

History and Ownership

- a. List your firm's complete name, address, telephone and fax numbers. Include the name and title of your proposed primary consultant and the location from which the consulting work will be done.

The proposed primary consultant for your plan is Janet Becker-Wold, CFA. Janet is located in Callan's Denver consulting office.

Denver Office

Callan Associates Inc.
Janet Becker-Wold, CFA
Senior Vice President
beckerwold@callan.com
1660 Wynkoop Street, Suite 950
Denver, Colorado 80202
Phone: (303) 861-1900
Fax: (303) 832-8230

Corporate Headquarters

Callan Associates Inc.
101 California Street, Suite 3500
San Francisco, CA 94111
Phone: (415) 974-5060
Fax: (415) 291-4014
www.callan.com

- b. Provide a brief history of your firm and your parent organization.

Callan Associates traces its origins to 1969 when Edwin C. Callan formed the investment measurement division of Mitchum, Jones and Templeton, a large West Coast brokerage firm. In 1973, Mr. Callan and others purchased the investment measurement division and formed Callan Associates Inc., a Subchapter S Corporation incorporated in the State of California. Today, Callan serves more than 300 public, corporate, multi-employer, and eleemosynary funds on a retainer or project basis. Callan provides consulting services in strategic planning, plan implementation, monitoring and evaluation, and continuing education.

- c. Within the past three years, have there been any significant developments in your organization, such as changes in ownership, restructuring, or personnel reorganizations? Do you anticipate future significant changes in your organization? If yes, please describe.

Within the past three years, the following significant organizational developments occurred:

- *Trust Advisory Group (TAG)* is a new line of business that we created in 2006 for very large plan sponsors. TAG is the asset management division of Callan that specializes in the design, implementation and on-going management of multi-manager portfolios for institutional investors. TAG applies a process-driven approach to building efficient, low cost portfolios with clearly articulated goals and objectives. Currently TAG serves as the sponsor and advisor to a multi-manager small cap equity

fund and as the non-discretionary advisor to a series of Target Maturity Funds known as the Callan GlidePath® Funds.

- In 2007 we made the following changes among our senior management. Ed Callan moved from Chairman to Chairman Emeritus, Ron Peyton from President and CEO to Chairman and CEO, Greg Allen was promoted to President and Jim Callahan, Jay Kloepper, Toni Brown, and Butch Cliff, were promoted to Executive Vice President as part of Callan's management evolution.

Although there are no significant changes expected within Callan, we are emphasizing the following specific areas of development:

- *Continued Development of Technology* – We plan to continue to emphasize the development of new technological tools and solutions. We recognize the crucial role technology plays in all industries today, including institutional investing. As we move forward, technology will continue to be a key asset in helping our clients achieve their investment objectives. Our goal is to be at the forefront in the development of new technological solutions. Dedicated computer programmers and database analysts will help meet this objective.
- *Addition of Depth and Resources* – We must ensure that current clients will never be adversely impacted by Callan accepting new business. We must also ensure that new clients receive the same quality of service as existing clients. As our client base has grown, we have proactively added offices, employees, specialized consulting departments and computer hardware and software. Because we expect the number of Callan clients to increase over the next five years, we will continue to increase superior, qualified staff in advance of anticipated client growth.

- d. Describe the ownership structure of you firm, giving specific details with regard to any parent or affiliates.

Callan is 100% privately owned by its professionals and is not a subsidiary of any other firm. Furthermore, Callan does not have any joint ventures or affiliations with other companies. Currently, Callan has a total of 166 employees, 60 of whom own stock in the firm. No single shareholder owns a majority interest in the firm, and both proposed consultants, Janet Becker-Wold and Bill Howard, are shareholders.

Organization

- a. Within the last five years, has your firm or any officer or principal been involved in any business litigation or other legal proceedings relating to your consulting activities? If so, provide an explanation and indicate the current status or disposition.

In late 2003, the SEC launched an examination into the practices of the investment consulting industry, including Callan Associates. In 2005, the SEC staff informed Callan that they believed some of our past disclosures describing our 1998 sale of Alpha Management (Callan's former broker affiliate) to a subsidiary of the Bank of New York were incomplete or misleading. Per communications Callan received from the SEC, this was the only open issue they had related to this examination. When advised of this, we voluntarily updated our Form ADV to enhance the disclosure and forwarded it to our clients.

On September 19th, 2007, the SEC formally required Callan, via an order, to cease-and-desist from providing any incomplete disclosures. Callan also received a closing letter from the SEC indicating that the investigation has been concluded. We received no fine and no censure related to this matter. We also voluntarily sent a copy of the closing letter and order to clients and updated our Form ADV Parts I and II per standard regulatory requirements.

