

The Real Estate Information Standards (REIS) Constitution

November 30, 2004

Amended July 17, 2007

Amended June 19, 2008

Amended January 19, 2010

History of REIS

Since its inception, the membership of the National Council of Real Estate Investment Fiduciaries (NCREIF) has collaborated to formulate recommended policies and procedures for reporting performance results for private market real estate investments purchased in a fiduciary setting. In 1993, NCREIF joined forces with the Pension Real Estate Association (PREA) and the National Association of Real Estate Investment Managers (NAREIM) to identify standards utilized by the U.S. tax-exempt institutional real estate investment management industry for calculating, presenting and reporting real estate investment results. Known as the REIS Standards, these Standards have been established in an effort to codify a single set of desired industry practices and to improve standardization of valuation procedures, financial accounting, performance measurement and reporting.

Introduction

Information standards play an important role in the overall efficiency of the real estate investment industry as consistency, comparability, and transparency are critical for investors to make efficient and sound investment decisions regarding their investments, investment managers, and the asset class. The REIS Standards are dependent on, and are intended to supplement (and in some cases clarify) but not replace, other established standards from authorized bodies including, but not limited to, valuation standards established through Uniform Standards of Professional Appraisal Practice (USPAP), accounting standards established by United States Generally Accepted Accounting Principles (GAAP) and the performance measurement and reporting standards promulgated by the CFA Institute known as the Global Investment Performance Standards (GIPS). Collectively, these other established standards are referred to as the “Foundational Standards” throughout this document.

This constitution establishes the governance upon which REIS will be maintained, including additions, modifications, clarifications and deletions to the REIS Standards.

Summary of Key Parties in the REIS Standards Process:

- **REIS Board:** A board of directors with the authority to promote, approve and codify a common set of reporting standards in the institutional real estate investment community known as REIS.
- **REIS Council:** A body appointed by the REIS Board from nominations made in accordance with the policy developed by the Board. The Council is responsible for maintaining transparency and open involvement in the REIS process and serves as the primary link to the Foundational Standards’ sponsor organizations.
- **REIS Project Task Force:** A task force formed to direct a specific project intended to effectuate changes to the REIS Standards, including additions,

modifications, clarifications and deletions to the REIS Standards. Appointed by the REIS Council subject to approval by the REIS Board, a Project Task Force is expected to consist of individuals with the requisite expertise necessary to represent a broad spectrum of expertise and interests within the industry and will draw primarily from the resources of members of the REIS Council as well as NCREIF's Standing Committees and PREA Affinity Groups.

- ***NCREIF Standing Committees:*** The NCREIF Standing Committees represent a critical component of the real estate information standards process. Standing Committees meet formally three times per year, are open to all members of NCREIF and focus on specific areas of technical expertise. The Standing Committees perform research on and conduct open debate and discussion on various matters of interest to industry participants, including proposals for additions, modifications, clarifications and deletions to REIS (see [NCREIF web site](#) for further information on NCREIF Standing Committees).

The REIS Standards Process

Changes to REIS are primarily initiated through the efforts of the REIS Council under the direction of the REIS Board. In addition, NCREIF's Standing Committees are required to communicate to the Council industry matters which could impact the REIS Standards. In order to effectuate timely communication, requests for a change to the REIS Standards should be presented to the REIS Council in a timely manner. It is the responsibility of the Council to assist in guiding a project through the standards process, which is formally initiated by the preparation and approval of a REIS Project Prospectus. (Examples of Prospectuses can be found on the [REIS web site](#).) Upon acceptance of a project by the REIS Council and the REIS Board, the Project Task Force completes the required research and analysis. Such research and analysis may include the preparation of a guidance document, surveys and other efforts appropriate in the circumstances.

