

# HAWKEYE

PARTNERS

Marybeth Kronenwetter, REIS Administrator  
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via e-mail

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Dear Ms. Kronenwetter,

Thank you for the opportunity to provide feedback on the proposed Chapter 4, Fund Reporting Standards, of the Real Estate Information Standards (REIS). Following are our comments, in the order of Section 2, "Questions for Consideration by Respondents" included in the REIS exposure draft.

Kind Regards,



Catherine M. Borm  
Hawkeye Partners, LP

## 2.02 Questions

- Should REIS develop Fund Reporting Standards rather than Investor Reporting Standards?
- Is it appropriate that these standards be applicable to single investor separate accounts as well as commingled funds?
- What are the benefits or disadvantages of such a chapter?

### Hawkeye Partners, LP Response

We consider developing fund reporting standards to be more beneficial than developing investor reporting standards. The chapter specificity would both be consistent with that of the current three chapters of REIS and we believe the more limited focus would increase clarity and aid in standards maintenance. These standards would be appropriately applied to single investor separate accounts as well as commingled funds.

## 2.03 Question

- Do you agree with the notion of establishing both required and recommended Fund Reporting Standards within REIS?

### Hawkeye Partners, LP Response

We agree with having both required and recommended reporting items as we believe it would promote standardization of reported information while allowing for situations when the reporting of certain items may not be possible or to do so would be overly burdensome.

## 2.04 Question

- Do you agree with the proposed effective date of this Exposure Draft? If you do not agree, please propose an alternative.

### Hawkeye Partners, LP Response

We agree with the proposed effective date.

## 2.05 Questions

- Should the standards require annual reporting of a benchmark comparison if a benchmark is stipulated?
- Should the standards require specific disclosure why benchmarks are not presented for a Fund?
- Should benchmark comparisons be recommended versus required?

### Hawkeye Partners, LP Response

We believe that benchmark information, or a disclosure of why benchmark information is not presented, should be required annually and recommended quarterly. We recommend additional clarification on the definition of a benchmark in ¶ 4.10, Benchmark Comparisons, as the current text appears to combine both definitions of a benchmark used in practice: 1) a public market benchmark that can fluctuate with market conditions; and 2) a fixed hurdle rate stated in fund documents, typically used to track fund strategy implementation. Additionally, we recommend addressing and allowing for the potential change in the applicable benchmark due to change in investment objectives of the fund or benchmark.

## 2.06 Questions

- Should all Funds be required to present, at a minimum, condensed U.S. Fair Value GAAP based financial statements quarterly and comprehensive U.S. Fair Value GAAP based financial statements annually in its Fund reports?
- Should all Funds be required to present a schedule of investments annually?
- Should all Funds be required to report all of the information elements presented on the proposed Schedule of Investments? Are there additional elements which should also be required? Is the materiality limit of separate disclosure of the 20 largest investments and each investment representing 5% or more of Net Asset Value appropriate?

### Hawkeye Partners, LP Response

Requiring condensed financials quarterly and comprehensive financials annually is appropriate. The frequency with which the schedule of investments is to be reported might be more appropriately dependent upon changes to the investments: annually if no significant changes, and in any quarter when there are significant changes.

We believe ¶ 4.15, Schedule of Investments, would benefit from additional clarification of “the Fund’s 20 largest investments” in the form of guidance on the definition of an investment for the purposes of this disclosure, specifically as it relates to a fund of funds, as we believe the required reporting in that case would potentially be

problematic. Further, we propose requiring information on *either* the 20 largest investments *or* the number of investments that represent a stated percentage of the fund's total net asset value.

We believe disclosure of current year cost and current year fair value as part of the schedule of investments should be recommended versus required. Finally, we suggest the addition of metropolitan statistical area (MSA) as an acceptable alternative to disclosing city and state for location on the schedule of investments disclosure in ¶ 4.15.

#### 2.07 Questions

- Should a management discussion of performance relative to objectives be a quarterly recommendation within REIS? Should the management discussion of performance relative to objectives be required vs. recommended?
- Should REIS establish specific elements which should be disclosed in the discussion? If so, please describe.

#### Hawkeye Partners, LP Response

We would suggest aligning the management discussion with the financial reporting requirements by requiring abbreviated or condensed comments quarterly and more comprehensive comments annually. We would not recommend establishing specific disclosures to be included in the management discussion.

#### 2.08 Questions

- Do you think that the independent, third party verification of partner/investor capital accounts should be **recommended** within the Fund Reporting Standards? Provide specific comments to support your answer.
- Do you think that the independent, third party verification of partner/investor capital accounts should be **required** within the Fund Reporting Standards? Provide specific comments to support your answer.

#### Hawkeye Partners, LP Response

We believe the main benefit of an independent third party verification of partner/investor capital accounts would be increased credibility. An independent third party verification should be recommended but not required as we believe audited firms can add the verification to the scope of work for their annual audits without incurring significant cost, whereas unaudited firms may find third party verification cost prohibitive.

#### 2.09 Questions

- Do you agree that Fund Reporting Standards should include a recommendation to disclose the commitment and redemption queues for open-end funds?
- Should the Fund reporting standard *require* (versus recommend) disclosure of the commitment and redemption queue?

#### Hawkeye Partners, LP Response

We agree that both the commitment queue and the redemption queue totals as of the reporting date should be recommended disclosures for open-end funds.

#### 2.10 Comment

- The Council seeks any additional comments on the individual provisions of the proposed Fund Reporting Standards and on the aggregate impact of the proposal.

#### Hawkeye Partners, LP Additional Comments

We believe use of the word "stipulate" in ¶4.10, Benchmark Comparisons, is potentially misleading, as stipulate implies a guarantee. We recommend replacing stipulated with "presented" or "provided."

In ¶ 4.21b, Portfolio Characteristics by Region/Location, it appears the standard is to provide NCREIF US geographic division versus Region/location as titled; we suggest considering renaming the item NCREIF US geographic division.

The verification as described in ¶ 4.22, Verification of Investor Capital Accounts, would be part of the audit, not the auditor's opinion; we recommend deleting "opinion" from the first sentence of ¶ 4.22.