As of January 9, 2007, the transaction between Callan and the Bank of New York was concluded and Callan has no further relationship with the Bank of New York related to that sale.

We would be pleased to provide any additional information, including a copy of the closing letter and order, upon request. The order is also available on the SEC website.

Callan Associates has been involved in three client-related lawsuits within the last five years; the cases are noted below.

- Beane Case (2007 – 2008): In 2007, Callan Associates was served with a complaint filed by a participant, Albert T. Beane, Jr., in the Federal Mogul Corp. pension plan. Federal-Mogul, a former client, did not file this suit and they are not a party to it. The plaintiff alleged that Callan breached its fiduciary duties by failing to disclose to its ERISA clients the full range of its relationship with the broker/dealer. The parties have reached a settlement, without any admission of liability by Callan, for significantly less than the anticipated litigation cost. The settlement has been preliminarily approved by the court with final approval scheduled for January 5, 2009.
- Patt Case (2006 - present): In 2006, Callan Associates was served with a complaint filed by Patrick Patt, a participant in the Illinois Teachers Retirement System (ITRS). ITRS is not a party to the suit. In March of 2007, Callan Associates filed a motion for

judgment on the pleadings; that motion is currently under review. In the midst of these proceedings, of which ITRS is aware, ITRS rebid the Real Estate consulting relationship and rehired Callan Associates after a competitive process.

- San Diego case (2005-2006): In 2005, the City of San Diego filed a complaint against Callan Associates alleging that San Diego City Employees Retirement System (SDCERS) had been damaged by Callan's negligent performance of its duties as SDCERS' investment consultant. SDCERS, who has been a Callan consulting client for over twenty years, was not a party to the suit. In 2006, Callan and the City of San Diego agreed to resolve this complaint outside of court. The City of San Diego acknowledged that they found no evidence that Callan engaged in any wrong-doing or unfair business practices in connection with the hiring of money managers. SDCERS has since rebid the consulting relationship, and after a competitive process, rehired Callan as their full-retainer consultant.
- b. Please describe the level of coverage for error and omissions insurance and any fiduciary or professional liability insurance your firm carries. List the insurance carrier(s) supplying the coverage.

The table on the following page details Callan's insurance coverage, which is the dollar figure applied to the firm as a whole. Our policy term for Errors and Omissions insurance is one year.

Carrier	Type of coverage	Amount (\$)
Westchester Surplus Lines Ins. Co.	Professional Liability Errors & Omissions	5,000,000
Travelers Property & Casualty	Commercial General Liability	1,000,000
	Excess Liability	2,000,000
	Fidelity (Employee Dishonesty)	100,000
	Automotive Liability	1,000,000
Republic Indemnity	Workers Compensation & Employers' Liability	1,000,000

- c. Disclose any on-going business or contractual relationships you have with third party administrators/recordkeepers, investment managers or any other associated companies.

Investment consulting is the primary business line of Callan Associates. Consulting to clients such as the Trustee Board accounts for 59% of Callan's revenues. We provide consulting services and receive fees in four areas beyond fund sponsor consulting. These areas are explained in the following paragraphs.

- *Independent Adviser Group (IAG)* provides consulting resources to a select group of independent consulting firms and financial intermediaries. Through their unique relationship with Callan Associates, IAG consulting firms provide fiduciaries, trustees, and high net worth individuals in the middle market (less than \$100 million) with objective and professional investment consulting services that have been traditionally available to only the largest of institutions.
- *Institutional Consulting Group (ICG)* provides performance measurement services and style reports to investment managers who use these reports primarily for internal monitoring and marketing. ICG also provides product, organizational structure and process assessments to investment management fiduciaries.
- *Callan Investments Institute (CII)* is the educational division of Callan Associates, providing continuing education and research through regional and national conferences, research and position papers, and market and statistical surveys. All fund sponsor clients are members of the CII. Investment managers also belong to the Investments Institute.
- *Trust Advisory Group (TAG)* is the asset management division of Callan that specializes in the design, implementation and on-going management of multi-manager portfolios for institutional investors. TAG applies a process-driven approach to building efficient, low cost portfolios with clearly articulated goals and objectives. Currently TAG serves as the sponsor and advisor to a multi-manager small cap equity fund and as the non-discretionary advisor to a series of Target Maturity Funds known as the Callan GlidePath® Funds.

Callan Associates receives fees from investment managers who are clients of the Institutional Consulting Group or members of the Callan Investments Institute. In a very limited number of situations, we provide fund sponsor consulting services to parent companies that have investment management subsidiaries. A current list of investment managers Callan does business with is attached in the sample performance report.

