

The Resmark Companies

Resmark roundtable: Corporate culture and succession planning

PARTICIPANTS



Robert N. Goodman
Founder, Chairman
and Chief Executive
Officer



R. Kent Grahl
Vice Chairman



Ziv Cohen
Chief
Investment
Officer



Jeffrey Herrmann
Chief Financial
Officer



Mitchell Goodman
Chief Operating
Officer



Patty Bartlett
Executive Vice
President, Asset
Management



Caroline Gibson
Director, U.S.
and International
Investor Relations

The Resmark Companies was founded in 1995 by chairman and CEO Robert N. Goodman as an investment adviser with a residential-specific strategy. Since that time, Resmark has become a recognized investment management sharpshooter, providing equity capital for joint-venture partnerships and direct investments in for-sale housing and multifamily development. On behalf of investors, including the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS), the firm has generated more than 230 investments comprised of approximately 34,000 residential units. On the eve of the organization's 25th anniversary, Resmark's founder, vice chairman, and members of the firm's second generation of executive leadership gathered to share their thoughts about succession planning — the ideals, implementation and impact of thoughtful transition on stakeholders inside and outside of the company.

A culture of shared principles

Robert Goodman: When I contemplate the next 25 years at Resmark, I envision a business that is thriving years beyond my involvement because of the culture that's developed here over the past two-plus decades. When Kent Grahl and I teamed up, we benefitted from the simplicity of a small organization that was, in essence, an extension of ourselves. We were the business. But as it grew, so did the complexities and the culture. Resmark's identity evolved beyond the two of us and became a culture fostered by shared principles.

Kent Grahl: In any company, Resmark included, I believe that the corporate culture should be a foundation of succession planning. Successors must demonstrate conduct that embodies the culture. At Resmark, they need to show integrity and a fiduciary mindset. Risk management and mitigation and protecting investor downside are components of our DNA, and are passed on to our future generation of leaders.

R. Goodman: It's shared principles in action. It manifests itself in discipline, focus and attention to detail in the daily work we do.

Grahl: Our culture stresses action over inaction; indecision is not a viable option. In addition, we're firm believers in lasting relationships. Some of our investor and partner relationships go back a quarter of a century. Team members who've stepped up into positions of greater authority effectively execute the company's business plans by adhering to these guiding principles.

The new vintage

Ziv Cohen: I've been a part of Resmark for 18 years, and my responsibilities have run the gamut: I've been on the asset management side, on the origination side, for-sale residential, land-portfolio purchases, multifamily development, and the set-up and oversight of a regional office. Along the way, I've been steeped in the

culture and helped formulate it as I've been mentored by Rob, Kent and members of Resmark's board. They've instilled in me, so to speak, that we are in the risk-management business and that mitigating risk means being incredibly disciplined and selective of both your partners and your investment opportunities. Now I'm bringing that insight and knowledge to upcoming leaders at Resmark, making sure that the culture permeates their conduct and carries on Resmark's reputation.

R. Goodman: There are two forms of legacy for me: professional and family. On the professional side, I plan to let the younger leaders continue performing at the high level that has allowed us to generate compelling returns for our investors for many years, knowing that the culture has laid the groundwork for it. Without renewed energy in an organization, the culture will wither. On the family side, at the end of the day the majority ownership of Resmark is my family. I care about the longevity of the firm, and I'm not intending to sell a stake to a third party. My son, Mitch, has been with Resmark for 16 years, and it's gratifying to see him embody the culture, as well as bring a new vintage to it.

Mitchell Goodman: Resmark is finding a balance for the transition in eras. The original builders of the company know in detail who Resmark is and how it got to this point. At the same time, they're

allowing others to chart their own paths for growth. The corporate culture gives them the confidence that the shift can happen in an organic way.

A catalyst of change

Cohen: Change is difficult. Collectively, Resmark has one foot in the old and one in the new. The culture binds them together and helps overcome the natural discomfort of change.

Caroline Gibson: Whilst you need to ensure that the core beliefs and culture remain, management doesn't want to replace itself with a carbon copy. The successors must be a representation of the environment that we find ourselves in today. Resmark isn't making investments in the same world that it did in 1995, or even five years ago.

Patty Bartlett: I've seen succession planning give both internal and external stakeholders confidence in the future of a company. It allows executives to have a voice in its long-term direction. Plus, change surfaces new ideas and ways of doing things that allow a company to evolve and thrive — even within a team with common values, variety of thought is crucial to the corporate DNA.

R. Goodman: If you've invested in people whose perspectives vary, who bring a range of thought and experience to the organization, its succession — and success — will reflect that. It's an investment in the well-being of the company.

Growing invested

M. Goodman: Since I started at Resmark, I've seen succession planning planted

every day: Bring in talented people and provide them with real access to executives as they gain more experience and grow at the company. The more they see and learn, the more they embody the culture and feel invested.

Jeffrey Herrmann: Bench strength is important at every level of an investment management company. For any promotion to be successful, there must also be a capable person to fill in the role that was vacated. Managers at Resmark are charged with mentoring a possible replacement for their position, which makes it that much easier to be promoted themselves.

Bartlett: I agree. And with succession planning, a company can evaluate all of its talent base, and match up the right talent with the right responsibilities. As the transition is implemented, the company can retain and promote the new wave of top performers.

Setting the pace

M. Goodman: Succession takes patience throughout the firm. You want the next generation to be ambitious, but not wildly so; there's so much for the current leaders to pass along. Both the senior executives and the ones who follow need to be patient. True collaboration is essential between them. Nothing ever happens as quickly as one might like, and that's for the best.

Herrmann: Absolutely. Succession should be considered early and often by a founder in order to provide for a well-considered and slow transition of executive authority. Yes, economic realities, changes in an investor base, and personnel changes may speed

up or slow down the transition. But having a general road map in place allows for reactions to those changes to be in line with the overall strategy.

Cohen: Timing is an art. As Mitch noted earlier, Resmark is finding a balance in its transition. Hitting the point when it's just right is crucial and requires an element of accuracy. Complete the succession too quickly or too early, and it will be ineffective. Wait too long, and both generations will be overripe.

Gibson: Balance is indeed key. As is ensuring that all parties are incentivized for long-term growth, as opposed to short-term gain. Often when a business is sold to a third party, the incentives shift to short term, which frequently has a direct effect on the culture and arguably can misalign with a fiduciary mindset.

Human nature

R. Goodman: With the plan in place, we can gradually transfer authority. Many founders say they want to pass along control but won't let go.

Grahl: It's contradictory to human nature to relinquish power — that's why it's so difficult.

R. Goodman: It's not about ego. It's about creating something worthwhile, so that those to whom you entrust it can make it better — and hopefully their successors will improve upon that yet again. We put tremendous time and energy into creating a culture that guides us to be efficient stewards of investor capital. At the end of the day, a decade — even a century — that is what succession means to me.

CORPORATE OVERVIEW

Since 1995, Resmark has offered equity investment capital and asset management powered by company-wide discipline and focus. On behalf of investors, including the nation's two largest state public pension funds, the company finances, acquires, develops and manages residential real estate in California, the western United States, Texas, the D.C./Mid-Atlantic region and other select major metropolitan markets nationwide. Headquartered in Los Angeles, Resmark also maintains offices in San Diego and Irvine, Calif.; Austin, Texas; and Washington, D.C.

CORPORATE CONTACT

Donald Bethe | Executive Vice President, Capital Markets
 10880 Wilshire Boulevard, Suite 1420 | Los Angeles, CA 90024
 Tel: 310-862-2241 | dbethe@resmark.com | resmark.com

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