-5 years will be biased towards the more opportunistic investments. This belief is based upon the volume of property transactions that occurred at peak valuation in the years leading up to 2007. Many of these properties are now worth considerably less than their prior transaction value. We believe that this will lead to significant opportunities to restructure capital stacks and/or repurpose and develop properties.

We recommend that the Board interview the candidates noted above as soon as possible and select one value added fund and up to three opportunistic funds. The mandate sizes would be in the \$50-100 million range per fund commitment, up to a maximum of \$300 million in aggregate commitments at this time.

The following pages provide a review of real estate investments, an outline of CCCERA's current real estate allocation, a review of each fund's characteristics and the fee structure. The remainder of this report displays the vintage year IRR and multiple of capital for each of the semi-finalist managers as through June 30, 2011. All performance data is stated on a gross basis. Finally, summaries of each firm's questionnaire response are also provided.

Review of Real Estate Investments

When investing in commercial real estate, there are several investment vehicles available, each with its own return, leverage and liquidity characteristics. We provide a brief overview of the various real estate options below.

Form of Investment	Leverage	Typical Fees	Expected Source of Returns	Liquidity
Publicly Trade REITS	~40%	50 bps	Primarily Income	Daily traded equities
Core/Core Plus Funds	0-30%	107 bps	Primarily Income	Typically Open-end
Value Added Funds	50-60%	131 bps	Income and Appreciation	Closed-end
Opportunistic Funds	60-70%	221 bps	Predominantly Appreciation	Closed-end

Source: NAREIT, NCREIF

Review of Current CCCERA Real Estate Program

The CCCERA real estate program is composed of domestic and international REITs, coupled with a number of closed-end value added and opportunistic real estate funds. CCCERA has not historically used core or core plus funds. Rather, it has used publicly-traded REITs, both as a temporary parking place for private real estate commitments and as an allocation in its own right. The breakdown of the program as of June 30, 2011 is shown below.

<u>Manager</u>	<u>Type</u>	<u>Market Value</u>	<u>% of Portion</u>	<u>% of Total</u>
Adelante Capital	REIT	\$ 336,360,747	54.0 %	6.4 %
DLJ RECP II	Opportunistic	3,735,032	0.6	0.1
DLJ RECP III	Opportunistic	40,033,465	6.4	0.8
DLJ RECP IV	Opportunistic	45,002,215	7.2	0.9
Fidelity II	Value Added	15,193,920	2.4	0.3
Fidelity III	Value Added	33,326,707	5.4	0.6
Invesco Fund I	Value Added	30,539,803	4.9	0.6
Invesco Fund II	Value Added	53,600,318	8.6	1.0
Invesco International	REIT	56,526,878	9.1	1.1
Willows Office Property	Other	8,000,000	1.3	0.2
TOTAL REAL ESTATE		<u>\$ 622,632,786</u>	<u>100.0 %</u>	<u>11.9 %</u>

Publicly traded REITs represented 63% of the overall real estate allocation. Value added investments accounted for 21% of the program and Opportunistic funds made up 14%.

On the following pages, we present the six candidates.

Fund Comparison

Firm	Target Assets (\$MM)	Investment Period	Final Close	Degree of Leverage (Portfolio)	Target Net Return to LPs
Cornerstone <i>Value Added</i>	\$400-750	3-4 year from initial close	February 2012	50%	12-14%
LaSalle <i>Value Added</i>	\$600	3 years from final close	September 2012	65%	12+%
Angelo Gordon <i>Opportunistic</i>	\$1,250	4 years from initial close	December 20, 2011	55-65%	20%
Oaktree <i>Opportunistic</i>	\$1,000	4 years from initial close	December 15, 2011	~40%	Mid-high teens
Siguler Guff <i>Opportunistic</i>	\$750	4-6 years from initial close	December 30, 2011	55% (underlying fund level)	20%
Walton Street <i>Opportunistic</i>	\$2,000	4 years from final close	Late 2012	70%	16-18%