Conclusions and findings of the Project Task Force are presented to the REIS Council in the form of an Exposure Draft, which includes an executive summary of key issues and questions to be considered by the industry, the specific written standard that is proposed for incorporation in the REIS Standards, in addition to a discussion of the basis for conclusions reached in the Exposure Draft. (Examples of Exposure Drafts can be found on the [REIS web site](#))

The REIS Council is responsible for reviewing the Exposure Draft in public session, ensuring that the document fairly and concisely presents the issues and questions to be considered by the industry. Upon approval by the REIS Council, the REIS Board is required to approve the Exposure Draft prior to exposure to the industry for a minimum 60-day public comment period. Industry comments received are reviewed by the REIS Council and the Project Task Force under the direction of the REIS Board. The REIS Council will then choose to either move forward to an Adopting Release or ask the Project Task Force to conduct further research to prepare a revised Exposure Draft. Upon reaching resolution on all matters, an Adopting Release, which is an Exposure Draft with key questions answered, is presented to the REIS Board for approval. A flowchart depicting the REIS Standards Process is included as Appendix 1.

Certain conforming changes (i.e. those which do not independently add, modify, and/or clarify REIS, but rather arise from changes to Foundational Standards) may not be appropriate for inclusion in the primary standards process described above, unless such changes contain subjective or interpretive aspects. It is the intention of the REIS Council to periodically review the REIS Standards in light of changes to the Foundational Standards, to make appropriate conforming changes and, subject to approval by the REIS Board, to communicate such to the industry.

The REIS Board

Purpose and Mission of the REIS Board

The purpose of the REIS Board is to serve as the official governing body of the Real Estate Information Standards and to provide leadership and expertise in establishing such standards as the authoritative and verifiable information and reporting standards for the U.S. institutional private real estate equity investment industry. It is expected that the REIS Council will be an important initiator of real estate information standards that may be considered and approved by the REIS Board.

The purpose of information standardization is to make it easier to understand, underwrite, analyze and compare real estate investments within the real estate asset class as well as with other asset classes. Absent standardization, the value of existing information, regardless of its quality and reliability, is diminished because of inherent difficulties incurred when engaging in comparable analysis and/or independent price discovery.

The REIS Board's key roles and responsibilities are:

- Approval of the persons to serve on the REIS Council. The REIS Council shall serve in an advisory capacity for the REIS Board, but shall not be the sole source of information, advice, recommendations or proposals for the REIS Board.
- Approval of any changes to the REIS Constitution, which must also be approved by the Boards of Directors of both NCREIF and PREA.
- The development of proposals for the adoption of new Real Estate Information Standards and the modification of existing standards as well as the consideration and proposal of new standards and modified standards submitted by the REIS Council and others.
- To report periodically to NCREIF and PREA regarding potential proposals which are under consideration by the REIS Board and Council prior to their formal release as Exposure Drafts.
- Approval of Exposure Drafts for new or modified standards to be circulated for public comment, including comment by NCREIF, PREA, their respective members and other interested parties.
- Adoption of new and modified standards after a public comment period and the approval and issuance of Adopting Releases with respect thereto.
- Oversight of REIS Council priorities.

- Periodic review of industry compliance with the standards adopted by the REIS Board.
- Regular communication with the REIS Council Chair.
- Meet no less frequently than quarterly, including at least one meeting annually in conjunction with a NCREIF conference and one in conjunction with a PREA conference.

The REIS Board is not empowered to expand its mission, purpose, or authority without the approval of the Boards of Directors of NCREIF and PREA (the Sponsoring Boards).

Composition of the REIS Board

The REIS Board will consist of nine (9) voting members as follows:

- Four (4) industry professionals (Industry Board Members), who may be active or retired;
- Five (5) independents (Independent Board Members), active or retired, who meet the criteria set forth in Appendix 2 attached hereto
 - It is contemplated, although not required, that the independents will come from associated professional organizations such as the Financial Accounting Standards Board (FASB), the CFA Institute, and the Appraisal Institute, and/or the academic community

Members of the REIS Board should meet the following criteria:

- Minimum of 20 years of relevant institutional investment related experience.
- Outstanding achievement in their professional careers.
- Ability to demonstrate real estate investment and financial literacy.
- Reputation for the highest levels of personal and professional integrity.
- Knowledge of standards and ability to represent the real estate industry.
- Ability to make independent inquiries and judgments.
- Capable and committed to devoting adequate time to the REIS Board and to attending all REIS Board meetings.

Nomination and Election of Initial REIS Board Members

The Nominating Committee for the REIS Board consists of the President and President-Elect of NCREIF and the Chair and Vice Chair of PREA.

