

**MENDOCINO COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION
U.S. CORE OPEN-END REAL ESTATE
COMMINGLED FUND
APRIL 2011**



CALLAN ASSOCIATES INC.
INVESTMENT MANAGER SEARCH
MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

APRIL 2011

The following investment manager evaluation was compiled by Callan Associates Inc. from information provided by the candidate firms and other sources believed to be reliable. Unless otherwise noted, performance figures reflect a commingled fund or a composite of discretionary accounts. All written comments in this report are objectively stated and are based on facts gathered in good faith. No comments should be construed as a recommendation for or against any candidate firm.

The following investment manager organizations have submitted information to Callan Associates Inc. regarding their investment management capabilities. The information has been summarized in this report for the consideration of Mendocino County Employees' Retirement Association.

U.S. Core Open-End Real Estate Commingled Funds

Cornerstone Real Estate Advisors

INVESCO Advisors

JP Morgan Investment Management

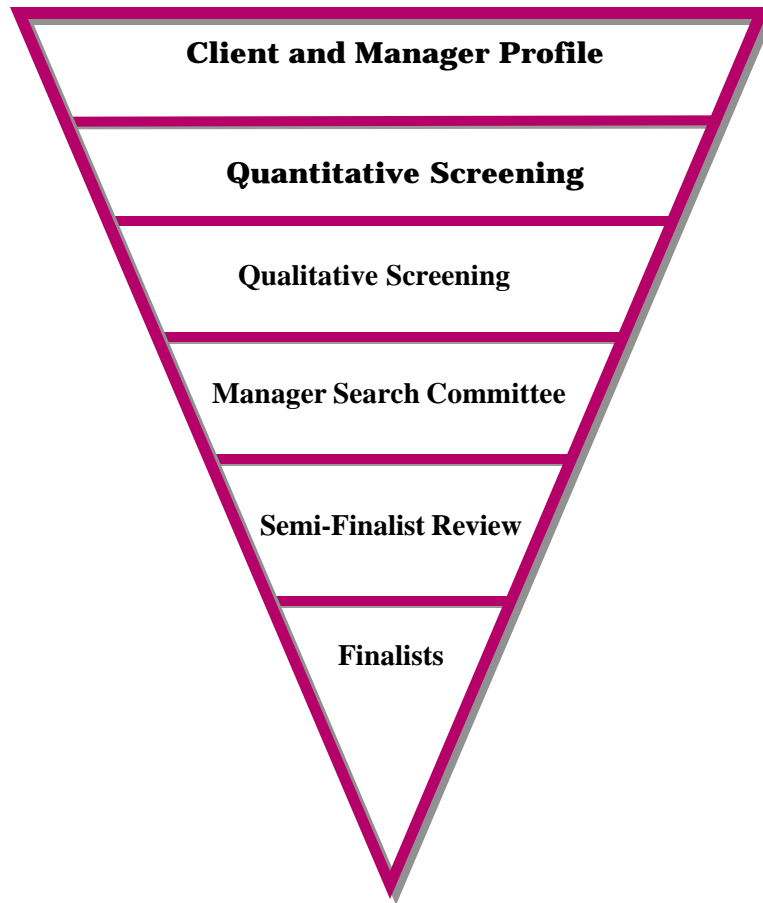
CALLAN ASSOCIATES INC.
MENDOCINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENT MANAGER SEARCH

APRIL 2011

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Section I



Manager Search Outline

I. Client and Manager Profiles

The first step in Callan’s investment manager search process is to develop an accurate description of both the client as well as the “ideal” manager candidate. Callan works with the client at the onset of each search to formulate these descriptions, or profiles. The Client Profile contains salient information about the client’s current manager structure, the rationale for conducting the search, the assets to be allocated and documents any policy restrictions. The Manager Candidate Profile will outline the specific characteristics sought in an investment manager. Appropriate screening criteria are then developed from the Manager Candidate Profile. Such criteria include: manager strategy and approach; organizational structure; minimum/maximum assets under management; performance criteria relative to an appropriate index and peer group; risk parameters; and, any other client-directed considerations.

II. Quantitative Screening

Once the candidate Manager Profile has been submitted, Callan's Global Manager Research Group conducts quantitative screening of our relational database to identify those candidates most compatible with the client's existing or proposed manager structure. These screens take into consideration numerous quantitative factors which include: performance, volatility, correlation with the existing structure, assets under management and investment style. Screens for performance are conducted using multiple time period and statistical analysis to identify those managers with good, consistent historical performance. Multiple time periods and market cycles are used to identify consistency of returns and avoid performance bias.

III. Qualitative Screening

Qualitative screening further reduces the initial list of candidates that pass the quantitative screens. Several of the qualitative factors considered include: manager type; organizational history; depth and experience of investment personnel; investment process and style; client servicing capability; and, resource allocation. Based upon approximately 1,000 manager visits conducted annually within Callan offices and approximately 300 manager on-site visits every 12 months in the managers' offices (overseas and in the U.S.), Callan applies in-depth research to formulate a unique list of investment managers specifically selected for each client.

IV. Manager Search Committee

Each search conducted at Callan is presented to the Callan Manager Search Committee ("the Committee"), an oversight body that is comprised of sixteen senior consultants within the firm. The consultants that sit on the Committee are responsible for approximately 150 of our ongoing clients and bring seasoned consulting experience and knowledge of the investment managers to the discussion. The Committee meets weekly via conference call to review every search that is undertaken. The Committee is responsible for insuring that each search meets the specified criteria outlined by the client and for collectively selecting the most appropriate candidates to be presented to the client.

V. Semi-finalist Review

A manager evaluation document is prepared following the Manager Search Committee meeting. The document contains detailed information on the candidates approved by the committee. The document is reviewed with the Board to highlight important considerations in conducting the search, compare and contrast the manager candidates and to select firms to interview.

VI. Finalist Presentations

Finalist presentations are held to gain additional insight into the investment management organizations which remain. The presentation generally includes an overview of the organization, a specific review of the product being considered and provides the opportunity for the client and/or consultant to address any outstanding issues. A winner is typically selected following these presentations and a review of each candidate firm.

Mendocino County Employees' Retirement Association
Defined Benefit Plan
Core Real Estate Commingled Fund Search
Client Profile
January 2011

1. **Client**
Mendocino County
2. **Size of Total Fund**
\$339 million as of December 31, 2010
3. **Target Asset Mix**

| <u>Asset Class</u> | <u>Target Allocation</u> |
|-----------------------|--------------------------|
| Domestic Equity | 38% |
| International Equity | 25% |
| Domestic Fixed Income | 28% |
| Real Estate | 9% |

4. **Current Manager Allocation (December 31, 2010)**

| | December 31, 2010 | | Net New Inv. | Inv. Return | September 30, 2010 | |
|-------------------------------|----------------------|---------------|----------------------|----------------------|----------------------|---------------|
| | Market Value | Percent | | | Market Value | Percent |
| Domestic Equities | \$134,364,385 | 39.64% | \$3,000,000 | \$13,889,627 | \$117,474,758 | 37.86% |
| Large Cap Equities | \$80,328,451 | 23.70% | \$10,600,000 | \$6,997,711 | \$62,730,741 | 20.22% |
| Selected American | 11,663,670 | 3.44% | (0) | 1,124,316 | 10,539,354 | 3.40% |
| Dodge & Cox Stock | 15,012,383 | 4.43% | 7,700,000 | 928,977 | 6,383,405 | 2.06% |
| Investment Co of America | 11,716,221 | 3.46% | 0 | 943,123 | 10,773,098 | 3.47% |
| Vanguard Growth & Income | 10,833,953 | 3.20% | 0 | 1,057,605 | 9,776,349 | 3.15% |
| Growth Fund of America | 10,273,226 | 3.03% | 2,000,000 | 815,876 | 7,457,350 | 2.40% |
| Harbor Cap Appreciation | 10,392,418 | 3.07% | (0) | 1,069,647 | 9,322,770 | 3.00% |
| Janus Research | 10,436,580 | 3.08% | 900,000 | 1,058,166 | 8,478,415 | 2.73% |
| Mid Cap Equities | \$29,054,987 | 8.57% | \$(8,100,000) | \$3,661,698 | \$33,493,289 | 10.79% |
| Fidelity Low Priced Stock | 9,135,665 | 2.70% | 0 | 900,378 | 8,235,287 | 2.65% |
| Royce Total Return | 9,125,862 | 2.69% | 0 | 975,159 | 8,150,703 | 2.63% |
| Morgan Stanley | 5,395,034 | 1.59% | (4,400,000) | 896,037 | 8,898,997 | 2.87% |
| Janus Enterprise | 5,398,426 | 1.59% | (3,700,000) | 890,124 | 8,208,302 | 2.65% |
| Small Cap Equities | \$24,980,947 | 7.37% | \$500,000 | \$3,230,219 | \$21,250,728 | 6.85% |
| Vanguard Small Cap Value | 11,329,350 | 3.34% | (2,400,000) | 1,536,449 | 12,192,901 | 3.93% |
| Alliance US Small Growth | 3,639,046 | 1.07% | (500,000) | 635,453 | 3,503,593 | 1.13% |
| RS Investments | 3,420,147 | 1.01% | 200,000 | 445,244 | 2,774,903 | 0.89% |
| Managers Inst Micro Cap | 6,592,404 | 1.95% | 3,200,000 | 613,072 | 2,779,332 | 0.90% |
| International Equities | \$81,180,105 | 23.95% | \$15,000,000 | \$5,222,436 | \$60,957,669 | 19.64% |
| EuroPacific | 15,710,251 | 4.64% | 4,700,000 | 899,019 | 10,111,232 | 3.26% |
| Harbor International | 15,875,027 | 4.68% | 5,400,000 | 967,519 | 9,507,508 | 3.06% |
| Columbia Acorn Int'l | 11,355,779 | 3.35% | 0 | 896,448 | 10,459,331 | 3.37% |
| Artisan International | 9,473,892 | 2.80% | 0 | 573,054 | 8,900,838 | 2.87% |
| Janus Overseas | 15,845,461 | 4.68% | 3,900,000 | 962,576 | 10,982,884 | 3.54% |
| Oakmark International | 12,919,696 | 3.81% | 1,000,000 | 923,820 | 10,995,876 | 3.54% |
| Domestic Fixed Income | \$95,177,878 | 28.08% | \$(6,621,122) | \$(3,418,373) | \$105,217,373 | 33.91% |
| Dodge & Cox Income | 48,930,097 | 14.44% | 49,103,712 | (173,614) | - | - |
| Bradford & Marzec | 402,554 | 0.12% | (15,814,911) | 109,567 | 16,107,898 | 5.19% |
| Dodge & Cox | 5,839 | 0.00% | (39,909,923) | (2,665,677) | 42,581,439 | 13.72% |
| PIMCO | 45,839,388 | 13.52% | 0 | (688,648) | 46,528,036 | 14.99% |
| Real Estate | \$28,204,672 | 8.32% | \$(9,251) | \$1,554,573 | \$26,659,351 | 8.59% |
| RREEF Public Fund | 12,123,367 | 3.58% | 0 | 944,065 | 11,179,303 | 3.60% |
| RREEF Private Fund | 15,219,185 | 4.49% | 0 | 601,256 | 14,617,928 | 4.71% |
| 625 Kings Court | 862,120 | 0.25% | (9,251) | 9,251 | 862,120 | 0.28% |
| Total Fund | \$338,927,040 | 100.0% | \$11,369,627 | \$17,248,263 | \$310,309,151 | 100.0% |

5. **Rationale and Asset Estimates**

Mendocino County ERA is seeking to allocate approximately \$9 million to an open-ended core commingled real estate fund. Mendocino is seeking to diversify its current real estate structure (50% RREEF America REIT II, 50% RREEF Real Estate Securities). The funding would come from REIT's.