Fee Structure Comparison

Firm	Acquisition Fee	Commitment Fee	Management Fee	Carried Interest
Cornerstone <i>Value Added</i>	65 bps (on gross value)	65 bps (gross)	65 bps (gross)	20% over 9%
LaSalle <i>Value Added</i>	None	100 bps (committed capital)	135 bps (invested capital)	20% over 9%
Angelo Gordon <i>Opportunistic</i>	None	63 bps (committed capital)	125 bps (invested capital)	20% over 9%
Oaktree <i>Opportunistic</i>	None	150 bps (committed capital)	150 bps	20% over 8% preferred with catch up
Siguler Guff <i>Opportunistic</i>	None	~75 bps (committed capital)	Fee steps down by 20% each year	5% after 8% on funds. 15% after 8% on directs
Walton Street <i>Opportunistic</i>	100 bps (gross)	None	150 bps (invested)	20% over 9% (including acquisition fee) with catch up

**Performance of Semi-Finalist Managers
Value Added Vintage Year Performance
Gross IRR**

<u>Firm</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Cornerstone	-5.7	16.7	-10.0	-6.5	13.9	32.0	84.3	48.9
LaSalle	32.0	35.7	-5.7	-10.1	-1.6	-9.2	12.5	6.0

Gross Multiple

<u>Firm</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Cornerstone	0.9	1.3	0.8	0.8	1.6	1.9	3.0	2.1
LaSalle	1.2	1.5	0.8	0.6	0.9	0.6	1.5	1.7

Assets Invested (\$MM)

<u>Firm</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Cornerstone	\$83	\$27	\$163	\$96	\$151	\$274	\$75	\$99
LaSalle	206	111	267	134	181	108	46	20

**Performance of Semi-Finalist Managers
Opportunistic Vintage Year Performance
Gross IRR**

<u>Firm</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Angelo Gordon	24.0	69.6	13.6	3.6	16.0	7.1	23.7	76.5
Oaktree	23.1	54.3	22.3	14.7	-8.1	14.4	23.0	20.4
Siguler Guff	NM	-	-	-	-	-	-	-
Walton Street	33.7	36.1	15.4	-4.5	2.7	13.8	34.2	44.7

Gross Multiple

<u>Firm</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Angelo Gordon	1.9	1.7	1.6	1.1	1.5	1.3	1.4	2.2
Oaktree	1.2	1.4	1.4	1.7	0.8	1.4	1.6	1.5
Siguler Guff	NM	-	-	-	-	-	-	-
Walton Street	2.0	1.9	2.5	0.8	1.2	1.6	2.7	2.9

Assets Invested (\$MM)

<u>Firm</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Angelo Gordon	\$575	\$157	\$574	\$423	\$191	\$189	\$155	\$21
Oaktree	517	143	195	50	62	557	308	224
Siguler Guff	84	-	-	-	-	-	-	-
Walton Street	426	58	469	1,042	519	507	153	133

Manager Summaries

**Cornerstone Real Estate Advisers LLC, One Financial Plaza, Suite 1700
Hartford, CT 06103-2604, P: (860) 509-2200**

Name of Fund: Cornerstone Real Estate Fund VIII

Expected size of the fund, both net and gross: Net \$400 million anticipated (but Cornerstone will have the right to accept commitments up to a total of \$750 million). At equity commitments of \$400 million, total gross would be approximately \$800 million.

Amount committed currently: The Fund has held three closings to date aggregating to \$381.5 million in commitments. An additional \$150 million hard/soft circled to the Fund.

First close and anticipated final close: First close was March 1, 2011. The Fund's final closing is anticipated to occur by December 1, 2011. However, the final closing may be extended until February 2012, per the Fund documents. We have confirmed with Cornerstone that the fund can be extended for CCCERA.

Period of purchase of investments: Up to 36 months commencing on the Initial Closing. The Acquisition Period may be extended for up to 12 months upon the recommendation of the General Partner and the approval of the Advisory Committee.

Anticipated termination and extensions: The Fund is scheduled to terminate on the 7th anniversary of the Initial Closing. The General Partner may retain assets and continue the Fund to the extent that it believes doing so to be necessary to be able to satisfy actual or contingent liabilities. There can be two one-year extensions.

