



Item 1 – Cover Page

**Part 2A of Form ADV  
Investment Adviser Brochure**

**Callan Associates Inc.**

101 California Street, Suite 3500  
San Francisco, CA 94111  
Telephone: (415) 974-5060  
Website: [www.callan.com](http://www.callan.com)

Contact information  
Susan L. Taylor  
Sr. Vice President, CFO & CCO  
[taylor@callan.com](mailto:taylor@callan.com)

***This brochure provides information about the qualifications and business practices of Callan Associates Inc. If you have any questions about the contents of this brochure, please contact us at the telephone number or email address listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.***

***Additional information about Callan Associates Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)***

**Item 2 – Material Changes**

The last annual update of Callan's ADV Part II was 3/29/2011. There have been no material changes to this brochure since the last annual update.

**Item 3 – Table of Contents**

<b>ITEM 1 – COVER PAGE .....</b>	<b>1</b>
<b>ITEM 2 – MATERIAL CHANGES .....</b>	<b>2</b>
<b>ITEM 3 – TABLE OF CONTENTS .....</b>	<b>3</b>
<b>ITEM 4 – ADVISORY BUSINESS .....</b>	<b>4</b>
<b>ITEM 5 – FEES AND COMPENSATION .....</b>	<b>8</b>
<b>ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....</b>	<b>10</b>
<b>ITEM 7 – TYPES OF CLIENTS .....</b>	<b>10</b>
<b>ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....</b>	<b>10</b>
<b>ITEM 9 – DISCIPLINARY INFORMATION .....</b>	<b>10</b>
<b>ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....</b>	<b>11</b>
<b>ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....</b>	<b>11</b>
<b>ITEM 12 – BROKERAGE PRACTICES .....</b>	<b>13</b>
<b>ITEM 13 – REVIEW OF ACCOUNTS .....</b>	<b>13</b>
<b>ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION .....</b>	<b>14</b>
<b>ITEM 15 – CUSTODY .....</b>	<b>14</b>
<b>ITEM 16 – INVESTMENT DISCRETION .....</b>	<b>14</b>
<b>ITEM 17 – VOTING CLIENT SECURITIES .....</b>	<b>14</b>
<b>ITEM 18 – FINANCIAL INFORMATION .....</b>	<b>14</b>
<b>ITEM 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS .....</b>	<b>14</b>

#### **Item 4 – Advisory Business**

Founded in 1973 and headquartered in San Francisco, California, Callan Associates, an SEC-registered investment advisor, is one of the largest independently-owned consulting firms in the country. Ronald D. Peyton, Chairman, CEO and Director, is a principal owner. Callan has an additional 65 shareholders.

Callan provides services through four distinct lines of business:

(I) The Fund Sponsor Consulting Group (FSC)

FSC provides consulting services to sponsors of defined benefit plans, defined contribution plans, endowments, foundations, nuclear decommissioning trusts, and other large institutional asset pools. Supported by a deep team of research professionals, Callan's Fund Sponsor Consulting Division is organized to provide customized solutions to meet the needs of the country's most sophisticated institutional investment programs. Services include strategic planning, plan implementation, monitoring and evaluation, and continuing education.

Products and services for fund sponsor organizations are offered through FSC (Services):

(1) Performance Reporting:

- (a) Investment Measurement - this reporting service provides summary performance measurement data on an investment portfolio and may include making relevant benchmark and peer group comparisons and analyses.
- (b) Performance Attribution - this service analyzes portfolio and/or fund performance, broken down into its various sub-component sources of risk and return.
- (c) Performance Evaluation Program (PEP) - this service provides a flexible PC-based tool to produce performance analysis reports in color.
- (d) Other Customized Reporting services may be provided dependent upon client request.