**Mendocino County Employees' Retirement Association
Core Real Estate Commingled Fund Search
Candidate Profile**

MANDATE

Mendocino County ERA is seeking to allocate approximately \$9 million to an open-ended core commingled real estate fund. The fund should be broadly diversified with respect to property types and geography. The vast majority of fund investments should be in existing, income-producing properties that are substantially leased.

ORGANIZATION

1. **Type of Firm**

All types of firms can be considered (banks, registered investment advisors, and insurance companies).

2. **Business Focus**

Preference will be given to candidates with an established focus on implementing core real estate investment strategies in a commingled fund format.

3. **Key Personnel**

Candidates that can demonstrate the historical ability to attract and retain senior real estate professionals that are dedicated to the management of core commingled funds are preferred.

4. **Real Estate Assets Under Management**

Candidates should have sufficient assets under management to support the professional staff required to successfully acquire, manage, and sell real estate. A minimum of \$1 billion in tax-exempt assets under management is preferred; however, smaller firms may be considered on a case-by-case basis.

5. **Property Allocation Policy**

To the extent candidates manage additional portfolios (e.g., client separately managed portfolios and other commingled funds), candidates with clear and fair policies for allocating new investment opportunities among clients and funds will be given preference.

6. **Research**

Preference will be given to candidates with a culture that is "research oriented" as opposed to "deal" oriented. For example, candidates that do their own "top down" research analysis and that incorporate their research insights in portfolios to the benefit of clients may be considered superior. Candidates that use their research as a basis for managing and controlling the various forms of risk inherent in real estate investing will also be favored.

7. **Stability and Depth**

The manager must exhibit organizational depth and reasonable employee attrition. Impact from turnover should be minimized through the firm's organizational structure.

8. **Asset Management**

Candidates should be able to demonstrate that they actively manage their portfolios with clearly identified exit strategies upon acquisition and regularly evaluate hold/buy decisions for individual properties. Although it is not required, it is preferred that candidates use third-party property managers and leasing agents. Candidates should be able to demonstrate that they historically have been able to add value as a result of their asset-management efforts.

9. **Reporting**

Candidates should have the resources and commitment to provide timely and accurate quarterly reports, financial statements, and commingled-fund rates of return.

10. **Conflicts of Interest**

Management must have systems/policies to eliminate/mitigate conflicts between the client, the firm and other investor needs resulting from competing allocations for similar strategies as the proposed core fund.

INVESTMENT VEHICLE

1. **Vehicle Structure**

Only commingled fund vehicles will be considered due to the size of the allocation.

2. **Investment Approach**

The client is seeking a core commingled fund that seeks broad diversification with respect to property types and geography. The vast majority of fund investments should be in existing, income-producing properties that are substantially leased.

3. **Return Targets**

Eligible vehicles will implement a core strategy that provides a competitive rate of return. Additionally, approximately two-thirds of the total return should be derived from income. Preference will be given to vehicles that do not generate unrelated business taxable income.

4. **Vehicle Size**

Eligible vehicles should have at least \$500 million invested in equity real estate; however, smaller firms may be considered on a case-by-case basis.

5. **Offering Schedule**

Eligible vehicles should be open for commitments with the ability to accommodate the Fund's approximate \$15 million allocation in a timely manner. Optimal candidates should not have a substantial current withdrawal queue.

6. **Participants**

Funds without concentrated ownership are preferred. Alignment of manager goals and incentives will be accounted for through fee and termination controls.

7. **Investor Rights and Controls**

All else being equal, commingled funds that afford investors certain “rights,” such as being able to vote and remove the investment manager in specific situations will be given preference.

8. **Redemption Policy**

Eligible vehicles will have a stated policy regarding redemption requests and provide “best effort” measures if redemptions cannot be made due to unfavorable or adverse real estate market conditions. It is preferred that in-kind distributions are not allowed in lieu of cash distributions.

9. **Dividend Policy**

Preference will be given to funds that pay dividends, representing the income return on a quarterly basis and that the dividends have priority over other redemption requests. The client wants to have the flexibility to either reinvest the dividend by acquiring additional fund units or use the cash for other purposes.

10. **Use of Leverage**

Preference will be given to funds that mark their debt to market. The total portfolio leverage should have a target of less than 40%.

11. **Fees**

Fee rates (as determined by a projected fee analysis) should be competitive and the fee structure should align the manager’s interests with those of investors. The client prefers fees based on cash flow as opposed to fees based on assets under management.

12. **Appraisal and Audit Policy**

Candidates should be able to provide clear policies for internal and external appraisals and external audits at least annually. Such policies should reflect current industry standards.

PERFORMANCE

1. **Strategy Experience**

Candidates must be able to demonstrate that they have prior experience in managing “core” real estate portfolios. Candidates must have a five-year history of investing in core portfolios (either in the commingled fund under consideration, other commingled funds, or separately managed portfolios). Consequently, for a candidate with a “new” commingled fund, we may analyze the performance of other portfolios as long as they reflect the same (or substantially similar) “core” strategies proposed for the core commingled fund.

2. **Historical Performance Evaluation**

Historical performance will be scored based on the following:

- a) Analyzing cumulative four, five and seven-year time periods in relation to the NCREIF

Property Index, NCREIF ODCE, and Callan's Real Estate Open-End Fund Database.

b) Analyzing rolling three—year time periods (quarterly rolls) in relation to the NCREIF Property Index, NCREIF ODCE, and Callan's Real Estate Open-End Fund Database.

INSTITUTIONAL MANAGEMENT EXPERIENCE

1. Strategy Experience

Preference will be given to managers with prior experience in implementing core real estate strategies or staffed by individuals with appropriate backgrounds. Managers should have a five year performance history of investing in the Fund's given strategy. Performance and/or experience may include a previous fund(s), implementing an identical or similar strategy or proven experience implementing the strategy at a former entity.

2. Reporting

Eligible managers should be able to provide quarterly account reports and financial statements within 45 days after the quarter end.

3. Client Base:

Preference will be given to managers who have experience working with tax-qualified pension plans or other tax-exempt institutions.

TECHNICAL EXPERTISE

1. Vehicle Experience

Eligible managers should have three years of similar vehicle experience with a core mandate. It is preferred that this experience be while working within the current organizational structure.

2. Property Type Experience

Eligible managers should have exposure to all major asset types as evidenced by current assets under management.

3. Research

Eligible managers should demonstrate a research-oriented approach with a proven practice of utilizing research product. Advocated strategies should provide research-based substantiation of the strategy and its risk/return profile. Additionally, an understanding of, and dedication to, reducing risk through economic and geographic diversification will be required.

4. Market Exposure

Eligible managers should have a proven network for acquisition, management and disposition of assets in major metropolitan areas throughout the United States.

5. Asset Management

Eligible managers should have a demonstrated ability of actively managing assets on an ongoing basis and regular evaluation of the hold/sell decision. Access to, and control of, property management and leasing expertise is included.

Mendocino County Employees' Retirement Association Core Open-End Real Estate Commingled Fund Search

Background and Search Process

Callan sent a Request for Information (“RFI”) to a list of 16 firms that currently had core open-end real estate fund offerings. Fourteen potential candidates responded to the RFI for a diversified, open-end, core real estate commingled fund mandate. The RFI was used to gather firm and product information for a proposed allocation by Mendocino County Employees' Retirement Association

The 16 managers are:

AEW Capital Management
American Realty Advisors
BlackRock INC
Cornerstone Real Estate Advisers, LLC
Heitman Capital Management
ING Clarion Partners, LLC
INVESCO Advisers
J.P. Morgan Investment Management, Inc.
LaSalle Investment Management
Morgan Stanley Real Estate
PNC Realty Investors, Inc.
Principal Global Investors
Prudential Real Estate Investors
RREEF America, LLC
TIAA-CREF
UBS Realty Investors, LLC

The Callan Search Committee recommended the following candidates for further consideration:

Cornerstone Real Estate Advisers, LLC
INVESCO Advisers
J.P. Morgan Investment Management, Inc.

Section II

CORNERSTONE REAL ESTATE ADVISERS, LLC

One Financial Plaza, Suite 1700

Hartford, CT 06103

History

Cornerstone developed its investment management capabilities in-house and began its operations managing a real estate separate account for MassMutual. Cornerstone began managing real estate equity assets for U.S. tax-exempt institutions in 1997 concurrent with the closing of the firm's first commingled fund; in 2001 the firm began managing domestic equity real estate separate accounts for other institutional clients. Since then, Cornerstone has significantly expanded its core and value-added third-party separate account and commingled fund business.

Cornerstone formed a Securities Group in 1999, and began managing U.S. REIT portfolios in January of 2000. A Global Real Estate Securities management initiative was launched in July 2007. On January 1, 2010, Cornerstone added financing capabilities by beginning the integration of Babson Capital Management LLC's Real Estate Finance Group ("Finance Group".) This integration is complete. The newly expanded Cornerstone is a subsidiary of Babson Capital Management LLC, an indirect, wholly owned subsidiary of Massachusetts Mutual Life Insurance Company ("MassMutual"), member of the MassMutual Financial Group. Additionally, on January 7, 2010 Cornerstone acquired London-based Protego Real Estate Investors LLP, Protego Real Estate Investors Finance LLP and their subsidiaries ("Protego"), which established Cornerstone's presence in the European market.

The Finance Group has been managing real estate debt funds and separate accounts on behalf of third-party institutions, U.S. banks, and European banks since 1999.