Target returns: The portfolio is targeted to have a 12-14% net leveraged return.

Legal structure: Limited partnership

Expected and maximum leverage: The fund VIII intends to use up to 50% portfolio leverage. No more than 65% leverage may be placed on any single asset.

Expected portfolio characteristics:

Number of Properties: 15-20

Geographic diversification: Metropolitan area economies with employment base concentrations in growth sectors, and with relatively dynamic demographics, will be targeted. These markets are generally located in the Southeast and Southwest as well as, technology and/or energy based economy markets, with many already registering early job growth.

Property type diversification: The Fund will have a mandate to invest in a broad range of real estate opportunities, subject to the limitations set forth herein. Eligible property sectors include multi-family, industrial, office, and retail properties. The Fund will not invest in hotels or in real estate development. The Fund limits investment in any single property type to 50% of the Fund.

Type of ownership of properties: The typical structure will be 100% equity ownership. Other eligible structures may include equity joint ventures or equity-oriented debt (e.g. participating or convertible debt).

Maximum total international %, expected international %: 100% U.S.

Alignment of interests: The 20% incentive fee after the 9% preferred return provides alignment of interest for the investment vehicle. Cornerstone believes some strategic overlap between accounts is inevitable at any large, multi-client advisory firm. Cornerstone tries to limit these conflicts through managed growth and mandate segmentation. Cornerstone has declined to participate in several RFPs because of un-invested allocations from existing clients. Cornerstone also has made a significant effort to structure its client accounts in a way that focuses on complementary rather than competing mandates. By focusing on strategies (core, value added and opportunistic/developmental), property type, property size, geographic requirements and other factors, Cornerstone has been able to minimize competition between accounts. In addition, Cornerstone uses an allocation matrix for the purpose of determining to which portfolio a new, proposed investment deal should be offered.

Valuation process of unrealized investments: Fund VIII uses a combination of external appraisals and internal valuations. Discounted cash flow is the primary analytical method, although final value conclusions consider transaction trends, replacement costs and capital markets influences. As part of the quarterly valuation policy, the Fund will seek annual external appraisals, including quarterly staggering of the assignments.

**LaSalle Investment Management, 200 East Randolph Drive, Chicago, IL 60601,
312-782-5800**

Name of Fund: LaSalle Income & Growth Fund VI

Expected size of the fund, both net and gross: \$600 mm net, ~\$1.8 billion gross

Amount committed currently: Soft commitments of between \$200 and \$250 mm.

First close and anticipated final close: First closing is anticipated to be held October 30, 2011. The Final closing is anticipated to be held no later than September 2012.

Period of purchase of investments: Three years from the date of the Final Closing.

Anticipated termination and extensions: Five years from the end of the Investment Period. Two one-year extensions are permitted with approval from the Fund's Advisory Board.

Target returns: Net IRR of 12%+, 14% gross

Legal structure: Limited partnership

Expected and maximum leverage: Fund restrictions limit loans to 65% of cost for the portfolio as a whole and to 75% for any individual property.

Expected portfolio characteristics: The Fund is a value added vehicle with an investment strategy focused on capitalizing on the current and growing demand for core real estate assets by aggressively pursuing non-core properties that can be renovated, redeveloped or repositioned and later sold to core buyers. The focus will be to acquire properties located in major metropolitan areas, as well as select secondary markets. The Fund's emphasis will be on properties with sound fundamentals that offer value-creation opportunities through (1) improved property management, including active marketing and cosmetic improvements, (2) lease-up of vacant or roll-over space, (3) build-to-suit expansion or new construction or (4) tenancy upgrade.

Number of Properties: Between 20 and 25 investments, with investment size ranging from \$15 to \$70 million, with an average expected deal size of \$40 million.

Geographic diversification: The Fund will target those markets that our Research & Strategy group has identified as presenting the best opportunities to achieve outperformance. This is likely to include larger metropolitan areas in coastal markets as well as cities in select secondary markets.