In addition to our lines of business listed above, we also subscribe to *ProVal*, which is a comprehensive, PC-based software system developed by Winklevoss Consultants that performs a full range of actuarial calculations for retirement plans. Callan also buys mutual fund data from Lipper Analytical Services and CDA Investment Technologies, which represents approximately 10,000 funds. For Direct Hedge fund strategies we subscribe to the MSCI Database of approximately 3,000 direct hedge funds and 160 direct hedge fund peer groups.

- d. Explain any other potential conflict of interest your firm might have in advising the Trustee Board

We do not foresee any potential conflicts in servicing your account. Callan's success and integrity depends on offering objective, impartial advice free from inappropriate

influence of any outside party. Callan does not receive any compensation from managers for inclusion in our database, nor for retention of existing relationships, nor for selection in a manager search undertaken for our fund sponsor clients. The only fees received from managers are associated with the specific consulting services provided to such managers.

Callan's success and integrity depends on offering objective, impartial advice free from inappropriate influence of any outside party. To maintain this independence and reduce the potential for conflicts of interest, we have had the following practices in place for over a decade.

Code of Ethical Responsibility

Callan employees adhere to a firm-wide ethical code. The preamble to this statement succinctly summarizes the firm's position:

"Callan Associates' mission is to provide objective information to our prospects and clients. Our success depends not only on the quality of information we provide, but on the degree of professionalism, honesty and integrity with which we conduct ourselves in the collection, processing and dissemination of information."

The full text of our Code of Ethical Responsibility is included in the appendix. We require every employee to review and sign a commitment to adhere to this Code.

Disclosure

Callan believes in disclosure of all business activities and relationships. Every year, and on request, we furnish our fund sponsor clients with a complete list of all investment managers who do business with our Institutional Consulting Group and Callan Investments Institute (securities laws applicable to private placements prevent us from publicly disclosing the managers related to the Trust Advisory Group). New clients receive this information at the onset of our relationship. Additionally, in both our manager search and performance measurement reports, we indicate whether any manager included in the reports conducts any business with Callan. We adhere to the principle that there should never be any question about providing clients with the appropriate information they need in order to assess our firm's objectivity.

Oversight Committees

In services where the potential for conflict of interest is high—such as in the manager search process—Callan eliminates any potential bias through a formal, internal oversight system. Callan's Manager Search Committee, composed of fourteen senior consultants, verifies the accuracy, completeness and objectivity of data gathering, due diligence, and evaluation used during the manager screening process. For other services, such as asset allocation or manager structure, another formal oversight group—the Client Policy Review Committee—evaluates all reports before they are submitted to the client. Our oversight system not only ensures objectivity, but also gives our clients the benefits of our firm's collective wisdom and experience.

Separation of Profit Centers

Callan groups that serve investment managers—the Institutional Consulting Group and the Callan Investments Institute—operate as separate profit centers within the firm, maintaining their own staffs, as well as their own accounting systems. Neither ICG nor Institute personnel are involved in manager search activity or fund sponsor consulting. Managers who pay for services are never entitled to, nor do they receive, any preferential treatment from our consultants. This statement of fact is communicated to each manager, in writing, at the outset of any business relationship with Callan.

Reputation

As a practical matter, we have achieved a reputation built over 35 years for integrity and leadership in the industry. The scale of our organization, the number of fiduciaries—both sponsors and managers—to whom we consult, and their combined scrutiny inhibits any potential conflict from becoming reality. We value our careers and reputations, and will continue to work to maintain integrity.

We want our current and prospective clients to also understand the value our business model brings to each of them. Having the large comprehensive pool of talent and tools required to serve both the fund sponsor and investment management markets is what allows us to provide thorough analyses of the market place and in-depth, accurate assessments of the management firms and investment vehicles available. The growth of Callan Associates over 35 years attests to the confidence fund sponsors have had, and continue to have, in our objectivity and resource platforms.

- e. Identify the individual(s) who would perform the work. Describe their assigned responsibilities and provide:

A team of Callan professionals services every Callan consulting relationship. Our proposed team consists of two general consultants based in the Denver office, plus specialists from our Capital Markets Research, Global Manager Research, Defined Contribution specialty consulting and other departments in our San Francisco office who may be brought into the relationship as needed.

Janet C. Becker-Wold, CFA, Senior Vice President, will serve as the primary contact. She will have ultimate responsibility for the coordination and delivery of all consulting services, ensuring the completeness and quality of all work performed. William Howard, CFA, Vice President, is the other general consultant on your team. He will be thoroughly familiar with all aspects of the relationship and serve as principal consulting backup. Janet and Bill's biographies are below.

- Name and Title: Janet C. Becker-Wold, Senior Vice President
- Location: Denver, CO
- Responsibility: Providing a full range of consulting services to a variety of clients.