- The Nominating Committee uses the criteria for REIS Board Selection listed above as a guideline for the nomination of candidates.
- The Nominating Committee identified a list of candidates to be the initial REIS Board members and submitted its list of candidates to the Board of Directors of PREA and NCREIF for election.

- Each initial candidate was approved by both the NCREIF Board and the PREA Board in order to be elected to the REIS Board.
- This procedure did not apply to the initial Chair of the REIS Board, who was the Executive Director of NCREIF.

Nomination and Election of Subsequent REIS Board Members

- Subsequent **Industry** Board Members will be nominated by the joint NCREIF/PREA Nominating Committee.
- Subsequent **Independent** Board Members will be nominated by the existing independent REIS Board members (by majority vote).
- All candidates for REIS Board membership must be approved by both the PREA Board and the NCREIF Board.
- This procedure applies to both new REIS Board members and Board members standing for re-election.

Term of REIS Board Members

- The initial REIS Board members will serve staggered terms (three, four and five years) as established by the NCREIF/PREA Nominating Committee and approved by the PREA and NCREIF Boards.
- Thereafter, REIS Board members will serve for three-year terms.
- No REIS Board member may serve for more than three consecutive terms.
- ReIS Board terms commence on July 1st.
- If a REIS Board member's employment situation changes so as to make them no longer eligible for their class of membership, they will serve through the next June 30th and will then be replaced.
- If a REIS Board member resigns during their term, a new member will be appointed, using the nomination and election procedure, to serve out the remainder of the member's term.
- If a REIS Board member fails to attend at least half of the Board meetings in any given year, they will be expected to resign and a new member will be appointed to replace them.

Selection and Responsibilities of REIS Board Chair

- One of the Independent Board Members will serve as Chair of the REIS Board for a term of up to three years. The Chair shall be selected by the REIS Board from among its independent members, subject to approval by the Sponsoring Boards. An individual can serve up to nine consecutive years as Chair.
- If during their term the Chair desires to no longer serve as Chair, they must resign from the Board to allow for the selection of a new Board member.
- The REIS Board Chair will be responsible for scheduling, setting the agenda and chairing all REIS Board meetings

- The REIS Board Chair will, in conjunction with the REIS Council Chair, manage the REIS administrator, ensuring that the Board and Council's priorities are supported by the administrator.
- The REIS Board Chair will be responsible for managing the relationship with REIS sponsors, ensuring the sponsors are kept fully informed of REIS initiatives and financial status.
- The REIS Board Chair will serve as primary Board liaison to the REIS Council, ensuring the coordination of the two groups.
- Additional responsibilities of the REIS Board Chair will be specified in a Board approved job description.

REIS Board Voting Procedures

All actions and decisions by the REIS Board, including, but not limited to, the adoption of new standards and the modification of standards, will require the approval of at least six (6) of the voting members of the REIS Board.

A meeting quorum for the purposes of information gathering and discussion shall consist of five members of the REIS Board.

Members will be allowed to attend meetings by conference call. Members participating by telephone (or by video-conferencing or other similar electronic means) will be counted for purposes of measuring a quorum and will be eligible to vote on all actions of the Board.

Compensation of REIS Board Members

- Each Independent Board Member will be paid an annual (calendar year) fee of \$25,000 for serving on the REIS Board, provided that such Independent Board Member attends and participates in at least four REIS Board meetings per year. Failure to attend at least four meetings in a year will reduce the annual fee by \$6,250 per minimum missed meeting.
- In addition to compensation as an Independent Board Member, the REIS Board Chair will be paid an additional \$20,000 per year.
- Industry Board Members will not be compensated for serving on the Board.
- All Board members are eligible to be reimbursed for direct travel expenditures incurred to attend a meeting if such expenses are not reimbursed by their employer.

Annual Budget for the REIS Board

The annual budget for the expenses of the operation of the REIS Board shall be approved by the Boards of Directors of both NCREIF and PREA. The Sponsoring Boards hereby agree that unless otherwise jointly agreed, NCREIF and PREA shall each fund 50% of the operating expenses of the REIS Board. The Sponsoring Boards further agree that they must notify the other Sponsoring Board and the REIS Board at least 60 days before the beginning of the calendar year if they are not going to approve and fund the annual

budget for the REIS Board. This deadline is necessary to allow for alternative sponsorship of the REIS Board.