Property type diversification:

Property Type	Target Weighting
Office	25-40%
Multifamily	25-40%
Industrial	15-30%
Retail	15-30%

Type of ownership of properties: Direct property investments

Maximum total international %, expected international %: Exclusively U.S.

Alignment of interests: LaSalle Income & Growth Fund VI is the only U.S. closed-end value added fund product that LaSalle will be investing. There is a small group of separate accounts that have value added investment interests. During periods when multiple clients are actively investing, specific client objectives are sufficiently customized so that deal allocations are often relatively clear and straightforward. For accounts domiciled in North America, allocations of prospective investments are discussed in a bi-weekly meeting involving Portfolio Managers, Acquisitions Officers and Client Services Representatives. Acquisitions Officers present the investment opportunities. Portfolio Managers then make selections from among the available opportunities. There is an allocation priority that reflects the time since each client's most recent allocation. Any issues or questions that arise with regard to allocations will be resolved by Peter Schaff, CEO, North American Private Equity and Matthew Reed, Head of Acquisitions for North American Private Equity. There is no preferred treatment for any affiliates, funds or clients in the process.

Valuation process of unrealized investments: There is a quarterly re-evaluation of carrying values by the Fund team and by its auditors. Formal audit reviews are performed annually. In addition, the Fund team prepares a complete internal valuation of each property on an annual basis starting as of either June 30 or December 31 following the anniversary of property acquisition. The Fund then retains an independent appraisal firm to review the internal valuations for reasonableness. Adjustments to values are sometimes made based upon that analysis. The appraiser then prepares a "review opinion" indicating that values are reasonable. Since properties are carried on a current value basis, significant adjustments required due to major occupancy changes or changing market conditions are made quarterly between full valuation reviews. Year-end values are thoroughly reviewed by the valuation group of the auditors.

Angelo, Gordon & Co., 245 Park Avenue, New York, NY 10167, 212-692-2000

Name of Fund: AG Realty Fund VII, L.P.

Expected size of the fund, both net and gross: \$1.25 billion net; approximately \$2.1 billion gross

Amount committed currently:

As of September 30, 2011:

Closed: \$627.7 million

Hard Circled: Approximately \$110 million

Soft Circled: Approximately \$135 million

First close and anticipated final close: The first close was held in December 2010 and the final close is expected to occur in December 2011.

Period of purchase of investments: The Fund's four year investment period began following the initial closing.

Anticipated termination and extensions: The term of the Partnership is eight years from the first close (i.e., four years from the end of the investment period). There are two one-year extension options.

Target returns: 20%.

Legal structure: Limited Partnership

Expected and maximum leverage: The targeted leverage at both the Fund level and property level is generally 55-65%. The Realty VIII maximum fund level leverage is 75%.

Expected portfolio characteristics:

Number of Properties: 30-40

Geographic diversification:

East: 45%

South: 25%

West: 25%

Midwest: 5%

Property type diversification:

Office: 25%

Retail: 20%

Lodging: 20%

Apartment: 15%

Industrial: 10%

Other (healthcare, land, self-storage, for-sale residential, etc.): 10%

Type of ownership of properties:

The Fund will pursue predominately equity investments, but will acquire debt most often with the intent to gain control of the underlying asset. In fact, approximately two-thirds of recent deals purchased were sourced through lenders. The Fund may pursue debt investments but it is important to note that the Fund is restricted from investing more than 10% of capital commitments in real estate assets that are publicly traded securities, except where the general partner believes it will gain ownership to the underlying hard asset or where the publicly traded debt is collateralized by real estate assets that the general partner believes can achieve returns consistent with the Fund's investment objective.

Maximum total international %, expected international %: 25%

Alignment of interests: The predecessor fund, AG Realty Fund VII, is fully committed. There are no affiliates, funds or clients that receive preferences in the allocation process. AG Realty VIII will have priority over all new U.S. opportunistic investments and will be allocated at least 70% of each non-Asian opportunistic real estate opportunity, until it is fully invested, which is consistent with the terms of the LPA. It should be noted that the Firm manages other capital that may take a small piece of opportunistic deals. The co-investment among AG funds is decided based on available capital, subject to diversification requirements. Any potential conflicts of interest would be addressed by the Fund's advisory committee, none of whose members has an interest in any Angelo, Gordon offering, subsidiary or affiliate.

