

Date: April 24, 2015
To: Employees' Retirement System of Rhode Island
From: Pension Consulting Alliance, Inc. (PCA)
RE: Crow Holdings Retail Fund, L.P.

Pension Consulting Alliance, Inc. (PCA) has evaluated Crow Holdings Retail Fund, L.P. (CHRF or the Fund). The Fund is sponsored by Crow Holdings Capital-Real Estate (Crow, CHC-RE, Firm or Manager). Based on the merits of the Fund and the information provided through this summary, PCA recommends the fund for investment. PCA's opinion is limited to the merits of the Fund and does not constitute, nor shall it be considered as, tax, legal or transaction-structuring advice. In making any investment decision with respect to this Fund, ERSRI may rely on this report but must also make its own examination and assessment of the Fund and the terms of the offering, including the merits and risks involved.

Investment Overview

CHRF is a single strategy retail fund intended to present investors with an opportunity to invest in a portfolio of small domestic retail investments alongside Crow Family Holdings. Institutional capital has yet to meaningfully penetrate the small domestic retail centers that will be targeted by the Fund. CHC-RE believes that it can acquire assets at advantageous prices from local owners and aggregate the smaller assets into geographically clustered portfolios attractive to institutional investors willing to pay a premium relative to individual assets. CHRF will seek small neighborhood and community retail properties, where tenants are typically necessity service providers and quick-serve restaurant operators.

Organization

Crow Family Holdings is the family investment office of Trammell Crow and family. Trammell Crow began a career of real estate development at the end of World War II. Over the past sixty-five years, his activities resulted in the establishment of several major U.S. real estate companies including – Trammell Crow Company, Trammell Crow Residential, and Wyndham Hotel Company. In addition to these companies, his family has had a prominent role as developers and investors in the U.S. and international real estate markets.

Crow Holdings Capital (CHC or Crow Holdings) is the parent company to CHC-RE. In addition to real estate, Crow Holdings offers certain private, non-real estate focused fund products and advisory services to high net worth individuals and the Crow family. The various product types offered by the firm include fund of funds, hedge funds, equities, and other investment products. CHC has approximately 90 employees of which 50 are dedicated to the real estate business. To date, the Firm has sponsored six diversified commingled real estate investment funds.

Over the past 16 years, these six funds (the Prior Crow Funds) have raised over \$4.1 billion in commitments, including \$682.8 million in commitments from Crow Family Holdings. The Prior Crow Funds utilized a value-add strategy and presented investors with the opportunity to invest in a diversified portfolio of domestic real estate including: multifamily, industrial, retail, office (including medical office), hotels, land and private real estate operating companies. As of December 31, 2014, CHC-RE oversees a portfolio of existing assets and assets under development totaling approximately \$4.3 billion gross value/\$1.7 billion in net value.

Fund Strategy

The strategy of CHRF is to acquire a diversified domestic investment portfolio of small neighborhood and community retail real estate assets in locations with high historical retail occupancy, strong demographics and barriers to entry. Each retail center will have an initial gross purchase price of \$17.5 million or less. The Fund plans to purchase assets on an all-cash basis, but ultimately pool assets into geographically clustered groups to secure permanent financing. Tenants are typically necessity service providers and quick-serve restaurant operators which frequently cannot be replicated or purchased from an on-line purveyor and are therefore e-commerce resistant. Investments for the Fund are expected to have a value-add component and to be held for between five and ten years.

Performance

As of December 31, 2014, the firm has realized 65 of 89 retail properties (73%) acquired or developed during the first six funds. The 27 realized retail assets similar in size to those that will be targeted by the CHRF generated an average 29% gross IRR and an average 1.9X gross equity multiple on invested capital.

Terms

The proposed management fee is an amount equal to 1.5% per annum of the aggregate commitments during the investment period, and after the investment period, the management fee will be equal to 1.5% of the commitments of the Partners funded in respect of investments. The preferred return is 9%. After investors have received their preferred return and a return of all invested capital, Crow will participate in a 50/50 catch-up and receives 20% of the portfolio level profits. The investment period will end on the earlier of: (i) the date all commitments have been invested, committed or reserved (ii) the date of the fourth anniversary of the commencement date or (iii) the date on which the Manager, General Partner or any affiliates is entitled to receive management fees or similar fees in respect to a successor fund. The partnership term is 10 years after the final closing, with up to two consecutive one-year extensions. The General Partner's commitment will be equal to approximately 0.5% of aggregate commitments and Crow Family Holdings will commit a minimum of \$20 million which will be invested pro-rata with other Limited Partners.

Recommendation

PCA is of the opinion that an investment of up to \$25 million in the Fund is a prudent investment for the Employees' Retirement System of Rhode Island.

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Supplement for real estate and private equity partnerships:

While PCA has reviewed the terms of the Fund referred to in this document and other accompanying financial information on predecessor partnerships, this document does not constitute a formal legal review of the partnership terms and other legal documents pertaining to the Fund. PCA recommends that its clients retain separate legal and tax counsel to review the legal and tax aspects and risks of investing in the Fund. Information presented in this report was gathered from documents provided by third party sources, including but not limited to, the private placement memorandum and related updates, due diligence responses, marketing presentations, limited partnership agreement and other supplemental materials. Analysis of information was performed by PCA.

An investment in the Fund is speculative and involves a degree of risk and no assurance can be provided that the investment objectives of the Fund will be achieved. Investment in the Fund is suitable only for sophisticated investors who are in a position to tolerate such risk and satisfy themselves that such investment is appropriate for them. The Fund may lack diversification, thereby increasing the risk of loss, and the Fund's performance may be volatile. As a result, an investor could lose all or a substantial amount of its investment. The Fund's governing documents will contain descriptions of certain of the risks associated with an investment in the Fund. In addition, the Fund's fees and expenses may offset its profits. It is unlikely that there will be a secondary market for the shares. There are restrictions on redeeming and transferring shares of the Fund. In making an investment decision, you must rely on your own examination of the Fund and the terms of the offering.