The REIS Council

The responsibilities of the REIS Council include:

- Improving the usefulness of information reporting in the institutional real estate investment industry;
- Keeping the REIS Standards current in light of changes in Foundational Standards and other changes in related business and economic conditions;
- Acting as a liaison with Foundational Standards bodies (although not empowered to represent REIS to Foundational Standards Bodies) and;
- Reviewing and recommending to the REIS Board changes and modifications to the Real Estate Information Standards.

Composition of the REIS Council

The REIS Council will consist of eleven (11) voting members who will be selected by the REIS Board from nominations made in accordance with the policy developed by the Board. The REIS Board will be responsible for developing and publicizing appropriate policies and procedures to ensure that the REIS Council nomination and selection process is open and fair. The REIS Board will designate one member of the above members to serve as REIS Council Chair to lead the activities of the Council.

Members of the REIS Council should meet the following criteria:

- Subject matter experts within their respective disciplines while also possessing knowledge and understanding across the disciplines
- Minimum 7-10 years relevant institutional real estate industry experience
- Currently active in the real estate industry in management positions within their member organizations
- The Council shall have at least one member who is a Certified Public Accountant (CPA) and is current on standards and initiatives of the Foundational Standard bodies (Financial Accounting Standards Board (FASB), American Institute of Certified Public Accountants (AICPA), etc.)
- The Council shall have at least one member who is a Certified Financial Analyst (CFA) (with preference to the Certificate in Investment Performance Measurement (CIPM) designation) and is current on standards and initiatives of the CFA Institute and GIPS.
- The Council shall have at least one member who is a Member, Appraisal Institute (MAI) and is current on standards and initiatives of the Appraisal Institute.
- The Council shall have at least one member each from the Pension Consulting and Plan Sponsor communities.

- All Council members shall be active participants in at least one sponsoring organization's committees/activities over a minimum 5 year period (e.g., committee chair or vice chair; task force chair, etc.)
- All Council members must be willing to commit time required to adequately perform duties of membership including regular and active participation in monthly meetings and task forces
- Council members will not be employees or independent contractors of the sponsoring organizations and will not be compensated directly or indirectly from these organizations

Each voting member of the Council, including its Chair, will serve a three year term commencing on November 1st. Such voting members may be reappointed to successive terms at the discretion of the REIS Board. The REIS Board can, at its discretion, appoint Council members to terms shorter than three years to ensure staggered terms on the Council.

A REIS Council member can be removed by the REIS Board if their job position substantially changes or if they are no longer a part of the organization they were when selected to the Council.

Voting

Each voting member of the Council will have one vote. A three fifths majority (7) will be required to approve actions of the Council. Accordingly, 7 members will be required to conduct a vote.

Meetings

The Council is expected to convene in regular session monthly. In person meetings will be held at least 3 times per year at NCREIF and PREA conferences. It is expected that conference call meetings will be scheduled in months where there is no in person meeting. The Council will also meet at such other times and places as considered necessary. Meetings will be open to all interested parties.

Voting will be restricted to voting members of the Council as described above. As matters which significantly affect REIS will be discussed and voted upon at Council meetings, attendance is of utmost importance. At the discretion of the Chair, members may be allowed to attend in-person meetings by conference call. Members participating by telephone (or by video-conferencing or other similar electronic means) will be counted for purposes of measuring a quorum and will be eligible to vote on all actions of the Council. If a member of the Council is not present at two meetings in succession or misses four meetings within any rolling twelve month period, that voting member may be removed from the Council by the REIS Board upon the request of the REIS Council Chair. A successor will be appointed to the unfilled term of the member by the REIS Board using the normal nomination process.

Selection, Review and Approval of Proposals

At its regularly scheduled meetings, the Council will review and discuss REIS matters as described below.