The interests of real estate investment professionals and partners in the Firm are well aligned with the Fund. First, senior professionals (generally Vice President and above) on our real estate team share in approximately half of the Fund's carry. In addition, select senior employees (including members of Milliman Page 11 Real Estate Fund Search the real estate group) are offered the opportunity to become partners in Angelo, Gordon & Co. These partners make a contribution to the Fund through the GP's contribution. Furthermore, qualified and accredited employees of the Firm may also invest directly in the Fund, and all real estate investment team members who are Vice President and above have invested directly in the Fund.

Valuation process of unrealized investments: Real estate investments are valued using internal pricing models that are generally discounted cash flow analyses using estimated market assumptions. In addition, Angelo, Gordon may consider third party evidence such as signed letters of intent for sales and financings, purchase and sale agreements, appraisals, or other capital events when estimating fair value. Angelo, Gordon obtains independent appraisals for approximately one-third of the portfolio on an annual basis. The investments selected for appraisal are rotated, so that generally each investment in the portfolio is independently appraised no less than one time during each three-year period.

**Oaktree Capital Management, L.P., 11611 San Vicente Blvd., Suite 710,
Los Angeles, CA 90049, Tel: +1 310 442-0542**

Name of Fund: Oaktree Real Estate Opportunities Fund V, L.P.

Expected size of the fund, both net and gross: No hard cap, but \$1 billion of capital commitments can be invested relatively quickly. Leverage will be minimal.

Amount committed currently: As of June 30, 2011, the total committed capital from the Fund's first and second closings amount to \$517.5 million

First close and anticipated final close: The Fund held its initial closing on February 23, 2011. The final closing for the Fund shall be held no later than December 18, 2011, which is 270 days after the date of the closing of the Fund's first investment.

Period of purchase of investments: Four-year investment period from the initial investment date.

Anticipated termination and extensions: The Fund has a ten-year term, with extension options.

Target returns: Mid to high teens.

Legal structure: Limited partnership

Expected and maximum leverage: No specific target or maximum for loan-to-value but Oaktree has employed portfolio-level leverage of 20-40%.

Expected portfolio characteristics: *Number of Properties:* Deal size is highly variable to the opportunity set available. The Predecessor Real Estate Funds on average made approximately 30-60 investments ranging in size from \$10-40 million (generally not to exceed \$100 million). It is expected that the Fund will make approximately 15-40 investments ranging from \$25-100 million (not to exceed the greater of \$200 million or 20% of the total capital commitments).

Geographic diversification: To take advantage of global investment opportunities, there are no restrictions or specific targets in terms of regions. The focus is on investments in assets with attractive risk-adjusted returns. The emphasis, however, will be on investments in the United States.

Property type diversification: The fund will invest across various sectors, including office, industrial, retail, multifamily, hospitality, condominiums and developments. There are no targets.

Type of ownership of properties: The majority of investments tend to be debt-related. The fund will invest throughout the capital stack, including senior debt, junior and mezzanine debt, and equity. The fund will pursue both control and minority investments on an opportunistic basis. Certain minority investments may have return profiles that justify the purchase without any intent to control the underlying collateral. However, the majority of the investments tend to be

control positions, or initial toe-hold positions which are intended to convert to control positions, if not bought out at an attractive price. In all cases, Oaktree will seek appropriate control rights calibrated to each specific investment.

Maximum total international %, expected international: The emphasis will be on investments in the United States. No more than the greater of \$350 million or 35% of total capital commitments may be invested, in the aggregate and based on cost, in securities or obligations of foreign entities or mortgages or other investments associated with real property located outside the United States and Canada.