(2) Consulting:

- (a) Investment Policy Service - this service provides assistance to fund sponsors in formulating and articulating in a formal document the investment policies and procedures of the retirement program, endowment or foundation.
- (b) Asset Allocation/Liability - this service provides information concerning the effect of asset mix on projected assets and cash flows.
- (c) Manager/Investment Structure - this service provides information concerning the structure of an asset class within a retirement program, endowment or foundation, taking into consideration the fund's goals and objectives, market and fund sponsor environments, among other factors.
- (d) Manager/Record Keeper Search - this service provides fund sponsors with information concerning the styles and relative attributes of various investment managers or record keepers.
- (e) Fee Analysis – this service—offered to defined contribution plans—analyzes fees paid by service providers.
- (f) Alternative Investments - this service assists in the development, implementation and evaluation of institutional real estate, hedge fund and other alternative investment programs.
- (g) Custody, Securities Lending and Transition Management - this service provides fund sponsors with information concerning the relative attributes of various custodial, securities lending or transition management.

(3) Education:

- (a) Callan Investments Institute (CII): CII functions as an educational institution servicing organizations (including fund sponsors, investment managers, investment consultants and financial intermediaries) by independently analyzing trends in the industry via research communications and conference programs. Client organizations receive research papers, Callan Insights (an electronic news service that reports

developments within the institutional investment arena), surveys, conference and workshop participation, and quarterly performance data produced during the course of a year. Client organizations also receive periodicals including the Capital Markets Newsletter, Defined Contribution Opinions and Observations newsletter, Private Market Trends, Hedge Fund Monitor, and conference summaries, and have access to the Institute's library, which features past conference materials and articles via tape and printed media.

- (b) Center for Investment Training: The Center for Investment Training, also known colloquially as "Callan College", is an approximately two-and-one-half-day program offered several times each year and via private label. "Callan College" is designed to provide investment fiduciaries, their advisers and investment consultants with basic-to-intermediate-level of instruction on prudent investment practices. The subjects discussed include fiduciary standards and responsibilities, capital market theory, asset allocation and the writing of investment policy statements, investment manager structure and search, and performance measurement and evaluation. Additional one-to two-day "Callan College" programs on such subjects as real estate, private markets and mutual fund board responsibilities are also periodically offered to fund sponsors, investment managers, investment consultants and/or financial intermediaries.

(II) The Independent Adviser Group (IAG)

IAG provides consulting resources and services to a select group of independent consulting firms and financial intermediaries. Through their unique relationship with Callan, IAG clients provide fiduciaries, trustees, and high net worth individuals with objective and professional investment consulting solutions that have been traditionally available to only the largest of institutions.

Products and services for investment consulting firms and financial intermediaries are offered through the IAG:

(1) Bundled Consulting:

- (a) Capital Markets Research and Asset Optimization Program - this service provides insights on Callan's capital market assumptions and allows the IAG clients to run customized optimizations based upon their clients' requirements. Asset Optimization software is also provided.
- (b) Consulting Templates - this service provides templates for a range of investment policy statements, data-gathering checklists, and storyboards to assist the IAG client in clearly documenting their clients' investment management processes.
- (c) Middle Market Matrix (MAX) - this service provides a set of reports/information on a collection of separate account managers and mutual funds that have passed our rigorous due diligence process that provides the IAG client access to institutional quality investment managers and custodians that were previously unavailable due to high minimums and fees.
- (d) Performance Reporting and Research - this service, provided through an internet site we call the "OpCenter", allows the consulting firm client access to most of our service offerings to this type of client. For example, the client can access detailed profiles of MAX managers or funds, select from an extensive list of mutual funds to create their own mutual fund performance report, access their client performance reports or browse through our document archives for a collection of research support and templates.

- (2) Customized Consulting: Refer to Services in Item 4(I) above as each of these services is available to IAG clients on a customized basis.

- (3) Callan Unified Managed Account (UMA) - Callan has developed an open-architecture platform of investment strategies that have passed our rigorous due diligence process.

This platform includes access to separate account managers who have been screened by Callan and whose trading activities are coordinated by an external overlay manager whom Callan has selected. IAG clients can coordinate the opening of single-custodial UMA accounts for their end clients and can create customized individual manager allocations on a per-account basis. In the alternative, IAG clients can utilize asset class model portfolios developed by the IAG team and subject to Callan's peer review process. Although Callan does not exercise discretion over the accounts managed through the UMA program, Callan does have the authority to replace the external overlay manager and to replace separate account managers from the platform.