Protego has approximately \$2 billion in assets under management comprised of separate accounts and commingled funds. Protego has offices in the United Kingdom, the Netherlands and Sweden. The company has been integrated into the Cornerstone platform and assumed the Cornerstone Real Estate Advisers trading name.

Structure

Founded: 1994
 Type of Firm: Insurance Company Affiliate
 Ownership: Subsidiary of MassMutual
 Errors and Omissions Insurance: Yes
 In Compliance with SEC and DOL: Yes
 Brokerage Affiliate: Yes

Contact

Brian Murdy
 333 Ludlow Street
 Stamford, CT 06902
 Phone: 860-509-2200
 Fax: 860-509-2296
 Email: bmurdy@cornerstoneadvisers.com

Key Professionals

| | Yrs. Experience | Yrs. w/Firm |
|--|--------------------|----------------|
| David Reilly – President & CEO | 16 | 38 |
| Tom Dudeck – Chief of Investment Strategy | 13 | 29 |
| Mark Higgins – CIO – Equity | 15 | 31 |
| Rob Little – CIO Finance | 23 | 24 |
| Anthony Pierson – MD, Portfolio Management | 17 | 27 |
| Steven Wallace – MD, Regional Head | 6 | 29 |
| Michael Gately – MD, Head of Research | 16 | 26 |

Employee Structure

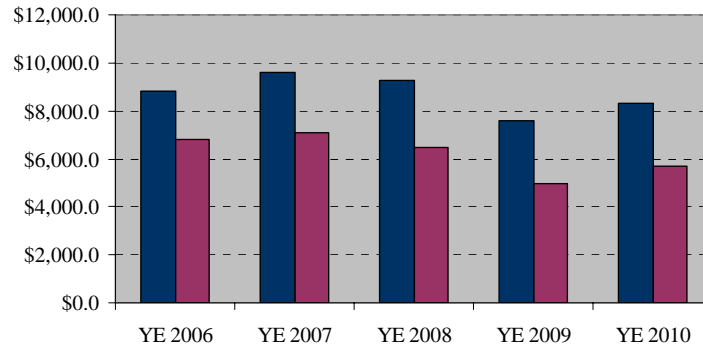
| | |
|----------------------------|------------|
| Portfolio Management | 9 |
| Research | 5 |
| Acquisitions | 12 |
| Dispositions | - |
| Asset Management | 23 |
| Property Management | - |
| Leasing | - |
| Accounting/Financial | 20 |
| Legal | 11 |
| Client Servicing/Marketing | 14 |
| IT (Technology) | 1 |
| Senior Management | 4 |
| Engineering | 1 |
| Other: | 2 |
| Total | 102 |

*Other Includes: Engineering, Valuations, Human Resources and Administrative.

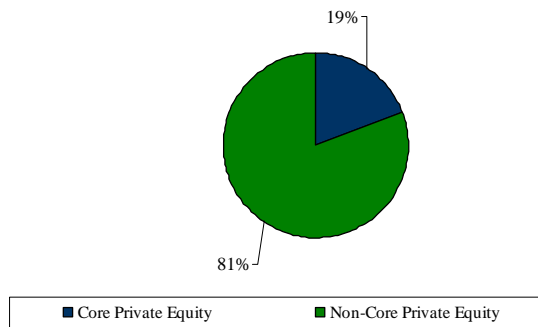
Assets Under Management

(U.S. equity real estate and REIT securities assets only; this does not include debt products or international equity.)

Total Real Estate Assets Under Management (\$MM)



Real Estate Assets by Strategy (\$MM)



The following table provides a breakdown of COMMINGLED FUND TAX-EXEMPT assets by client type as of December 31, 2010:

| | Number of Accounts | Commingled Fund Gross Market Value (\$mm) |
|--------------------------|--------------------|---|
| Employee-Benefit Funds | | |
| Corporate | 11 | \$578.9 |
| Multi-Employer | 5 | \$76.1 |
| Public | 16 | \$1,078.1 |
| Endowments & Foundations | 6 | \$50.6 |
| Other | 1 | \$6.0 |
| Total Accounts | 39 | \$1,789.9 |

The following table provides a breakdown of all private equity commingled fund vehicles:

| Name of Fund | \$ Gross Size (\$ mm) | Investment Strategy |
|---|--|-----------------------------|
| Cornerstone Patriot Fund | \$1,044.7 | Core |
| Cornerstone Apartment Fund I | \$63.2 | Value-added |
| Cornerstone Apartment Venture I | \$0 | Value-added |
| | Fund sold its last assets during 4Q2010 | |
| Cornerstone Apartment Venture III | \$531.3 | Value-added |
| Cornerstone Hotel Income & Equity Fund | \$641.0 | Value-added |
| Cornerstone Hotel Income & Equity Fund II | \$203.3 | Value-added |
| Brown Brothers Real Estate Trust | \$47.6 | Core/Core + |
| Cornerstone Real Estate Fund VIII | N/A | Value-added |
| Cornerstone Core Mortgage Fund I LP | \$148.2 | Core, private mortgage debt |
| Cornerstone Core Mortgage Venture I LP | \$284.7 | Core, private mortgage debt |
| Nordic Retail Fund | \$1,193.0 | Core + |
| German Retail Fund | \$62.5 | Value-added |

Cornerstone Patriot Fund

Inception Date: July 1, 2004

| Key Professionals | Yrs. Experience | Yrs. w/Firm |
|---------------------------------------|-----------------|-------------|
| Brian Murdy – Portfolio Manager | 25 | 11 |
| Denise Stake – Portfolio Manager | 19 | 5 |
| Michael Gately – MD, Head of Research | 26 | 16 |

| Fund Overview | |
|----------------------------|---------------------------------------|
| Fund Structure: | Limited Partnership |
| Total Fund Assets – Gross: | \$1,044.7mm |
| Total Fund Assets – Net: | \$885.6mm |
| % of Leverage : | 13.7% |
| Queue: | \$250mm entry queue/ No exit queue |
| Cash: | \$110mm |
| # of Investors: | 26 |

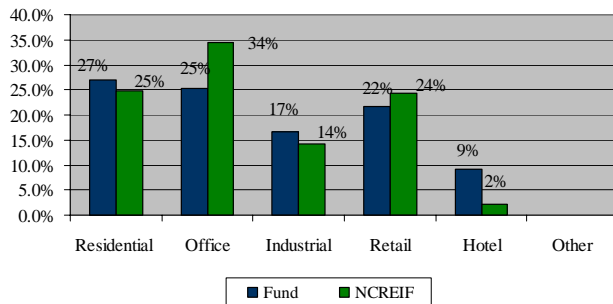
Strategy

The Patriot Fund's core investment strategy targets barrier markets with the potential for higher income growth. The team seeks to apply active asset management and portfolio management to deliver excess returns. The Fund will be diversified by property type and location and will exhibit a diversified tenant base and smooth lease rollover schedules. Up to 20% of the Fund may be invested in non-core assets.

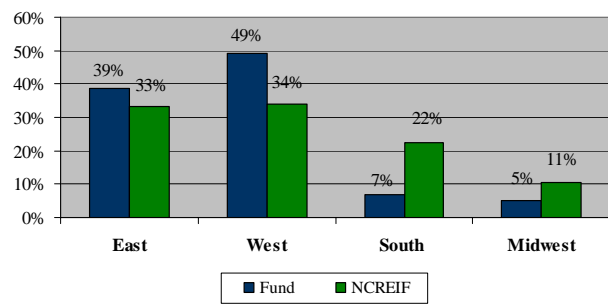
Portfolio Manager

Name: Brian Murdy
% of Dedication: 95%
Fund Co-Investment: No
Responsibilities: Brian is responsible for portfolio management of the Fund and oversees the firm's direct real estate financing activities.
Prior Experience: Brian previously held the role as PM for Cornerstone Apartment Fund I and the Cornerstone Apartment Venture I. Prior to joining Cornerstone, Brian worked at Henderson Global Investors as the portfolio manager for the firm's apartment portfolio and a number of managed accounts.

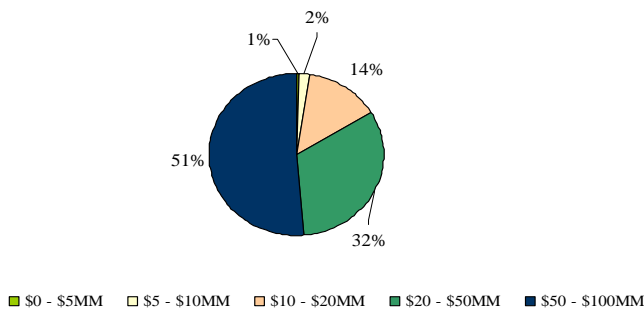
Fund Property Type Diversification vs. NPI
As of December 31, 2010



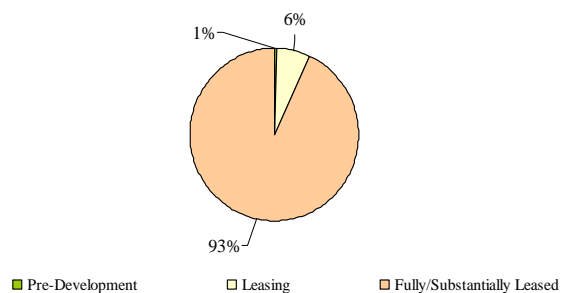
Fund Regional Diversification vs. NPI
As of December 31, 2011



Investment Size Diversification



Investment Stage Diversification



Terms

| | |
|-----------------------|-------------|
| Minimum Investment: | \$1 million |
| Sponsor Commitment: | None |
| Total Return Target: | NFI-ODCE |
| Income Return Target: | - |
| Advisory Board: | Yes |

Fees

| | | |
|-----------------------|-----------------|-------|
| Acquisition Fee: | None | |
| Asset Management Fee: | < \$15mm | 1.10% |
| | \$15mm - \$25mm | 1.00% |
| | \$25mm - \$75mm | 0.90% |
| | > \$75mm | 0.80% |
| Disposition Fee: | None | |
| Performance Fee: | None | |

Limitations

| | |
|----------------------|--|
| Cash: | 7.5% target below an NAV of \$1bn; 5% target thereafter |
| Portfolio Leverage: | 30% |
| Property Leverage: | None |
| Geography: | 25% in any single MSA |
| Property Type: | 40% |
| Joint Venture: | 20% |
| Non-Core Allocation: | 10% |
| Other: | No more than 15% in any single investment; no more than 15% in hotel assets; |

Portfolio**Characteristics**

| | |
|---------------------------|-------------------------------|
| Average Occupancy: | 91% |
| Joint Ventures: | None |
| Entity Level Investments: | None |
| Average Investment Size: | \$32mm |
| Average Age of Assets: | 15 years |
| Asset Turnover: | 2.1% |
| Dividend Policy: | At GP's discretion |
| Redemption Policy: | Quarterly with 30 days notice |
| Mark Debt to Market: | Yes |

Comments

- The Fund's largest investor, MassMutual, represents approximately 27% of the Fund. The Fund plans to use 50% of all new commitments to pay down MassMutual's position, up to a \$300 million maximum per year.
- As of the end of 4Q2010, the Fund had an entry queue of \$250 million, of which \$125 million will pay down MassMutual when called.
- The Fund does not have a dividend target, but has historically paid a dividend around 4%. Dividends do not have preference over redemption requests.
- As of the end of 4Q2010, the Fund did not have any of its debt maturing over the next 12 months and 21.6% maturing over the following 12 months. The Fund has a weighted average cost of debt of 5.2%.
- The Fund reported a year one implied cap rate of 6.3%.
- Properties are appraised by external third parties once a year and internal valuations occur once every quarter.