- NCREIF Standing Committees updates: changes and proposed changes to Foundational Standards will be discussed and action will be taken as appropriate.
- New initiatives and new Project Prospectuses: Council members will discuss new initiatives and may approve REIS project Prospectuses.
- REIS project status reports: A designated Project Task Force member will report to the Council on the status of a project including an updated timetable for completion of an Exposure Draft.
- Exposure Drafts: The Council may review and approve Exposure Drafts for changes to REIS. The Council will be required to obtain approval of the Exposure Draft from the REIS Board before commencing the public comment process. The Project Task Force will report to the Council on industry comments received on the Exposure Draft during the required 60 day comment period. Resolution of issues raised in the comment letters will be conducted by the Council with input from the Project Task Force.
- Adopting Releases: The Council will review and approve the Adopting Release prepared by the Project Task Force. Approval of the Adopting Release will be required of the REIS Board.
- The Council, under the direction of the REIS Board, will be charged with incorporating the newly approved Adopting Release within the REIS Standards.

Communication of Results

The Council will be responsible for establishing transparency in the standards process and for communicating its workings to the industry using the following channels:

- Preparing agendas for its meetings (including meeting location or call-in information) to be published on the [REIS web site](#)
- Giving timely reports to the general membership of the sponsoring organizations.
- Meeting with the REIS Board as appropriate
- Preparing minutes of Council meetings to be published on the [REIS web site](#)
- Updating the status of current REIS projects on the [REIS web site](#)

Liaison with Foundational Standards Bodies

The Council, through the direction of the REIS Board, will communicate and work with selected organizations including Foundational Standards bodies and other appropriate organizations. The Council is not empowered to represent REIS to Foundational Standards Bodies or other organizations.

Staff Support

To fulfill its duties, it is expected that the volunteer members of REIS Council will need staff support. NCREIF has and is expected to continue to provide such staff support. Subject to oversight by NCREIF, such staff resources shall be directed by the REIS Council Chair to support the work of the REIS Council, the REIS Board and Project Task Forces.

Project Task Force

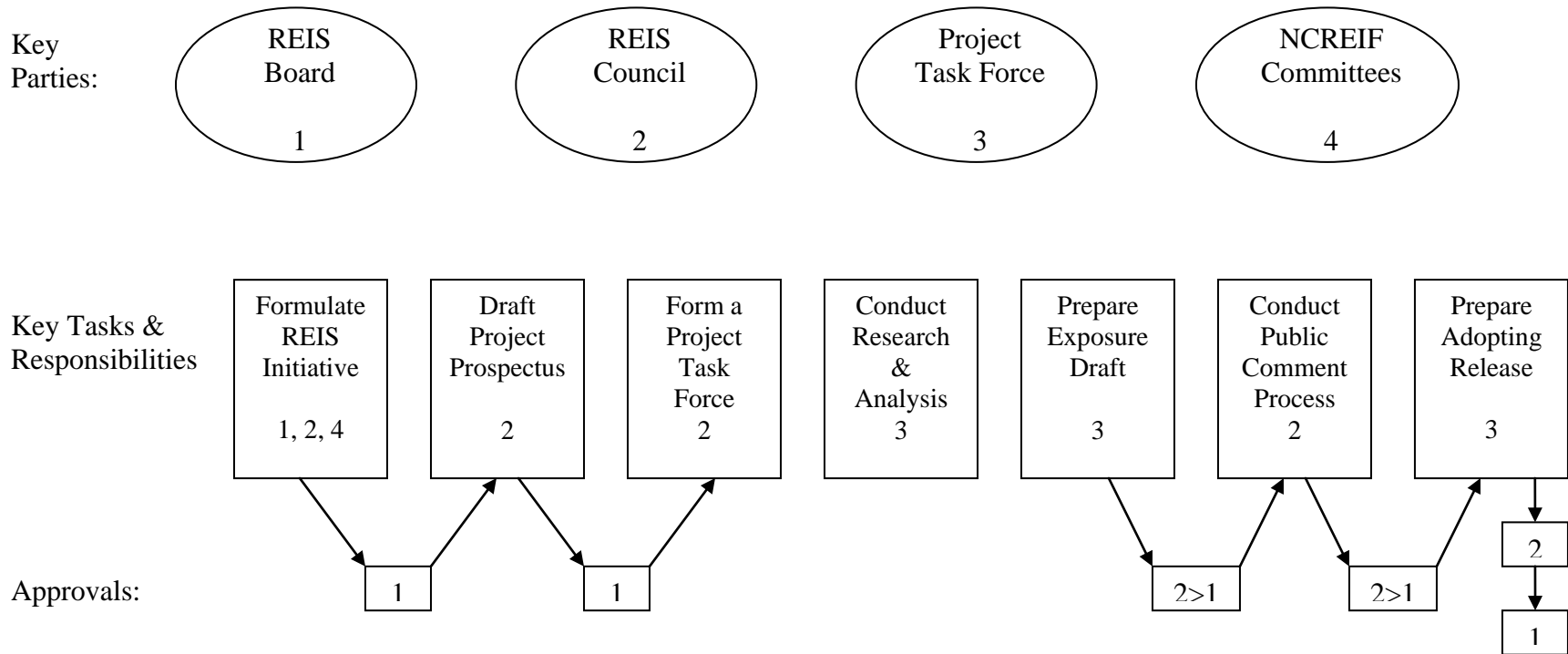
A Project Task Force is established by the REIS Council- through a REIS Project Prospectus- to conduct research and analysis on a specific REIS proposal and/or to conduct any other activities necessary to guide a project through the standards process. Members of the Project Task Force should be comprised of representative subject matter experts. Each Project Task Force must have at least one REIS Council member and will be supported by the REIS Administrator. The duties and responsibilities of the Project Task Force will depend on the nature of the standards initiative and may include:

- Preparing a timetable for completion of the project from inception through adoption.
- Providing periodic updates of the project to the Council, (and to the Board as requested), as circumstances warrant but no less frequently than at regularly scheduled Council meetings.
- Conducting research and analysis on projects and providing results and recommendations to the Council
- Drafting an Exposure Draft for review by the Council and Board
- Evaluating industry comments received and providing recommendations and resolutions thereof to the Council
- Drafting an Adopting Release for presentation to the Council

Amendments

Any amendments or changes to this Constitution must be approved by the REIS Board and both Sponsoring Boards.

APPENDIX 1
Flowchart of REIS
Process



- Objectives:**
- Create transparency and establish record of deliberations
 - Establish accountability for key tasks in process
 - Ensure clear understanding of process
 - Facilitate timely resolution of issues

APPENDIX 2

Criteria – Independent REIS Board Members

Independent Board Members are drawn from a pool of experienced institutional real estate investment industry executives who are not currently engaged in the real estate investment business on a day-to-day basis, but who can demonstrate a real passion for wanting to continue to contribute to the enhancement of the industry's efficiency and transparency.

Candidates should come from the ranks of former senior industry executives of real estate investment management firms, pension fund plan sponsors, endowment fund sponsors, pension real estate consultants, public real estate operating companies, public accounting firms, life insurance company real estate departments, real estate investment banks, appraisal firms and/or the academic community.

Positions previously held could include CEO; CFO; CIO; Senior Real Estate Portfolio Manager; Partner, public accounting firm; Principal or founder of a real estate company or real estate consulting firm.

Prospective candidates would be required to demonstrate a clear understanding of, and a deep appreciation for, the industry's present day financial accounting, valuation, performance measurement and information reporting standards and practices.

The candidate must be able to demonstrate that he or she has no real or perceived conflicts of interest. Independent Board Members must be able to exercise their duties and responsibilities in a totally non-partisan and objective manner.

A candidate can no longer have a vested interest in the institutional real estate investment business as a principal or employee; however, those serving as an independent member of a Board of Directors or Advisory Board would qualify so long as such a position is not seen as a conflict. In addition, a candidate shall not be precluded from serving as an Independent Board Member solely by virtue of owning an interest in or having an entitlement to a portion of the carried interest in an investment fund, or having an economic interest in an investment management firm, provided that such person does not have an active management interest in such investment fund or investment management firm.

The candidate must have a willingness to commit time to become intimately knowledgeable of the NCREIF databases and Indexes, existing Real Estate Information Standards and performance measurement calculations.

Webster's Ninth New Collegiate Dictionary defines independent as "not subject to control by others". In order to qualify for nomination as an Independent Board Member, this definition of independent must be met.