(4) Education:

- (a) Callan Investments Institute (CII): CII functions as an educational institution servicing organizations (including fund sponsors, investment managers, investment consultants and financial intermediaries) by independently analyzing trends in the industry via research communications and conference programs. Client organizations receive research papers, Callan Insights (an electronic news service that reports developments within the institutional investment arena), surveys, conference and workshop participation, and quarterly performance data produced during the course of a year. Client organizations also receive periodicals including the Capital Markets Newsletter, Defined Contribution Opinions and Observations newsletter, Private Market Trends, Hedge Fund Monitor, and conference summaries, and have access to the Institute's library, which features past conference materials and articles via tape and printed media.
- (b) Center for Investment Training: The Center for Investment Training, also known colloquially as "Callan College", is an approximately two-and-one-half-day program offered several times each year and via private label. "Callan College" is designed to provide investment fiduciaries, their advisers and investment consultants with basic-to-intermediate-level of instruction on prudent investment practices. The subjects discussed include fiduciary standards and responsibilities, capital market theory, asset allocation and the writing of investment policy statements, investment manager structure and search, and performance measurement and evaluation. Additional one-to two-day "Callan College" programs on such subjects as real estate, private markets and mutual fund board responsibilities are also periodically offered to fund sponsors, investment managers, investment consultants and/or financial intermediaries.

(III) The Institutional Consulting Group (ICG)

ICG provides investment manager clients with research and educational services, including performance measurement and database services and software.

Products and services for investment management firms are offered through the Institutional Consulting Group (ICG):

- (1) Communications Consulting - this service provides assistance in developing effective communication materials to ensure the consistency and clarity of investment manager clients' marketing messages.
- (2) Performance Evaluation Program (PEP) - this service provides a flexible PC-based tool to produce performance analysis reports in color.
- (3) Investment Product Analysis - this service is a quarterly report which provides a comprehensive and comparative review of a product incorporating analysis of performance, portfolio characteristics, product assets, fees and product resources.
- (4) Style, Trend, Analysis, and Research Report (STAR) - this service provides an annual report and mid-year update which quantifies the institutional pool of assets and flows

within a style, examines asset concentration and the largest players and identifies top asset gatherers by product size.

(5) Education:

- (a) Callan Investments Institute (CII): CII functions as an educational institution servicing organizations (including fund sponsors, investment managers, investment consultants and financial intermediaries) by independently analyzing trends in the industry via research communications and conference programs. Client organizations receive research papers, Callan Insights (an electronic news service that reports developments within the institutional investment arena), surveys, conference and workshop participation, and quarterly performance data produced during the course of a year. Client organizations also receive periodicals including the Capital Markets Newsletter, Defined Contribution Opinions and Observations newsletter, Private Market Trends, Hedge Fund Monitor, and conference summaries, and have access to the Institute's library, which features past conference materials and articles via tape and printed media.
- (b) Center for Investment Training: The Center for Investment Training, also known colloquially as "Callan College", is an approximately two-and-one-half-day program offered several times each year and via private label. "Callan College" is designed to provide investment fiduciaries, their advisers and investment consultants with basic-to-intermediate-level of instruction on prudent investment practices. The subjects discussed include fiduciary standards and responsibilities, capital market theory, asset allocation and the writing of investment policy statements, investment manager structure and search, and performance measurement and evaluation. Additional one-to two-day "Callan College" programs on such subjects as real estate, private markets and mutual fund board responsibilities are also periodically offered to fund sponsors, investment managers, investment consultants and/or financial intermediaries.

(IV) The Trust Advisory Group (TAG)

TAG is Callan's asset management division 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. Callan relies, as its main source of information, on proprietary research generated by Callan's Global Manager Research Group and/or Callan's Database group.

TAG focuses its efforts in two different areas:

(1) Discretionary Services:

- (a) Diversified Alpha Group Trust - Callan, through TAG, is the adviser and sponsor of a diversified, commingled, small cap equity fund (Private Trust). This Private Trust is a private offering designed for qualified corporate pension plans and profit sharing plans, and government pension plans. In particular, the Private Trust is designed for large plans generally with a minimum investment of \$200 million.