Alignment of interests: Oaktree will seek to manage any potential conflicts in good faith subject to its fiduciary duties to its clients in the Fund and other funds managed by it. Oaktree manages other funds and accounts that present the possibility of overlapping investments, and thus the potential for conflicts of interest. However, ROF IV is 100% drawn and is virtually fully committed. No successor real estate fund with a similar strategy will begin investing until the Fund is 80% invested or committed for investment or the Fund has exited its investment period, whichever is earlier. Except for PPIP, which does not overlap, all Oaktree-managed funds that have an incentive component carry the same 20% incentive allocation, so Oaktree and its employees have no reason to favor one fund over another.

Valuation process of unrealized investments: Oaktree values client portfolios in accordance with generally accepted accounting principles ("GAAP") and based on the principles and methods of valuation summarized below. GAAP establishes a hierarchical disclosure framework which prioritizes the inputs used in measuring investments at fair value into three levels based on their market observability. Market price observability is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Financial instruments with readily available quoted prices from an active market or for which fair value can be measured based on actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment inherent in measuring fair value.

Non-publicly traded debt and equity securities and other securities or instruments for which reliable market quotations are not available are valued by management. These securities may initially be valued at the acquisition price as the best indicator of fair value. Subsequent valuations will depend on facts and circumstances known as of the valuation date and the application of valuation methodologies further described below.

**Siguler Guff & Company, LP, 825 Third Avenue, 10th Floor, New York, NY 10022
(212) 332-5100**

Name of Fund: Siguler Guff Distressed Real Estate Opportunities Fund, LP (“DREOF”)

Expected size of the fund, both net and gross: \$750 million in partnership interests. There is no maximum subscription amount. Siguler Guff does not anticipate using leverage at the fund level, so gross is the same as net.

Amount committed currently: As of the last closing on 8/31/2011, DREOF had accepted \$464 million of capital commitments. There are currently \$50 million of commitments hard circled and over \$150 million soft circled.

First close and anticipated final close: The initial closing for DREOF was held on July 30, 2010. The final closing will take place on December 30, 2011.

Period of purchase of investments: Anticipated termination and extensions: The Partnership can make or commit to make fund investments until July 29, 2014 (the “Fund Commitment Period”), and can make or commit to make direct investments until July 29, 2016 (the “Direct Investment Commitment Period”), in each case except for follow-on investments in an amount no greater than 20% of aggregate capital commitments.

Target returns: Targeting a 20% net return to investors

Legal structure: Limited partnership

Expected and maximum leverage: This (unlike other candidates) is a Fund of Funds, purchasing interests in other funds (along with a maximum of 40% in co-investments). Expected leverage for this fund is zero – there is no intention to use leverage at the Siguler Guff fund level. There will be leverage at the underlying fund level. The partnership is targeting 55% at the underlying fund level, with a maximum of around 75%

Expected portfolio characteristics: DREOF will seek to assemble a portfolio of “best in class” investment funds focusing on investments in various forms of real property interests, consisting primarily of debt and equity interests in commercial property, commercial mortgages and commercial mortgage-backed securities, and the debt and equity securities of real estate operating companies and real estate investment trusts on a global basis

Number of Properties: The portfolio will most likely consist of approximately 12 to 15 allocations to managers, generally in a combination of fund or separately managed account investments. Some fund investments may be acquired in secondary transactions. DREOF may allocate up to 40% of its capital to select co-investment opportunities and expects to complete 15 to 20 co-investments.

Geographic diversification: The 85% intended for North American investments will be allocated on an opportunistic basis.

Property type diversification:

Office	30	%
Hotel/Lodging	15	
Industrial	12.5	
Retail	12.5	
Apartment/Multi-family	10	
Real Estate Debt	10	
Land	5	
Other - Mixed Use	5	
Total	100	%

Type of ownership of properties: Given the distressed focus of the Partnership, the typical entry point on property acquisitions will be through the debt portion of the capital structure. However, in most cases where DREOF is not investing into an asset directly, the Partnership will aim to eventually take direct ownership of the underlying asset, potentially through the foreclosure process.

