

APPENDIX 3

SAMPLE INVESTMENT PROCESS

Sample Investment Process

1. Receive investment proposal from investment manager and logs it in to database
2. Staff completes initial screening of investment proposal¹
 - a. If the proposal has merit, then proceed to Step #4
 - b. If the proposal does not have merit, then distribute a formal decline letter to the investment manager and update deal log
3. Staff conducts preliminary analysis of investment manager and investment proposal
4. Staff prepares investment memorandum (IM)² for an internal Investment Review Committee (IRC)
5. Present to IRC
 - a. If IRC declines the investment proposal then distribute decline letter to investment manager and update deal log
 - b. If IRC requests additional information or research, then fulfill the IRC request and repeat Step #5
 - c. If IRC approves utilizing an independent consultant to pursue further due diligence (refer to the Due Diligence Checklist), then proceed to Step #6³
 - i. Request legal and tax consultant if necessary
6. Independent consultant and/or staff conducts due diligence on the investment manager and the investment proposal and develops a written analysis and recommendation
 - a. If a due diligence questionnaire would be helpful, consultant or staff submits it to the investment manager at this stage
7. If applicable, staff and internal and external legal counsel negotiate term sheet (refer to the Model Provisions and the LPA Checklist)⁴
8. Independent consultant provides staff with a written analysis and recommendation
9. Legal provides staff with a memo summarizing the key terms of the agreement
10. Staff prepares presentation to IRC
 - a. Presentation documents may include:
 - i. Staff memo with recommendation
 - ii. Draft consultant memo with recommendation and corresponding analysis

¹ Initial screening should be cursory in nature.

² This may include the following: proposed investment manager, size of the investment, risk classification, proposed investment structure, proposed alignment of interests and governance terms, investment time horizon, potential exit strategies, expected return versus benchmarks, risk analysis, consistency with internal policies/strategic plans, etc.

³ Depending upon the LP, staff may be responsible for all manager due diligence.

⁴ Based upon the LP's preference, Step # 7 (term sheet negotiation) can occur either at the same time as Step #6 or sequentially.

- iii. Draft legal memo summarizing key terms of the agreement
 - b. If the IRC approves then proceed to Step #9
 - c. If the IRC declines then distribute a formal decline letter to the investment manager and update deal log
- 11. Staff and legal finalize the investment agreement according to what has been approved by the IRC⁵
- 12. Prepare the agreement for signature, if applicable

⁵ If staff informs the unit head that the key terms and conditions have changed materially from what was approved by the IRC, the unit head can make the decision as to whether the investment is to be routed back through the IRC process or whether to move forward with the closing.