TAG is responsible for the overall management of the Private Trust. TAG does not offer advice on, nor have discretion over the securities held in the Private Trust. TAG engages, monitors, and as necessary, replaces the 25-50 sub-advisers who are responsible for investing and reinvesting the assets (including having all authority for security-level decisions) of the Private Trust in accordance with the investment guidelines established for each sub-adviser by TAG.

(2) Non-Discretionary Services:

- (a) Target Maturity Collective Funds: Callan, through TAG, acts as the non-discretionary adviser to a series of target maturity collective funds (Collective Funds) sponsored by a large Delaware state-chartered trust company (Trust Company) known as the

Callan GlidePath® Funds. These Collective Funds are broadly diversified by asset class and investment style. They have an asset allocation that becomes increasingly conservative over time. The Collective Funds achieve their diversification by investing in other collective funds and/or mutual funds managed by a diverse group of investment advisers. The Collective Funds are designed as a single-fund investment solution for participants of defined contribution plans.

TAG is responsible for the design of the asset allocation (or glidepath) for the Collective Funds. TAG is also responsible for providing due diligence and advice to the Trust Company on the underlying collective funds and/or mutual funds in which the Collective Funds are invested. TAG is further responsible for monitoring the asset allocation of the Collective Funds, as well as the performance of the underlying funds over time, and for providing the Trust Company with periodic rebalancing advice. The Trust Company has final discretionary authority over the Collective Funds, including all security level decisions related to the underlying funds. The advisers for the underlying funds have authority over all security level decisions within those funds.

- (b) Callan, through TAG, acts as a non-discretionary sub-advisor to a special purpose Collective Investment Trust (CIT) sponsored by a global trust company. The CIT is managed for the exclusive use of participants within qualified defined contribution plans sponsored by a US-based corporation and/or its related entities. In this role Callan has oversight and monitoring responsibility for various funds offered through the CIT.

As of February 29, 2012 total TAG assets under management were \$3,487,792,458, broken down as follows:

- (1) Discretionary assets of \$1,615,163,866 and
- (2) Non-Discretionary of \$1,872,628,592.

Callan does not and will not provide consulting advice to a Fund Sponsor Consulting client with respect to an investment of plan assets in either the Private Trust or the Collective Funds. The reason for this restriction is the fact that Callan receives compensation from the assets of the Private Trust and the Collective Funds. Under the Employee Retirement Income Security Act of 1974, as amended, it is not permissible for Callan, as an investment consultant, to provide consulting advice to a plan regarding an investment in the Private Trust or Collective Funds while, at the same time, receiving compensation from the Private Trust or Collective Funds.

Furthermore, Callan's Fund Sponsor Consulting clients cannot invest their plan assets in the Private Trust or the Collective Funds unless they amend their consulting contract with Callan to acknowledge the potential conflict of interest created by the fact that Callan receives compensation from the assets of the Private Trust or the Collective Funds. The consulting contract amendment formally precludes Callan from providing any consulting advice with respect to plan assets invested in the Private Trust or Collective Funds, either before, during, or after the investment is made.

#### **Item 5 – Fees and Compensation**

The fees for each of Callan's business lines are described below.

All Callan fees are negotiable and are paid in cash. A client may cancel an agreement for services with Callan at any time upon notice to Callan. If Callan is in the process of performing services for a client which the client does not want to have completed, then Callan will bill the client for the services performed to the date of cancellation.

On occasion, Callan may receive payment for the provision of its fund sponsor services from a directed brokerage account when such fund sponsor client directs its broker to send Callan a check to pay its client bill. Callan has no soft dollar arrangements with any broker, and only



accepts these checks as payment for its hard dollar client fees. Other than payment of the invoice for client services, no compensation is received from the broker.