Section III

INVESCO ADVISERS

**Three Galleria Tower, 13155 Noel Road, Suite 500
Dallas, TX 75240**

History

Invesco Real Estate (“IRE”) is an investment center for Invesco Advisers, Inc., which is an indirect wholly-owned subsidiary of Invesco Ltd. Invesco Advisers, Inc., the SEC registered legal entity responsible for the proposed real estate mandate, was registered with the SEC on 12/30/88.

IRE was established in 1983 to provide real estate investment management services to tax-exempt institutional clients. IRE began working with U.S. investors in 1983 and began working with non-U.S. investors in 1995. Originating as part of the Lomas & Nettleton organization, the firm was purchased by Invesco Ltd. in April 1990 and became Invesco Real Estate.

IRE manages private and public investments through fund and separate account vehicles. Private investments exceed over \$12 billion. The firm manages domestic and international investment and has 13 offices throughout the world.

Invesco Advisers, Inc. (“Invesco”), as successor in interest to multiple investment advisers, has been an investment adviser since 1976. The broader organization, Invesco Ltd., was originally incorporated in December 1935 under the laws of England and Wales. Although several of Invesco’s constituent corporate entities are significantly older, Invesco Ltd. in its modern form was created by the 1997 combination of two asset management businesses: Invesco and AIM, both of which had been founded in the 1970s.

Structure

Founded: 1983
 Type of Firm: Investment Manager
 Ownership: Subsidiary of Invesco Ltd
 Errors and Omissions Insurance: Yes
 In Compliance with SEC and DOL: Yes
 Brokerage Affiliate: Yes

Contact

Max Swango
 Three Galleria Tower, 13155 Noel Road, Suite 500
 Dallas, TX 75240
 Phone: 972-715-7400
 Fax: 972-715-7474
 Email: max.swango@invesco.com

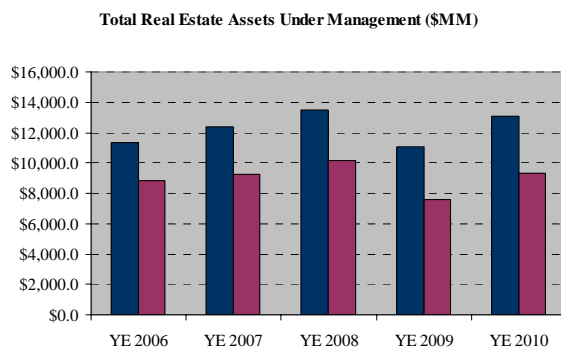
| Key Professionals | Yrs. Experience | Yrs. w/Firm |
|---|-----------------|-------------|
| Scott Dennis, CEO | 29 | 18 |
| Paul Michaels, Director, North America | 28 | 27 |
| Bill Grubbs – Portfolio Manager | 20 | 5 |
| Greg Kraus, Acquisitions | 29 | 10 |
| Michael Kirby, Director NA Asset Management | 26 | 17 |
| Jason Geer, Dispositions/Financing | 19 | 19 |

| Employee Structure | |
|---------------------------|------------|
| Portfolio Management | 58 |
| Research | 12 |
| Acquisitions/Dispositions | 58 |
| Asset Management | 2 |
| Property Management | - |
| Leasing | - |
| Accounting/Financial | 43 |
| Legal | 1 |
| Client Servicing | 17 |
| IT | 6 |
| Senior Management | 5 |
| Other (Administrative) | 3 |
| Total | 261 |

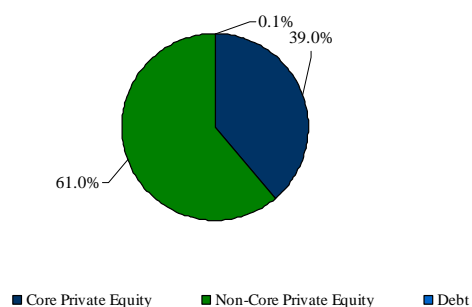
| Investment Professional Turnover | | | | | | | | | | | | |
|----------------------------------|-------------|-----------|-------------|----------------|------------|------------|-------------------------|-----------|-------------|----------------|------------|-----------|
| Additions | | | | | | | Terminations/Departures | | | | | |
| | Port. Mgrs. | Acq. | Asset Mgmt. | Research/Other | Inv. Comm. | Total | Port. Mgrs. | Acq. | Asset Mgmt. | Research/Other | Inv. Comm. | Total |
| 2010 | 3 | 20 | 20 | 8 | 0* | 51 | 0 | 1 | 2 | 1 | 0* | 4 |
| 2009 | 2 | 3 | 4 | 0 | 1* | 9 | 0 | 1 | 0 | 0 | 0* | 1 |
| 2008 | 8 | 5 | 1 | 0 | 1* | 14 | 0 | 4 | 0 | 0 | 0* | 4 |
| 2007 | 3 | 12 | 2 | 2 | 3* | 19 | 0 | 6 | 0 | 0 | 1* | 6 |
| 2006 | 2 | 9 | 2 | 0 | 0* | 13 | 1 | 10 | 6 | 1 | 0* | 18 |
| Total | 18 | 49 | 29 | 10 | 0* | 106 | 1 | 22 | 8 | 2 | 0* | 33 |

*Members of the Investment Committee are included in the other categories listed. Therefore, the Investment Committee members are not counted separately in the totals.

Direct Real Estate Assets Under Management



Real Estate Assets by Strategy (\$MM)



The following table provides a breakdown of all Commingled Fund TAX-EXEMPT accounts under management as of December 31, 2010:

| | Number of Accounts | Commingled Fund Gross Market Value (\$mm) |
|--------------------------|--------------------|---|
| Employee-Benefit Funds | | |
| Corporate | 26 | \$1,634.6 |
| Multi-Employer | 25 | \$899.7 |
| Public | 45 | \$8,546.6 |
| Endowments & Foundations | 13 | \$408.2 |
| Other | 17 | \$889.1 |
| Total Accounts | 126 | \$12,378.2 |

The following table provides a breakdown of all direct commingled fund vehicles:

| Vehicle | Strategy | Gross Asset Value (\$mm) |
|--------------------------------------|---------------------------|--------------------------|
| Invesco Core Real Estate USA | Core | \$3,111 |
| Invesco Real Estate Fund I | Value-Add | \$484 |
| Invesco Real Estate Fund II | Value-Add | \$608 |
| Real Estate High Yield Debt Fund I | Opportunistic Debt | \$20 |
| Real Estate High Yield Debt Fund II | Opportunistic Debt | \$0 |
| U.S. Funds for German Investors | Core | \$907 |
| Invesco European Fund | Core | \$753 |
| Various Funds for European Investors | Core | \$2,306 |
| Property Income Trust | Value-Added | \$349 |
| Asia Fund I | Value-Added/Opportunistic | \$83 |

Invesco Core Real Estate USA

Inception Date: September 30, 2004

| Key Professionals | Yrs. Experience | Yrs. w/Firm |
|---|-----------------|-------------|
| Bill Grubbs, Portfolio Manager | 20 | 5 |
| Mone Haen – Associate PM | 4 | 12 |
| Dan Kubiak – Associate PM | 13 | 7 |
| Mark Roberts – Director of Global Research* | 26 | 15 |

| Fund Overview | |
|----------------------------|---------------------------------|
| Fund Structure: | LLC |
| Total Fund Assets – Gross: | \$3,111mm |
| Total Fund Assets – Net: | \$2,273mm |
| % of Leverage : | 24.7% |
| Queue: | \$433mm entry queue/ No exit |
| Cash: | \$36.0 |
| # of Investors: | 57 |

*Please see comment section.

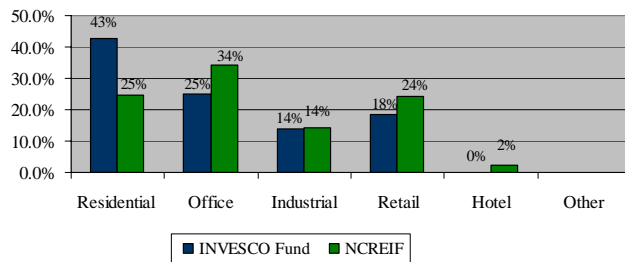
Strategy

Invesco will invest in core properties with a focus on investments with stable income and quality locations. Core style investments include existing, substantially leased (typically 70% or greater occupancy at the time of investment) income-producing industrial, multifamily, retail and office properties located principally in metropolitan areas that exhibit reasonable economic diversification. Currently, the Fund has the following property type target ranges: (1) Industrial – 15%-35%; (2) Multifamily – 25%-45%; (3) Retail – 15%-35%; and (4) Office – 25%-40%.

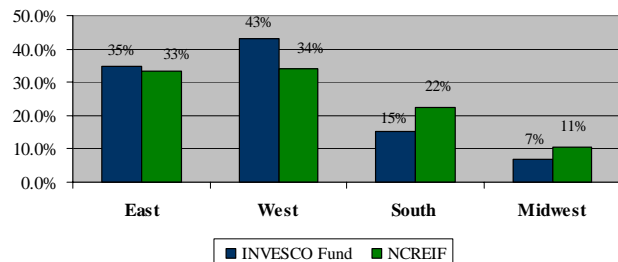
Portfolio Manager

Name: Bill Grubbs
 % of Dedication: 100%
 Fund Co-Investment: No
 Responsibilities: Bill Grubbs is responsible for all major portfolio management decisions for the Fund.
 Prior Experience: Prior to working with the Fund, he was a value added fund manager with Bailard, Biehl and Kaiser. He also worked in development and portfolio management for Prudential.