Maximum total international %, expected international %: 25% maximum, 15% expected (10% Europe, 5% Asia)

Alignment of interests: Distressed real estate investments are currently being made in DREOF, as well as in Siguler Guff's Distressed Opportunities Funds III and IV. In making an allocation recommendation, the fund's portfolio manager and investment team will start with a pro rata default allocation based on Siguler Guff's reasonable assessment of the amount available for investment with respect to such opportunity by each fund (or account) involved. Other considerations that may cause a change from the default include proximity of a fund to the end of its investment term, the time horizon of the investment, diversification and concentration limits, the sourcing manager (for co-investments), investment guidelines and limitations governing the funds, etc.

Valuation process of unrealized investments: As a fund-of-funds, Siguler Guff typically relies on its underlying fund managers to provide input on valuation, except in special circumstances. If the Firm believes that a fund has inappropriately valued a portfolio position, it discusses the issue with the general partner of that fund and/or raises the issue with that fund's advisory board, in addition to reporting the matter to the Firm's Valuation Committee.

**Walton Street Capital, L.L.C., 900 North Michigan Avenue, Suite 1900
Chicago, IL 60611, P312-915-2800**

Name of Fund: Walton Street Real Estate Fund VII, L.P.

Expected size of the fund, both net and gross: \$2.0 billion anticipated equity, approximately \$7 billion gross. Minimum commitment sizes are expected to be \$10 million and maximum are expected to be \$200 million at the General Partner's sole discretion. The number of Limited Partners is estimated at 80.

Amount committed currently: Current soft commitments of approximately \$350-\$400 million for the scheduled first closing in late 2011.

First close and anticipated final close: Walton Street expects the first closing in December 2011 with the final closing approximately twelve months later in late 2012.

Period of purchase of investments: The Commitment Period will end no later than four years after the Final Closing Date.

Anticipated termination and extensions: The Fund will terminate six years from the expiration of the Commitment Period, but may be extended at the sole discretion of the General Partner for up to two additional one-year periods.

Target returns: Net IRR of 16-18%

Legal structure: Limited partnership

Expected and maximum leverage: It is anticipated that aggregate acquisition financing (exclusive of the credit facility) will generally account for 70% of the total acquisition cost of the investments on a portfolio basis (property-level). As of the end of the Commitment Period, the Fund's aggregate acquisition indebtedness (exclusive of the credit facility) may not exceed 80% of the greater of (i) total investment cost or (ii) fair market value of the investments on an aggregate portfolio basis.

Expected portfolio characteristics:

Walton Street intends to acquire fundamentally sound real estate assets at discounts to replacement cost and to use leverage. It believes that there will be attractive opportunities to acquire and/or invest in: (i) value added and/or destabilized properties (hotels, office buildings, retail properties, industrial assets, and multi-family) from both property owners and financial institutions, (ii) select distressed assets and loan positions in complex debt restructurings, and (iii) non-performing loans. Walton Street's approach involves comprehensive acquisition analyses, strategic value-enhancement strategies, capital and space markets expertise and professional asset management skills to identify and effectively direct third-party property management, leasing and disposition teams to execute envisioned investment strategies and realize value for investors.

Number of Properties: 50

Geographic diversification:

Pacific	35	%
Mid-East U.S.	20	
Northeast	15	
East North		
Central	5	
Southwest	5	
Mountain	5	
Southeast	5	
<hr/>		
Total U.S.	90	
Mexico	3	
Non North		
America	7	
<hr/>		
	10	

Property type diversification:

Hotel	20	%
Office	30	
Retail	10	
Multifamily	10	
Senior housing	5	
Industrial	5	
Debt	10	
International	10	

Type of ownership of properties: Primarily direct equity, some debt or other if advantageous

Maximum total international %, expected international %: Around 10% of the fund

Alignment of interests: The Fund together with its related parallel funds represents the exclusive private equity real estate investment vehicle of Walton Street for the acquisition of real estate related investments that meet the investment criteria of the Fund. Individuals who are directly responsible for creating value in the Fund are directly rewarded through the Fund's performance-based incentive compensation structure.

Valuation process of unrealized investments: All investments of the Fund will be measured for Value Adjustments on an annual basis as of December 31st of each year. To the extent that Material Events have occurred, Walton Street will analyze such assets for potential Valuation Adjustments as of the quarter ended in which the Material Event occurred.