(I) The Fund Sponsor Consulting Group (FSC)

The fees for the Performance Reporting Services varies depending upon a portfolio's size, the complexity of the report/service, and/or the frequency of the report/service. A normal fee range is between \$2,700 and \$4,700 per portfolio per year plus an annual base performance measurement consulting fee starting at \$28,000. The fee for the above Consulting Services varies depending upon the type and complexity of the assignment with a normal fee range being between \$15,000 and \$900,000 per project service or suite of services (retainer) per year. All fund sponsor retainer clients subscribing to any services of Callan are provided Callan Investments Institute services as part of the overall fees they pay Callan for so long as they remain clients. The fund sponsor "Callan College" registration fees, per session, range between \$1,000 and \$2,500 per person.

Fees for Fund Sponsor Consulting services may also be based on a percentage of assets on which we consult, which such percentage is negotiable depending on the services provided.

(II) The Independent Adviser Group (IAG)

Callan charges IAG clients an annual base fee for the bundled consulting services and access to the UMA platform described above. The amount of the base fee varies depending on the size and nature of the IAG client and the complexity of the client relationship. The fees paid by most IAG clients currently range from \$15,000 to \$150,000; a few clients pay more or less than this range, based on their individual circumstances. IAG clients who purchase a certain minimum level of Callan services are also provided access to the Callan Investments Institute. In addition to the annual base fee, Callan charges the following fees for its IAG services:

- (a) Project-based fees and/or suite of services (retainer) are charged for Callan's customized consulting services. These fees generally start at \$20,000.
- (b) The IAG client "Callan College" registration fees, per session, range from \$2,350 to \$2,500 per person.
- (c) Callan charges an asset-based fee of 20 basis points to each client account opened on the UMA platform. This fee, which compensates Callan for coordinating the UMA program and client-specific performance measurement, is in addition to the fees charged by the overlay manager and the separate account managers. This fee is also separate from the fees the IAG investment consulting firms and financial intermediaries may charge to the end clients. The fees Callan charges in connection with the UMA program also do not include portfolio execution or custody charges, which are separately assessed against the client accounts.

(III) The Institutional Consulting Group (ICG)

Fees for Investment Management Organizations: The fees for the above consulting services varies depending upon the type and complexity of the assignment, with a normal fee range being between \$5,000 and \$100,000 per project service or suite of services (retainer) per year. Callan Investments Institute fees for investment manager clients, at the election of the manager, range from \$25,000 to \$57,000 per organization per year (not per individual) dependent upon the complexity of the services selected by the client organization. The investment manager "Callan College" registration fees, per session, range between \$2,350 and \$3,000 per person.

Callan is committed to ensuring that it does not consider an investment manager's business relationship with Callan, or lack thereof, in performing evaluations for or making suggestions or recommendations to its other clients. Callan informs its investment manager clients of such policy at the start of the relationship and informs all clients of such on a routine basis. In addition to disclosing the existence of its business relationships with investment managers on request, Callan also discloses these manager relationships in annual mailings, as part of

each manager search, and in the quarterly performance evaluation reports provided to fund sponsors.

**(IV) The Trust Advisory Group (TAG)**

- (1) **Discretionary Services:** TAG, and each sub-adviser, receive a quarterly fee in arrears from the assets of the Private Trust in accordance with the organizational documents for the Private Trust. Interests in the Private Trust are offered only by means of a private placement memorandum which describes the Private Trust's fees and expenses, the terms and conditions for subscriptions and redemptions, the investment objectives and policies, and other information. The private placement memorandum is made available only to qualified investors.
- (2) **Non-Discretionary Services:** Callan receives asset-based fees from the assets of the Collective Funds which are accrued daily and paid quarterly in arrears. The fees range between 0.02% and 0.15% of total assets in the Collective Funds.

**Item 6 – Performance-Based Fees and Side-By-Side Management**

Callan does not charge performance-based fees.

**Item 7 – Types of Clients**

Callan's clients are fund sponsors, investment managers, investment consulting firms, financial intermediaries, and individuals. The clients are typically responsible for investment funds that are large tax-exempt funds such as pension, profit sharing, thrift, trust, endowment and foundation funds. The sponsors are private corporations, public governments, multi-employer groups, and non-profit organizations. The managers and financial intermediaries are banks, insurance companies and independent investment management firms.