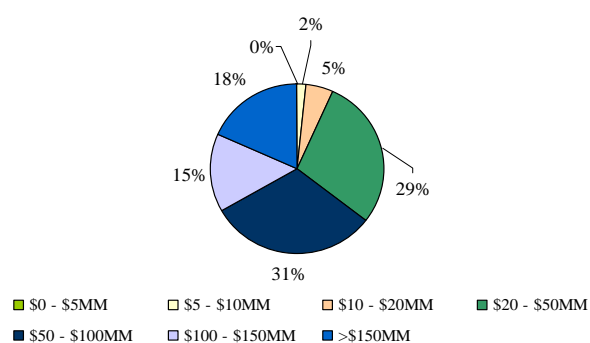
Fund Property Type Diversification vs. NPI
As of December 31, 2010



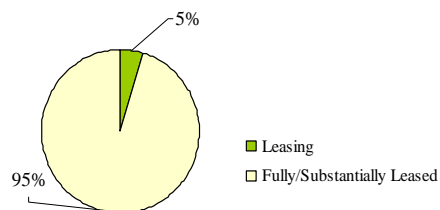
Fund Regional Diversification vs. NPI
As of December 31, 2010



Investment Size Diversification



Investment Stage Diversification



| Terms | |
|-----------------------|--------------|
| Minimum Investment: | \$10 million |
| Sponsor Commitment: | - |
| Total Return Target: | NFI - ODCE |
| Income Return Target: | - |
| Advisory Board: | Yes |

| Fees | |
|-----------------------|------------------------------------|
| Acquisition Fee: | None |
| Asset Management Fee: | < \$15mm 1.10% |
| Fee: | \$15-\$25mm 1.00% |
| | >\$25mm 0.90% |
| Disposition Fee: | None |
| Performance Fee: | None |
| Cash: | Amount in excess of 7.5% NAV 0.15% |

| Limitations | |
|----------------------|----------------------|
| Cash: | None |
| Portfolio Leverage: | 35%, Temporarily 45% |
| Property Leverage: | - |
| Geography: | 25% for any MSA |
| Property Type: | No more than 45% |
| Joint Venture: | None |
| Non-Core Allocation: | 15% |
| Other: | None |

| Portfolio Characteristics | |
|----------------------------------|-------------------------------|
| Average Occupancy: | 91.8% |
| Joint Ventures: | \$649.7 |
| Entity Level Investments: | None |
| Average Investment Size: | \$59.8mm |
| Average Age of Assets: | 18 years |
| Asset Turnover: | 4% |
| Dividend Policy: | Quarterly |
| Redemption Policy: | Quarterly with 90 days notice |
| Mark Debt to Market: | Yes |

Comments

- As of 4Q2010, the Fund had a contribution queue of approximately \$433 million, with an additional \$165 million in unsigned commitments.
- The Fund pays an income dividend based on its discretion which has historically averaged 3.0%. The Fund temporarily reduced its quarterly distributions, and distributed an amount approximately equal to the quarterly management fee beginning in the third quarter 2009 in order to build additional cash reserves. Quarterly distributions were reinstated in the 1st quarter of 2010. Income distributions take priority over redemption requests.
- As of 4Q2010 did not have any debt maturing over the next 12 months and 19.9% maturing over the following 12 months. The Fund has a cash balance of \$36 million.
- The Fund reported a year one implied cap rate of 5.9%.
- Invesco is currently having all properties externally appraised each quarter. Normally, all investments are valued on an annual basis. Newly acquired investments are carried at cost until their first valuation. All investments not scheduled for valuation in a particular quarter will be reviewed to determine if an interim value adjustment is warranted based on property level changes. Any capitalized costs relating to investments during periods between independent valuations will be added to the most recent independent valuation to determine the current carry value of the investment.

- During the first quarter of 2010, Bill Grubbs announced his intentions to leave Invesco. Prior to the intended date of his departure, Grubbs overturned his decision and asked to retain his role as Portfolio Manager for the Fund. Grubbs has stated that he has no plans to leave Invesco and is committed to Core Real Estate USA.
- In April 2011, INVESCO announced that Mark Roberts, Director of Global Research, would be leaving the firm to join RREEF after a 90 day transition time period.
- Jamie Shen, Head of Callan's Real Estate Group, sits on the Advisory Board of this Fund.

Section IV

J.P. MORGAN INVESTMENT MANAGEMENT INC.

245 Park Avenue
New York, NY 10167

History

J.P. Morgan Investment Management (“J.P. Morgan”) is a wholly owned subsidiary of J.P. Morgan & Chase Co. J.P. Morgan’s real estate operations began in 1970, and the firm is headquartered in New York. As a wholly owned subsidiary, J.P. Morgan Investment Management’s financial results are consolidated with those of J.P. Morgan Chase & Co. As mentioned, J.P. Morgan Investment Management is not an employee-owned firm. However, a significant proportion of J.P. Morgan’s employees are direct and indirect shareholders through their compensation and benefit plans.

In February 1998, J.P. Morgan purchased O’Connor Realty Advisors located in Houston. On December 31, 2000, J.P. Morgan & Co. completed its \$100 billion dollar merger with The Chase Manhattan Corporation and formed J.P. Morgan & Chase Company. The Chase Manhattan Corporation did not have a real estate investment management business, so the real estate operations at J.P. Morgan was unaffected by the merger. In July 2004, JPMorgan Chase and Bank One Corporation merged. The respective investment advisors of each company operated as separate offering entities under the brand name of JPMorgan Fleming Asset Management. As of February 2005, the JPMorgan Fleming Asset Management brand has been changed to JPMorgan Asset Management. J.P. Morgan has real estate offices in New York, Chicago, Houston, Los Angeles, San Francisco, London, Luxembourg, Mumbai and Hong Kong.

Structure

Founded: 1984*
Type of Firm: Bank Affiliate
Ownership: Subsidiary of JPMorgan Chase & Co.
Errors and Omissions Insurance: Yes
In Compliance with SEC and DOL: Yes
Brokerage Affiliate: Yes

*J.P. Morgan Investment Management Inc. evolved from the Trust and Investment Division of J.P. Morgan & Co. Incorporated, which was founded in 1871.

Contact

Thomas Fisher
560 Mission St.
San Francisco, CA 94105
Phone: 415-315-5134
Fax: 415-315-5195
Email: Thomas.j.fisher@jpmorgan.com

Key Professionals

| | Years Experience | Yrs. w/ Firm |
|---|------------------|--------------|
| Joseph Azelby – MD, Head of Global Real Assets | 24 | 24 |
| Kevin Faxon – MD, Head of Real Estate Americas | 23 | 23 |
| Benjamin Gifford – MD, CIO Real Estate Americas | 38 | 13 |
| Larry Fuchs – MD, Global COO | 19 | 15 |
| Steven Greenspan – MD, Global Product Development | 25 | 14 |
| Justin Murphy – MD, PM | 21 | 17 |

Employee Structure

| | |
|----------------------|------------|
| Portfolio Management | 15 |
| Research | 20 |
| Acquisitions | 72 |
| Dispositions | - |
| Asset Management | 106 |
| Property Management | - |
| Leasing | - |
| Accounting/Financial | 76 |
| Legal | - |
| Other* | 76 |
| Total | 365 |

*Other Includes: Client Servicing/Marketing, IT, Senior Management, Engineering, Structured Capital, Security Capital, Product Development, OECD Infrastructure Business Management, Valuations, Tax Services and Maritime.

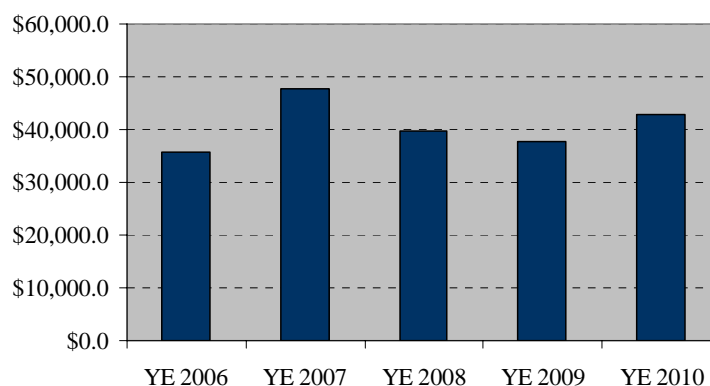
Investment Professional Turnover*

| | Additions | | | | | | Terminations/Departures | | | | | |
|--------------|-------------|----------|-------------|-----------------|------------|-----------|-------------------------|-----------|-------------|-----------------|------------|-----------|
| | Port. Mgrs. | Acq. | Asset Mgmt. | Research/ Other | Inv. Comm. | Total | Port. Mgrs. | Acq. | Asset Mgmt. | Research/ Other | Inv. Comm. | Total |
| 2010 | - | 1 | 1 | 3 | - | 5 | 2 | 3 | 1 | 3 | - | 9 |
| 2009 | - | - | - | 5 | - | 5 | 2 | 1 | 4 | 7 | - | 14 |
| 2008 | - | - | - | 5 | - | 5 | 1 | 3 | 4 | 7 | - | 15 |
| 2007 | - | 3 | 3 | 19 | - | 25 | 2 | - | 1 | 7 | - | 10 |
| 2006 | - | 1 | 2 | 9 | - | 12 | - | 4 | - | 2 | - | 6 |
| Total | 0 | 5 | 6 | 41 | - | 52 | 7 | 11 | 10 | 26 | - | 54 |

*Turnover represents VP and above within all divisions of JP Morgan Asset Management – Global Real Assets

Assets Under Management (as of December 31, 2010):

Total Real Estate Assets Under Management (\$MM)



The following table provides a breakdown of Commingled Fund TAX-EXEMPT assets by client type as of December 31, 2010:

| | Number of Accounts | Commingled Fund Gross Asset Value (\$mm) |
|--------------------------|--------------------|--|
| Employee-Benefit Funds | | |
| Corporate | 222 | \$12,214 |
| Multi-Employer | 82 | \$4,333 |
| Public | 154 | \$11,237 |
| Endowments & Foundations | 20 | \$415 |
| Other | 25 | \$970 |
| Total Accounts | 503 | \$29,169 |

The following table provides a breakdown of all commingled fund vehicles as of December 31, 2010:

| Vehicle | Strategy | Gross Asset Value (\$mm) |
|---------------------------------|---------------|--------------------------|
| Strategic Property Fund | Core | \$17,900 |
| Special Situation Property Fund | Value Added | \$2,832 |
| Core Plus Fund | Core Plus | \$197 |
| Alternative Property Fund | Value Added | \$806 |
| Europe Fund | Core Plus | €2,200 |
| Infrastructure Fund | Core Plus | \$3,400** |
| India Fund | Opportunistic | \$357** |
| Greater China Fund | Opportunistic | \$608 |
| Greater Europe Fund | Opportunistic | €178 |
| Asia Infrastructure Fund | Opportunistic | \$859 |
| US Opportunity Fund* | Opportunistic | - |
| Maritime Fund* | Opportunistic | - |