- Number and size of Client Relationships: See the chart on the following page for a list of clients that Janet serves as primary consultant.
- Years with the Organization: 14
- Years experience and credentials: 17 years of experience, holder of the Chartered Financial Analyst designation, MBA.

Client	Assets (\$MM)	Plan Type
Baker Hughes Incorporated	2,200	DB/DC
Cook Children's Health Care System	191	DC
Denver Public Schools Retirement System (co-consultant)	2,924	DB
Idaho Endowment Fund Investment Board	1,665	Endowment
Oficina de Normalizacion Previsional (ONP)	414	DB
San Diego City Employees' Retirement System	4,297	DB
Texas Health Resources	731	DC
University of Colorado at Boulder	913	Other
Washington State Investment Board (project only)	80,100	DB/DC
Western Asbestos Settlement Trust	967	Taxable Trust

- Name and Title: William C. Howard, Vice President
- Location: Denver, CO
- Responsibility: Providing a full range of consulting services to a variety of clients.
- Number and size of Client Relationships: See chart below for a list of clients that Bill serves as primary consultant.
- Years with the Organization: 7
- Years experience and credentials: 10 years of experience, holder of the Chartered Financial Analyst designation, MBA.

Client	Assets (\$MM)	Fund Type
Aurora (City of) General Employees' Retirement Plan	278	DB
Confidential Environmental Trust	78	Other
Confidential Family Trust	699	Family
Confidential Family Trust	935	Family
Denver Public Schools Retirement System (co-consultant)	2,924	DB
DMNS Foundation	65	Foundation
Pioneer Hi-Bred International	466	DC
Schottenstein Stores Corp.	138	DC
Valdez (City of) Permanent Fund	109	Other
Wichita Retirement Systems	1,254	DB

f. Provide the following information pertaining to your current clients:

Portfolio Size (\$Millions)	Category	Public Sector	Other Tax-Exempt	Other	Total
\$0-\$49	# of Clients	9	10	21	40
	Total \$ Amount	175	248	488	911
\$50-\$99	# of Clients	6	10	10	26
	Total \$ Amount	387	765	792	1,944
\$100-\$250	# of Clients	18	17	25	60
	Total \$ Amount	2,778	2,816	4,062	9,656
Over \$250	# of Clients	59	20	105	184
	Total \$ Amount	1,078,942	43,496	226,108	1,348,546
Total	# of Clients	82	57	161	300
	Total \$ Amount	1,082,282	47,325	231,450	1,361,057

Sample Report

Provide a sample quarterly report for the 2nd quarter 2008 using our current funds. Include a market review, fund performance evaluation, fund manager issues, fund parent company issues and any other known factors that could potentially impact fund performance. Make any suggestions for a watch list. Also include other related information that would be included in your standard quarterly report.

A sample performance report using your current fund line-up is enclosed.

References

Provide the name, address and telephone number of three to five clients for whom similar services have been performed by your firm. References should be current and should be relevant to the type of services requested. Include a one line description of services provided with each reference, as well as the team member that provided the service.

Client	Contact Person	Contact Information	Plan Type	Services Provided	General Consultant
Baker Hughes, Inc.	Mr. Casey Carter Manager, Plan Investments	2929 Allen Parkway, Suite 2100 Houston, TX 77019 713.439.8225	DB/DC	Policy Statement, Investment Structure, Measurement, Manager Search, Custodian Search	Janet Becker-Wold
Harris County Hospital District	Ms. Pat Rye Retirement Coordinator	2525 Holly Hall, Suite 100 Houston, TX 77054 713.566.6443	DB/DC	Policy Statement, Record Keeper Search, Measurement, Manager Search, Investment Structure	Paul Erlendson
Pioneer Hi-Bred International Inc.	Mr. Joel Rinderknecht Benefits Specialist	400 Locust St. Suite 700 Des Moines, IA 50309 515.270.3422	DC	Policy Statement, Performance Measurement, Investment Structure, Manager Search	Bill Howard
Texas Health Resources	Ms. Sandy Reeves Vice President, Treasury Secretary	611 Ryan Plaza Drive, Suite 630 Arlington, TX 76011 817.462.6263	DC	Policy Statement, Measurement, Investment Structure, Manager Search	Janet Becker-Wold

Fees

- Please provide a fee proposal for the services outlined in this RFP.

Callan would like to propose a fee of \$155,000 per annum for a three-year term to complete the scope of services as described in the RFP. This includes travel to quarterly meetings and complimentary membership in the Callan Investments Institute. This does not include a recordkeeper search or attendance at the Callan College. Fees are subject to a 4% increase per annum after year 1.

- Please state if you are willing to guarantee your fees for a specific period of time and such period.

Callan is willing to guarantee fees as stated above for a three-year term.