Callan does offer advice to its clients, including manager search services and/or performance reporting services, on mutual funds and collective investment funds, hedge fund partnerships, real estate partnerships, and private equity partnerships. With the exception of the Collective Funds which may offer advice on mutual funds, Callan does not offer advice with respect to specific securities of individual issuers such as stocks and bonds.

Callan does not and will not provide consulting advice to a Fund Sponsor Consulting client with respect to an investment of plan assets in either the Private Trust or the Collective Funds. The reason for this restriction is the fact that Callan receives compensation from the assets of the Private Trust and the Collective Funds. Under the Employee Retirement Income Security Act of 1974, as amended, it is not permissible for Callan, as an investment consultant, to provide consulting advice to a plan regarding an investment in the Private Trust or Collective Funds while, at the same time, receiving compensation from the Private Trust or Collective Funds.

Furthermore, Callan's Fund Sponsor Consulting clients cannot invest their plan assets in the Private Trust or the Collective Funds unless they amend their consulting contract with Callan to acknowledge the potential conflict of interest created by the fact that Callan receives compensation from the assets of the Private Trust or the Collective Funds. The consulting contract amendment formally precludes Callan from providing any consulting advice with respect to plan assets invested in the Private Trust or Collective Funds, either before, during, or after the investment is made.

**Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

Please see Item 4.

**Item 9 – Disciplinary Information**

A regulatory action was initiated by the SEC in the form of a Cease and Desist Sanction (SF-2826-A) on 9/19/2007. The matter concerns some of Callan's past disclosures describing its 1998 sale of its broker affiliate, Alpha Management, to a subsidiary of The Bank of New York (BNY). Under the terms of that transaction, Callan was to receive a series of annual payments

from BNY over the period from 1998 through 2006. 92% of each annual payment was dependent on Callan essentially remaining in the consulting business and unrelated to BNY's brokerage revenue. The final 8% of each payment was contingent on BNY's aggregate brokerage commissions attributable to Callan clients exceeding 75% of their 1998 levels (the fiscal year prior to the transaction). As a practical matter, BNY exceeded this hurdle each year, and by 2000 had even stopped bothering with the calculation. As a result, Callan received the same annual payment throughout the life of the transaction.

Over the period from 1998 through 2006, Callan routinely disclosed the existence of this transaction to all of its clients, including in its Form ADV Part II. In those disclosures, these payments were described simply as "fixed payments" which reflected their practical reality. In 2005, Callan was informed by the SEC staff that they felt that this disclosure was incomplete. At that time, Callan voluntarily amended its Form ADV Part II to provide more detail on the structure of the payments and sent it out to its clients. In January of 2007, the transaction between BNY and Callan was concluded and Callan no longer received the payments that were the subject of the disclosure.

The status of this order is final. The matter was resolved on 9/17/2007 via a cease and desist order.

#### **Item 10 – Other Financial Industry Activities and Affiliations**

Callan does offer business consulting to its Institutional Consulting Group clients. A description of such services is contained under Item 4(III) above.

Callan provides research and educational services to, and receives compensation for those services from, investment managers who may be evaluated by Callan or recommended by Callan to its other clients. Callan recognizes that there is a potential conflict between Callan's interest in receiving compensation from investment managers and Callan's obligation to provide objective advice to clients who use those managers. Callan has adopted certain policies and practices designed to prevent such conflicts, including the policies set forth in its Code of Ethical Responsibility (described above), disclosure policies, roles of its oversight committees, separation of the areas of business, including separate personnel, revenue streams, and compensation arrangements.

Among other policies, Callan is committed to ensure that it does not consider an investment manager's business relationships with Callan, or lack thereof, in performing evaluations for or making suggestions or recommendations to its other clients. Callan informs its investment manager clients of such policy at the start of the relationship and informs all clients of such on a routine basis. In addition to disclosing the existence of its business relationships with investment managers on request, Callan also discloses these manager relationships in annual mailings, as part of each manager search, and in the quarterly performance evaluation reports provided to fund sponsors. Fund sponsor clients may also request specific information regarding the fees paid to Callan by the managers employed by their fund. Per company policy, information requests regarding fees are handled by Callan's Compliance Department.