*Currently Fundraising

**Gross Asset Value as of September 30, 2010

Strategic Property Fund

Inception Date: split as of January 1, 1998 (orig. 1970)

| Key Professionals | Years Experience | Yrs. w/ Firm |
|-----------------------------|------------------|--------------|
| Anne Pfeiffer – PM | 37 | 32 |
| Dave Esrig – Vice President | 19 | 14 |
| James Walsh – MD | 31 | 27 |
| James Kennedy – MD | 21 | 7 |
| Al Dort – Vice President | 20 | 11 |

| Fund Overview | |
|----------------------------|---------------------|
| Fund Structure: | Commingled Fund |
| Total Fund Assets – Gross: | \$17,868mm |
| Total Fund Assets – Net: | \$12,632mm |
| % of Leverage : | 28.8% |
| Queue: | \$1.8 Billion Entry |
| Cash: | \$705mm |
| # of Investors: | 294 |

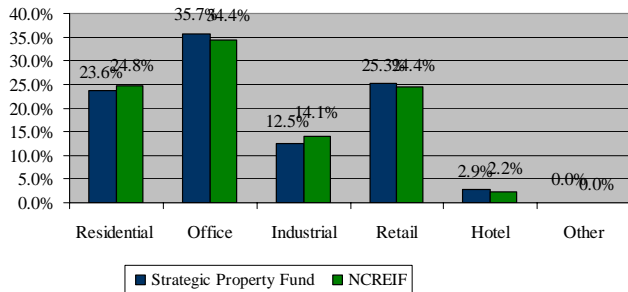
Strategy

Strategic Property Fund (“SPF”) focuses on attractive, stabilized investments with high quality physical improvements across the U.S. Properties held in SPF are generally located in good markets that have strong growth demographics. Both top-down and bottom-up research will be utilized to analyze buy/sell/hold options for target assets. Post acquisition, asset management procedures include: utilizing 3rd party managers to budget, maintain, lease, improve investments, conduct appraisals, and construct disposition or hold strategies. For risk management, the portfolio will be diversified by property type and geographic region.

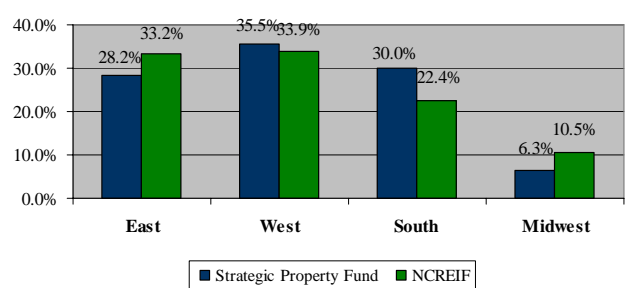
Portfolio Manager

Name: Anne Pfeiffer
 % of Dedication: 95%
 Fund Co-Investment: None
 Responsibilities: Has overall responsibility for the Fund and is director of JPM US commingled funds.
 Prior Experience: Previous to managing the Fund, Anne was an acquisitions and asset management officer at JP Morgan. Prior to joining the firm, Anne was a supervising accountant with Coopers & Lybrand.

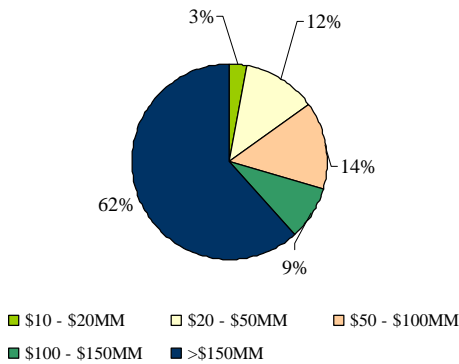
Core Composite Property Type Diversification vs. NPI As of December 31, 2010



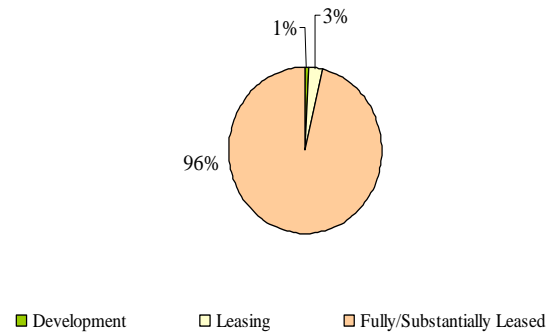
Core Composite Regional Diversification vs. NPI As of December 31, 2010



Investment Size Diversification



Investment Stage Diversification



| Terms | |
|-----------------------|---------------------|
| Minimum Investment: | \$10 million |
| Sponsor Commitment: | None |
| Total Return Target: | NPI + 100bps |
| Income Return Target: | 75% of gross return |
| Advisory Board: | No |

| Fees | | |
|------------------|-----------------------|-------|
| Acquisition Fee: | None | |
| Asset Mgmt Fee: | Pro Rata Share of NAV | 1.0% |
| Disposition Fee: | None | |
| Performance Fee: | None | |
| Cash: | above 7.5% | 0.15% |

| Limitations | |
|----------------------|--|
| Cash: | 1% to 7.5% |
| Portfolio Leverage: | 35% |
| Property Leverage: | 65% |
| Geography: | +/- 15% vs. NPI |
| Property Type: | +/- 15% vs. NPI |
| Joint Venture: | No more than 10% with a single partner |
| Non-Core Allocation: | None, unless ancillary to an existing investment |
| Other: | New development limited to 5%; No more than 5% in a single asset; No more than 5% with a single tenant |

| Portfolio Characteristics | |
|----------------------------------|---|
| Average Occupancy: | 88.8% |
| Joint Ventures: | \$11,394mm |
| Entity Level Investments: | \$4,376.1mm |
| Average Investment Size: | \$106mm |
| Average Age of Assets: | 20 years |
| Asset Turnover: | - |
| Dividend Policy: | Re-invested or quarterly in accordance with redemption policies |
| Redemption Policy: | Quarterly with 45 days notice |
| Mark Debt to Market: | Yes |

Comments

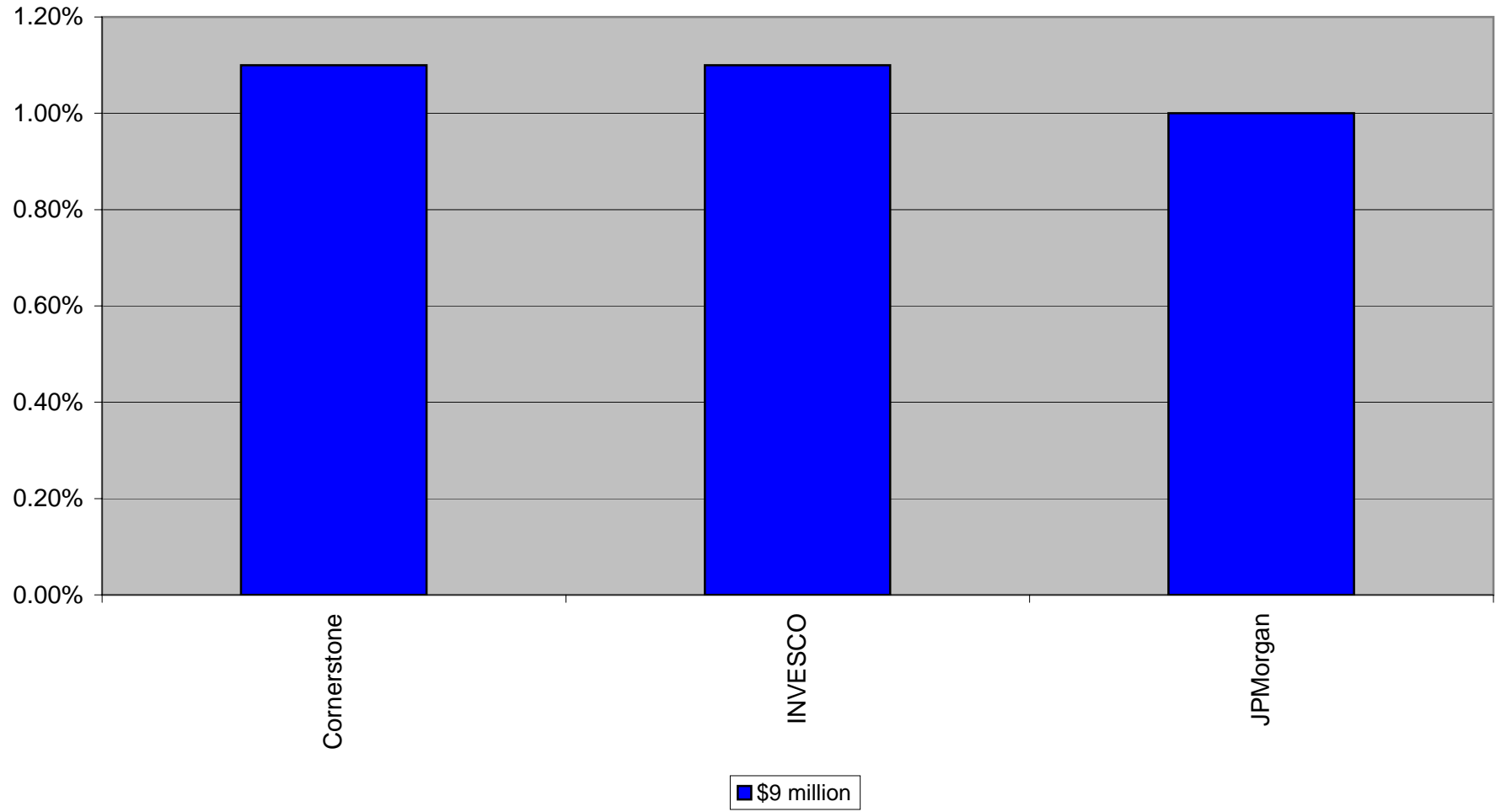
- As of 4Q2010 the Fund had a contribution queue of approximately \$1.891 Billion.
- The Fund pays an income dividend based on its discretion and has averaged 1.17% over the past five years.
- As of 4Q2010 the Fund had 27.0% of its debt maturing over the next 12 months and 13.2% maturing over the following 12 months.
- The Fund reported a year one implied cap rate of 6.2%.
- In February 2010 JP Morgan announced that Anne Pfeiffer would become director of the groups US commingled funds.
- All investments are valued on an annual basis and an effort is made to appraise one quarter of the fund’s assets in each quarter. Independent, third-party appraisers value properties at least once a year. For investments that have a Net Asset Value greater than \$100 million or a gross asset value greater than \$200 million, an independent third-party appraisal will be performed at least twice a year. Additionally, JP Morgan real estate asset managers may identify assets which have been subjected to a higher than usual degree of asset level activity or market level volatility and have an external appraisal conducted sooner than what was scheduled. JP Morgan prepares a quarterly valuation for each asset. A quarterly external audit review is conducted by Price Waterhouse Coopers on the internal valuations.