#### **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

In order to control possible conflicts of interest presented by the firm's business mix, Callan has maintained a Code of Ethical Responsibility (the Code) since 1994. This Code now also complies with Rule 204A-1 under the Investment Advisers Act of 1940, as amended. Among other things, the Code sets forth the general standards of conduct that Callan requires of its employees, as well as specific policies reasonably designed to protect the objectivity and integrity of the advice Callan renders to its clients. The topics addressed in the Code include the use and safeguarding of confidential information; the prevention of insider trading; outside business relationships of Callan employees; gifts, business entertainment and political and charitable contributions; and communications with outside parties. The Code pays special attention to the fact that Callan sells

products and services to investment managers and is committed to ensuring that these relationships do not affect the outcome or process by which any of Callan's services are conducted, including manager searches and performance evaluations. Callan has adopted policies and procedures reasonably designed to prevent Callan's receipt of fees from investment managers from influencing the Fund Sponsor and Independent Adviser Group services it conducts.

The Code also contains restrictions on the personal trading activities of certain Callan employees and requires those employees to report their personal trades to the firm's CCO in accordance with applicable regulatory requirements.

Callan's Code is available on its website, [www.callan.com](http://www.callan.com). In addition, Callan will provide a copy of the Code to any client or prospective client upon request.

Callan provides research and educational services to, and receives compensation for those services from, investment managers who may be evaluated by Callan or recommended by Callan to its other clients. Callan recognizes that there is a potential conflict between Callan's interest in receiving compensation from investment managers and Callan's obligation to provide objective advice to clients who use those managers. Callan has adopted certain policies and practices designed to prevent such conflicts, including the policies set forth in its Code of Ethical Responsibility (described above), disclosure policies, roles of its oversight committees, separation of the areas of business, including separate personnel, revenue streams, and compensation arrangements.

Among other policies, Callan is committed to ensure that it does not consider an investment manager's business relationships with Callan, or lack thereof, in performing evaluations for or making suggestions or recommendations to its other clients. Callan informs its investment manager clients of such policy at the start of the relationship and informs all clients of such on a routine basis. In addition to disclosing the existence of its business relationships with investment managers on request, Callan also discloses these manager relationships in annual mailings, as part of each manager search, and in the quarterly performance evaluation reports provided to fund sponsors. Fund sponsor clients may also request specific information regarding the fees paid to Callan by the managers employed by their fund. Per company policy, information requests regarding fees are handled by Callan's Compliance Department.

Callan does not generally recommend the purchase or sale of specific securities to its Fund Sponsor Consulting, Institutional Consulting or Independent Adviser Group clients. However, from time to time there may be situations in which Callan includes in the hedge fund searches it performs for Fund Sponsor and Independent Adviser Group clients one or more hedge funds in which a related party, Sharpe 4 Partners also invests. On rare occasions, Callan may affirmatively recommend that a Fund Sponsor client purchase or sell such a hedge fund. Gregory C. Allen, President & Director of Research, has a controlling interest in Sharpe 4 Partners, a hedge fund that is managed by Sharpe 4 Capital Management, LLC ("Sharpe 4"). Sharpe 4 is not controlled by Callan.

Callan does not and will not provide consulting advice to a Fund Sponsor Consulting client with respect to an investment of plan assets in either the Private Trust or the Collective Funds. The reason for this restriction is the fact that Callan receives compensation from the assets of the Private Trust and the Collective Funds. Under the Employee Retirement Income Security Act of 1974, as amended, it is not permissible for Callan, as an investment consultant, to provide consulting advice to a plan regarding an investment in the Private Trust or Collective Funds while, at the same time, receiving compensation from the Private Trust or Collective Funds.

Furthermore, Callan's Fund Sponsor Consulting clients cannot invest their plan assets in the Private Trust or the Collective Funds unless they amend their consulting contract with Callan to

acknowledge the potential conflict of interest created by the fact that Callan receives compensation from the assets of the Private Trust or the Collective Funds. The consulting contract amendment formally precludes Callan from providing any consulting advice with respect to plan assets invested in the Private Trust or Collective Funds, either before, during, or after the investment is made.

#### **Item 12 – Brokerage Practices**

##### (I – III) FSC, IAG, ICG Groups

With regard to its Fund Sponsor Consulting, Institutional Consulting or Independent Adviser Group clients, Callan does not typically select broker-dealers for client transactions nor determine the reasonableness of their compensation (e.g., commissions).

Callan may assist its Fund Sponsor Consulting clients in conducting searches for such providers as securities lending, transition management or commission recapture and, as such, may suggest brokers to its clients as part of these searches.

On occasion, Callan may receive and accept payment for the provision of its fund sponsor services from a directed brokerage account when such fund sponsor client directs its broker to send Callan a check to pay its client bill. Callan has no soft dollar arrangements with any broker, and only accepts these checks as payment for its hard dollar client fees. Other than payment of the invoice for client services, no compensation is received from the broker.

##### (IV) TAG

With regard to the Private Trust, the day-to-day investment decisions regarding the acquisition, disposition and voting of portfolio investments are made by the sub-advisers Callan selects to manage the Private Trust. Callan does, however, have the authority to select one or more broker-dealers to perform transition management services for the Private Trust in connection with the engagement or termination of sub-advisers. In addition to selecting the transition management broker-dealers, Callan has the authority to negotiate the commission rates paid to those broker-dealers. In selecting the transition management broker-dealers for the Private Trust, Callan considers the quality of execution and cost, but does not consider supplemental research, market or statistical information, or ancillary services provided by the broker-dealers.

Information regarding the sub-advisers' brokerage placement practices is set forth in the Private Trust's private placement memorandum.

#### **Item 13 – Review of Accounts**

With respect to the TAG accounts, the monitoring and reporting procedures for the Private Trust and the Collective Funds are the same:

- (1) **Daily Reviews:** Employees of TAG receive and evaluate daily reports on the activities of the Private Trust and the Collective Funds. This group includes the CIO, as well as the two managers of Investment Operations. The daily information that is processed includes: net asset values, returns, returns for relevant indices, fee accrual information, allocations between underlying funds and sub-advisers, as well as security level information as needed.
- (2) **Monthly Reviews:** On a monthly basis, TAG reviews a more comprehensive set of reports on the Private Trust and/or the Collective Funds. In addition to the information in the daily reports, this includes: securities lending activity, trading-cost analysis, return comparisons versus peer groups and benchmarks, and a rebalancing report.

Investors in the Private Trust receive monthly reports detailing their account balance, and return information for the Private Trust, the underlying sub-advisers, comparative indices, and peer groups. Investors also receive a quarterly report with detailed performance and portfolio characteristic information. At their election, investors may also receive daily net asset value information, as well as security level holdings information for the Private Trust and its sub-advisers.

**Item 14 – Client Referrals and Other Compensation**

Callan does not have any arrangements wherein someone who is not a client provides an economic benefit to Callan for providing investment advice or other advisory services to our clients.

Callan does not directly or indirectly compensate any person who is not our supervised person for client referrals.

**Item 15 – Custody**

Callan does not have custody of any advisory clients' cash, bank accounts, funds, or securities.

**Item 16 – Investment Discretion**

Callan generally does not exercise investment discretion with regard to its Fund Sponsor Consulting, Institutional Consulting or Independent Adviser Group clients. Customized procedures would be developed on a client by client basis as the need arises.

With regard to the Private Trust, the day-to-day investment decisions regarding the acquisition, disposition and voting of portfolio investments are made by the sub-advisers Callan selects to manage the Private Trust.

**Item 17 – Voting Client Securities**

Callan does not have nor accept authority to vote clients securities.

**Item 18 – Financial Information**

Callan is not required to include a balance sheet of our most recent fiscal year.

Callan does not believe it has any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

**Item 19 – Requirements for State-Registered Advisers**

We are not registered with one or more state securities authorities. Callan Associates Inc. is an SEC-registered investment advisor.