| Company Name | Cornerstone Real Estate Advisors | INVESCO Real Estate | JP Morgan Investment Management |
|---------------------------------|--|---|--|
| Fund Name | Patriot Fund | INVESCO Core Real Estate USA | Strategic Property Fund |
| ORGANIZATION | | | |
| Parent Company | MassMutual | INVESCO LTD | J.P. Morgan Chase & Co. |
| Assets Under Management | \$30.8B (G) | \$26.5B (G); \$20.4B (N) | \$38,805 (G); \$21,329 (N) |
| VEHICLE | | | |
| Vehicle Type | Limited Partnership | LLC | Commingled Fund |
| Inception Date | 07/01/2004 | 09/30/2004 | 01/01/1998 |
| Gross Asset Value (\$mm) | \$1,044.7 | \$3,111.0 | \$17,868.0 |
| Net Asset Value (\$mm) | \$885.6 | \$2,273.0 | \$12,632.0 |
| Cash (\$mm) | \$110.0 | \$36.0 | \$705.0 |
| Uninvested Commitments (\$mm) | \$250.0 | \$433.0 | \$1,891.0 |
| Leverage Percentage | 13.7% | 24.7% | 28.8% |
| Number of Clients | 26 | 57 | 294 |
| Minimum Initial Contribution | \$1 million | \$10 million | \$10 million |
| Portfolio Manager | Brian Murdy | Bill Grubbs | Anne Pfeiffer |
| Start Year with Fund | 2005 | 2006 | 1998 |
| Years of Real Estate Experience | 25 years (11 w/ Cornerstone) | 20 years (5 w/ INVESCO) | 37 years (32 w/ JP Morgan) |
| Advisory Board | Yes | Yes | No |
| Total Return Target | NFI - ODCE | NFI - ODCE | NPI +100bps |
| Income Return Target | None Specified | None | 75% of gross return |
| Mark Debt to Market | Yes | Yes | Yes |
| Redemption Policy | On a quarterly basis with a 30 day notice. | On a quarterly basis with 90 days written notice. | On a quarterly basis with 45 days written notice. |
| Dividend Policy | Distributions of operating income will be made quarterly at the sole discretion of the General Partner. Proceeds from dispositions or financing of investments will be reinvested. The dividend reinvestment plan permits investors to | Dividends are distributed to all investors (who did not request their distributions to be reinvested) on a quarterly basis. At least 75% of NOI is reserved to meet dividend distributions in preference over satisfying redemption requests. | Dividends are distributed to all investors (who did not request their distributions to be reinvested) on a quarterly basis. Income dividends have no preference over other redemptions requests. |
| Appraisal Policy | 3rd party every year, quarterly updates internal but can include 3rd party inputs, process overseen by Altus | 3rd party annually; currently, all properties are valued by a 3rd party every quarter, process overseen by Altus | 3rd party every year and internal quarterly updates; large assets (>\$100mm) are appraised semi-annually |
| ASSET CHARACTERISTICS | | | |
| Number of Investments | 31 | 52 | 151 |
| Joint Ventures (\$mm) | None | \$649.70 | \$11,394 |
| Entity Level Investments (\$mm) | None | None | \$4,376.10 |
| Average Investment Size | \$32.0 | \$59.8 | \$106.0 |
| Average Age of Assets (Yrs) | 15 years | 18 years | 20 years |
| Asset Turnover Ratio | 2% | 4% | - |
| GEOGRAPHY | | | |
| East | 38.7% | 34.9% | 28.2% |
| West | 49.3% | 43.1% | 35.5% |
| South | 6.8% | 15.2% | 30.0% |
| Midwest | 5.2% | 6.8% | 6.3% |
| Other | 0.0% | 0.0% | 0.0% |
| PROPERTY TYPE | | | |
| Apartments | 27.1% | 42.7% | 23.6% |
| Office | 25.4% | 25.0% | 35.7% |
| Industrial | 16.7% | 13.9% | 12.5% |
| Retail | 21.6% | 18.4% | 25.3% |
| Hotel | 9.2% | 0.0% | 2.9% |
| Other | 0.0% | 0.0% | 0.0% |
| FEES | | | |
| Acquisition Fee | None | None | None |
| Asset Management Fees | First \$15mm (1.1%); next \$10mm (1.00%); next \$50 mil (0.90%); 0.80% thereafter | <\$15 mil (1.1%); \$15 - \$25 mil (1.0%); >\$25 mil (0.9%) | 1% of NAV |
| Disposition Fees | None | None | None |
| Performance Fees | None | None | None |
| Other Fees | None | Cash Management Fee: 0.15% on cash exceeding 7.5% of NAV | Cash Management Fee: 0.15% on cash exceeding 7.5% |
| NOTES | | | |
| Other | MassMutual represents approximately 27% of the Fund. The Fund plans to use 50% of all new commitments to pay down MassMutual's position. As of the end of 4Q2010, the Fund did had an entry queue of \$250million. | As of the end of the 4Q2010, the Fund had an entry queue totaling approximately \$433 million, with an additional \$165 million in unsigned commitments. | As of 4Q2010, the Fund had a contribution queue totaling \$1,891mm. |

Section V

Section VI

Fee Analysis with \$9 million Commitment



Section VII

Performance Table

Returns for Periods Ended December 31, 2010

| | Last Quarter | Last Year | Last 3 Years | Last 5 Years |
|--------------------------|--------------|-----------|--------------|--------------|
| Candidates | | | | |
| Cornerstone Patriot Fund | 4.09 | 12.72 | (9.46) | (0.25) |
| INVRE:Core Real Est USA | 4.41 | 15.78 | (9.65) | (0.27) |
| JPMAM:Strat Property Fd | 4.67 | 13.02 | (9.24) | (0.06) |
| Current Fund | | | | |
| RREEF:Dir Real Est Cr US | 4.11 | 18.89 | (10.37) | (1.27) |
| Benchmarks | | | | |
| NCREIF:NFI-ODCE Eq Wgt N | 4.60 | 15.13 | (11.07) | (1.42) |
| CAI:Real Est Open End | 4.60 | 15.61 | (9.80) | (0.85) |



Callan Associates Inc.

Rolling Periods Performance Table

| | Returns for 4 Quarter Rolling Periods 7 Years Ended December 31, 2010 | | | | | | |
|--------------------------|---|----------|----------|----------|----------|----------|----------|
| | 12/31/10 | 12/31/09 | 12/31/08 | 12/31/07 | 12/31/06 | 12/31/05 | 12/31/04 |
| Candidates | | | | | | | |
| Cornerstone Patriot Fund | 12.72 | (25.39) | (11.75) | 14.59 | 16.10 | 22.46 | -- |
| INVRE:Core Real Est USA | 15.78 | (32.73) | (5.30) | 12.95 | 18.44 | 20.25 | -- |
| JPMAM:Strat Property Fd | 13.02 | (27.30) | (9.00) | 15.54 | 15.44 | 23.90 | 11.23 |
| Current Fund | | | | | | | |
| RREEF:Dir Real Est Cr US | 18.89 | (29.48) | (14.11) | 13.60 | 14.67 | 16.16 | 11.42 |
| Benchmarks | | | | | | | |
| NCREIF:NFI-ODCE Eq Wgt N | 15.13 | (31.30) | (11.09) | 14.99 | 15.10 | 19.04 | 11.51 |
| CAI:Real Est Open End | 15.61 | (28.89) | (10.25) | 14.59 | 15.41 | 17.79 | 11.42 |



Callan Associates Inc.

Rolling Periods Performance Table

| | Returns for 12 Quarter Rolling Periods 7 Years Ended December 31, 2010 | | | | | | |
|--------------------------|--|----------|----------|----------|----------|----------|----------|
| | 12/31/10 | 12/31/09 | 12/31/08 | 12/31/07 | 12/31/06 | 12/31/05 | 12/31/04 |
| Candidates | | | | | | | |
| Cornerstone Patriot Fund | (9.46) | (8.96) | 5.50 | 17.67 | -- | -- | -- |
| INVRE:Core Real Est USA | (9.65) | (10.39) | 8.20 | 17.17 | -- | -- | -- |
| JPMAM:Strat Property Fd | (9.24) | (8.57) | 6.67 | 18.23 | 16.74 | 14.70 | 8.22 |
| Current Fund | | | | | | | |
| RREEF:Dir Real Est Cr US | (10.37) | (11.72) | 3.82 | 14.80 | 14.07 | 12.32 | 9.54 |
| Benchmarks | | | | | | | |
| NCREIF:NFI-ODCE Eq Wgt N | (11.07) | (11.11) | 5.58 | 16.36 | 15.18 | 12.81 | 7.98 |
| CAI:Real Est Open End | (9.80) | (10.31) | 5.76 | 15.90 | 14.08 | 12.32 | 8.28 |



Callan Associates Inc.

Section VIII

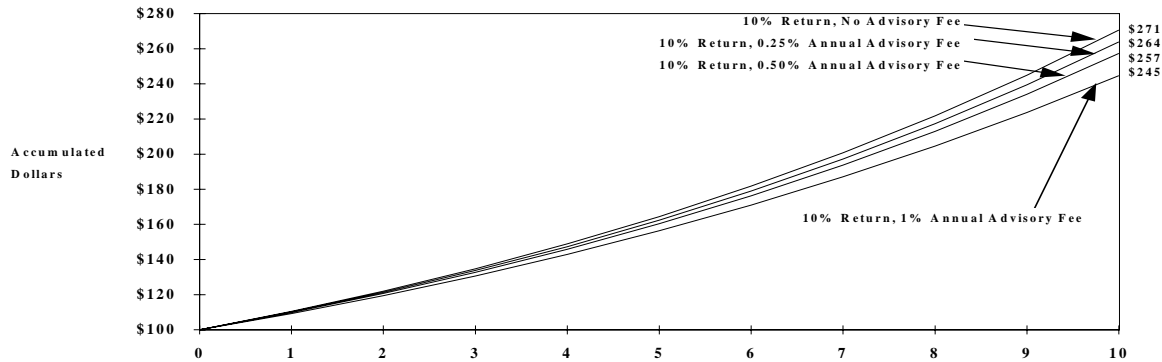
**DEFINITIONS
AND
DISCLOSURES**

Disclosure Statement

The preceding report has been prepared for the exclusive use of Mendocino County Employees' Retirement Association unless otherwise noted, performance returns contained in this report do not reflect the deduction of investment advisory fees. The returns in this report will be reduced by the advisory fees and any other expenses incurred in the management of an investment account. The investment advisory fees applicable to the advisors listed in this report are described in Part II of each advisor's form ADV.

The following graphical and tabular example illustrates the cumulative effect of investment advisory fees on a \$100 investment growing at 10% over ten years. Fees are assumed to be prepaid monthly at the beginning of each month

The Cumulative Effect
of
Advisory Fees



| | Accumulated Dollars at End of Years | | | | | | | | | |
|------------------|-------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| No Fee | 110.5 | 122.0 | 134.8 | 148.9 | 164.5 | 181.8 | 200.8 | 221.8 | 245.0 | 270.7 |
| 25 Basis Points | 110.2 | 121.4 | 133.8 | 147.4 | 162.5 | 179.0 | 197.3 | 217.4 | 239.5 | 264.0 |
| 50 Basis Points | 109.9 | 120.8 | 132.8 | 145.9 | 160.4 | 176.3 | 193.8 | 213.0 | 234.2 | 257.4 |
| 100 Basis Points | 109.3 | 119.5 | 130.7 | 143.0 | 156.4 | 171.0 | 187.1 | 204.6 | 223.8 | 244.7 |

10% Annual Return Compounded Monthly, Annual Fees Paid Monthly.

Of the investment manager candidates listed in this report, below are those who currently do business with Callan Associates Inc. through the Callan Investments Institute or the Institutional Consulting Group (as of 12/31/2010). In no way do these affiliations affect the outcome or process by which Callan Associates' manager searches are conducted.

| Firm | Educational Services | Consulting Services | Currently Do Not Do Business with Callan |
|---|-----------------------------|----------------------------|---|
| Cornerstone Real Estate Advisors | | | X |
| INVESCO Advisors | X | X | |
| JP Morgan Investment Management | X | | |

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Callan Associates takes its fiduciary and disclosure responsibilities to clients very seriously. The list below is compiled and updated quarterly because we believe our fund sponsor clients should have a clear understanding of the investment management organizations that do business with our firm. As of 12/31/10, Callan provided educational, consulting, software, database, or reporting services to this list of managers through one or more of the following business units: Institutional Consulting Group, Independent Adviser Group, Fund Sponsor Consulting, the Callan Investments Institute and the "Callan College." Per strict policy these manager relationships do not affect the outcome or process by which any of Callan's services are conducted.

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| Manager Name | Educational Services | Consulting Services |
|--|----------------------|---------------------|
| 1607 Capital Partners, LLC | | Y |
| Aberdeen Asset Management | | Y |
| Acadian Asset Management, Inc. | Y | |
| Affiliated Managers Group | | Y |
| AllianceBernstein | Y | |
| Allianz Global Investors Capital | Y | Y |
| American Century Investment Management | Y | |
| Analytic Investors | Y | |
| AQR Capital Management | Y | |
| Artio Global Management (fka. Julius Baer) | Y | Y |
| Atalanta Sosnoff Capital, LLC | Y | |
| Atlanta Capital Management Co., L.L.C. | Y | Y |
| Aviva Investors North America | Y | |
| AXA Rosenberg Investment Management | Y | |
| Babson Capital Management LLC | Y | |
| Baillie Gifford International LLC | Y | |
| Baird Advisors | Y | Y |
| Bank of America | | Y |
| Baring Asset Management | Y | |
| Barrow, Hanlev, Mewhinney & Strauss, Inc. | Y | Y |
| Batterymarch Financial Management, Inc. | Y | |
| BlackRock | | Y |
| Boston Company Asset Management, LLC (The) | Y | Y |
| BNY Mellon Asset Management | Y | Y |
| Brandes Investment Partners, L.P. | Y | Y |
| Brandywine Global Investment Management, LLC | Y | |
| Brown Brothers Harriman & Company | Y | |
| Cadence Capital Management | Y | |
| Capital Group Companies (The) | Y | |
| CastleArk Management, LLC | | Y |
| Causeway Capital Management | Y | |
| Central Plains Advisors, Inc. | | Y |
| Chartwell Investment Partners | Y | |
| ClearBridge Advisors | Y | |
| Columbia Management Investment Advisors, LLC | Y | Y |
| Columbus Circle Investors | Y | Y |
| Cramer Rosenthal McGivnn, LLC | Y | |
| Crestline Investors | | Y |
| Davis Advisors | Y | |
| DB Advisors | Y | Y |
| DE Shaw Investment Management, L.L.C. | Y | |
| Delaware Investments | Y | Y |
| DePrince, Race & Zollo, Inc. | | Y |
| DSM Capital Partners | | Y |
| Eagle Asset Management, Inc. | | Y |
| EARNEST Partners, LLC | Y | |
| Eaton Vance Management | Y | Y |
| Entrust Capital Inc. | Y | |
| Epoch Investment Partners | Y | |
| Favez Sarofim & Company | Y | Y |
| Federated Investors | | Y |
| Fiduciary Asset Management Company (FAMCO) | Y | Y |
| First Eagle Investment Management | Y | |
| Franklin Templeton | Y | Y |

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| Manager Name | Educational Services | Consulting Services |
|--|----------------------|---------------------|
| Fred Alger Management Co., Inc. | Y | Y |
| GAM (USA) Inc. | Y | |
| GE Asset Management | Y | Y |
| GLG Partners Corp. | Y | |
| Goldman Sachs Asset Management | Y | Y |
| Grand-Jean Capital Management | | Y |
| Grantham, Mavo, Van Otterloo & Co., LLC | Y | |
| Great Lakes Advisors, Inc. | | Y |
| Harris Associates | Y | |
| Harris Investment Management, Inc. | Y | |
| Hartford Investment Management Co. | Y | Y |
| Henderson Global Investors | Y | |
| Hennessy Funds | Y | |
| Hermes Investment Management (North America) Ltd. | Y | |
| HSBC Investments (USA) Inc. | | Y |
| Income Research & Management | Y | |
| ING Investment Management | Y | Y |
| INVESCO | Y | Y |
| Institutional Capital LLC | Y | |
| Janus Capital Group (fka Janus Capital Management, LLC) | Y | Y |
| Jensen Investment Management | | Y |
| J.P. Morgan Asset Management | Y | |
| Knightbridge Asset Management, LLC | | Y |
| Lazard Asset Management | Y | Y |
| Lee Munder Capital Group | Y | Y |
| Loain Circle | | Y |
| Loomis, Savles & Company, L.P. | Y | Y |
| Lord Abbett & Company | Y | Y |
| Los Angeles Capital Management | Y | |
| LSV Asset Management | Y | |
| Mackay Shields LLC | Y | Y |
| Madison Square Investors | Y | |
| Marvin & Palmer Associates, Inc. | Y | |
| Mellon Capital Management (fka. Franklin Portfolio Assoc.) | Y | |
| Mellon Transition Management & BNY Mellon Beta Management | Y | |
| Metropolitan Life Insurance Company | | Y |
| Metropolitan West Capital Management, LLC | | Y |
| MFC Global Investment Management (U.S.) LLC | Y | |
| MFS Investment Management | Y | Y |
| Mondrian Investment Partners Limited | Y | Y |
| Montaq & Caldwell, Inc. | Y | Y |
| Morgan Stanley Investment Management | Y | Y |
| Mountain Lake Investment Management LLC | | Y |
| Newton Capital Management | Y | |
| Neuberger Berman, LLC (fka. Lehman Brothers) | Y | Y |
| Nomura Asset Management U.S.A., Inc. | Y | |
| Northern Lights Capital Group | | Y |
| Northern Trust Global Investment Services | Y | Y |
| Northern Trust Value Investors | | Y |
| Nuveen Investments Institutional Services Group LLC | Y | Y |
| OFI Institutional Asset Management | Y | |
| Old Mutual Asset Management | Y | Y |
| Oppenheimer Capital | Y | |
| Opus Capital Management | Y | |

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| Manager Name | Educational Services | Consulting Services |
|---|----------------------|---------------------|
| Pacific Investment Management Company | Y | |
| Palisades Investment Partners, LLC | Y | Y |
| PanAqora Asset Management | Y | |
| Peregrine Capital Management, Inc. | | Y |
| Perkins Investment Management | Y | |
| Permal Group Inc. | Y | |
| Philadelphia International Advisors, LP | Y | |
| PineBridge Investments (formerly AIG) | | |
| Pioneer Investment Management, Inc. | Y | |
| PNC Capital Advisors (fka Alleqiant Asset Mgmt) | Y | Y |
| Principal Global Investors | Y | Y |
| Prisma Capital | | Y |
| Prudential Investment Management, Inc. | Y | Y |
| Putnam Investments, LLC | Y | Y |
| Pyramis Global Advisors | Y | |
| Renaissance Technologies Corp. | | Y |
| RCM | Y | Y |
| Rice Hall James & Associates, LLC | | Y |
| Robeco Investment Management | Y | Y |
| Rothschild Asset Management, Inc. | Y | Y |
| RREEF | Y | |
| Schroder Investment Management North America Inc. | Y | Y |
| Scottish Widows Investment Partnership | Y | |
| SEI Investments | | Y |
| Smith Graham and Company | | Y |
| Smith Group Asset Management | Y | Y |
| Southeastern Asset Management | | Y |
| Standard Life Investments | Y | |
| Standish (fka, Standish Mellon Asset Management) | Y | |
| State Street Global Advisors | Y | |
| Sterne Aqee Asset Management | | Y |
| Stone Harbor Investment Partners, L.P. | | Y |
| Stratton Management | | Y |
| Systematic Financial Management | Y | |
| T. Rowe Price Associates, Inc. | Y | Y |
| Taplin, Canida & Habacht | Y | |
| TCW Asset Management Company | Y | |
| TD Asset Management (USA) | Y | |
| Thrivent Financial for Lutherans | | Y |
| Thompson, Siegel & Walmslev LLC | Y | |
| TIAA-CREF | | Y |
| UBP Asset Management LLC | Y | |
| UBS | Y | Y |
| Union Bank of California | | Y |
| Victory Capital Management Inc. | Y | Y |
| Virtus Investment Partners | | Y |
| Vontobel Asset Management | Y | |
| Waddell & Reed Asset Management Group | Y | |
| WEDGE Capital Management | | Y |
| Wellington Management Company, LLP | Y | |
| Wells Capital Management | Y | |
| West Gate Horizons Advisors, LLC | | Y |
| Western Asset Management Company | Y | |
| William Blair & Co., Inc. | Y | Y |

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| Manager Name | Educational Services | Consulting Services |
|----------------------|----------------------|---------------------|
| Yellowstone Partners | | Y |
| Zephyr Management | Y | |