



# COOK STREET CONSULTING, INC

## Memorandum

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**Date:** Tuesday, April 06, 2010

**To:** Purchasing Division, City of Arvada

**From:** Sean M. Waters, CFA, AIF<sup>®</sup>, Co-Founder, Consultant  
Karen M. Robinson, CFA, Co-Founder, Consultant  
Lindsey C. Stieneker, CFA, AIF<sup>®</sup>, Vice President, Consultant

**Subject:** RFQ Response – Cook Street Consulting, Inc.

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Board Members:

We appreciate your invitation to respond to the City of Arvada RFQ. As requested, enclosed please find our response including the following:

- CSCI Request for Qualifications Response
- CSCI Sample Investment Management Review
- CSCI Sample Engagement Letter
- CSCI Annual ADV Part I\_2010
- CSCI Annual ADV Part II\_2010
- CSCI Annual ADV Schedule F\_2010
- CSCI Fee Proposal (separate envelope)
- CSCI Bid Proposal Form (separate envelope)

CSCI is a boutique firm that works solely with select pension plans. This singular focus enables us to have very close working relationships with each and every client, delivering them solutions with the highest level of personal service possible. In addition, prior to starting this firm our founders and Senior Consultants were institutional portfolio managers for major U.S.-based money managers. This experience is very unique in an industry where most consultants are “theory based” and have never been responsible for generating investment performance for institutions. We believe these differentiating factors would be a significant benefit to the City of Arvada plan(s).

Additionally, we would like to call your attention to the following sections and items:

- CSCI Differentiating Factors & Diversity Policy (Section V, page 28): This page outlines the unique aspects of our firm.
- Biographies of Consultants (Section II, page 14): As mentioned above, one of the major differentiators of our firm is the institutional portfolio management and trading experience of our founders (Sean and Karen).
- SEC/DOL Guidance on Selecting and Monitoring Consultants (Appendix B, page 34): This document, crafted by the SEC & DOL, addresses the typical consulting firm’s

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conflicts of interest and lack of transparency and suggests 10 questions every trustee should ask of their consultants. As you will see by our cover letter to this section, we took the liberty of answering the questions and emailed them to our current clients the day after the piece was released (June, 2005).

- 2010 Morningstar ASPPA Leadership Award (See enclosed press release and article): Last Monday (March 15<sup>th</sup>) Sean received the aforementioned award. He was selected from over 100 other advisers in the United States who were nominated by their peers and colleagues in the industry. The award recognizes one retirement plan adviser each year for contributions that exemplify experience, expertise and leadership in the retirement plan industry.

All of us at Cook Street Consulting, Inc. are excited at the prospect of partnering with you and your colleagues at City of Arvada.

We hope you find this to be informative and look forward to hearing from you. If you have any questions or need any further information please do not hesitate to contact us.

Sincerely,

Sean M. Waters

Karen M. Robinson

Lindsey C. Stieneker



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December 28, 2009

SAMPLE CLIENT  
123 Main St.  
Denver, CO 80216

Re: SAMPLE CLIENT Pension Plan Consulting Services\_Ongoing

Dear CONTACT,

This letter will outline the institutional consulting services that Cook Street Consulting, Inc. ("CSCI") will be providing to the SAMPLE CLIENT ("Client"). We appreciate the opportunity to be of service to you and your colleagues and look forward to this first step in a long relationship together.

Our services are strictly independent of any and all the Plan's providers or vendors. We will not receive any commissions or other compensation from any sources relating to your Plan other than directly from you. Doing so would limit our ability to act as fiduciary alongside you and all our clients and therefore remove value added by our work. Additionally, all analysis will be performed using a strictly defined prudent investment process that is endorsed by the Foundation for Fiduciary Studies.

As we discussed, we will provide certain services and information pertaining to the SAMPLE CLIENT 401(k) Retirement Savings Plan ("the Plan") referenced in our Institutional Consulting Overview provided on December 20, 2009. Based on our analysis of your situation and on the specifics of this information, we will provide the following services and reports to you:

1. Investment Option Analysis: CSCI will conduct a detailed analysis of the Plan investment options including:
  - a. Identify under-performing funds.
  - b. Identify unnecessary duplication of fund categories (through in-depth correlation and overlap analysis).
  - c. Identify any other fund categories (asset classes) that could be offered to participants.
  - d. Recommend alternative funds for consideration. We will provide as many alternatives (funds) per category as the committee requests; however, we will also document CSCI's specific fund choice for each asset class. This will further enhance our service to you by strengthening our role as a fiduciary.
  - e. Recommend additional funds in all recommended investment categories. This will follow a thorough review of asset class options to determine which areas could be added and would benefit the current offerings.



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Our process will have us considering all funds, including all funds available through your provider, both proprietary and non-proprietary, regardless of how much revenue sharing the funds pass on to the existing recordkeeper. If the revenue sharing level of a fund would have a material impact on the plan we would review all consequences with you.

2. **Selection Process:** We will provide the committee with the basis for the above evaluation of investment options and the justification for alternative or new funds selected and recommendations. We will document the selection process, the criteria used and the rationale behind the fund selection. These processes and the documentation of such are in accordance with ERISA guidelines documenting that prudent procedures were utilized in making the fund selection.
3. **Provider Expense Analysis/Benchmarking:** Within the first year of being hired and every three years thereafter we will conduct a thorough expense analysis of the plan including a review of the investment and administrative components (e.g. revenue sharing, administrator/recordkeeping fees, etc.). This is designed to assist you in fulfilling the fiduciary responsibility in this area. If it is deemed necessary by the fiduciaries, this may also be amended to a formal Provider Search.
4. **Investment Policy Statement (IPS):** We will create and/or review an existing IPS for your approval that reflects certain Plan characteristics, the funds selected and the monitoring process that will be undertaken for the funds utilized.
5. **Monitoring:** As you may be aware, ERISA imposes a duty of supervision and monitoring once investment management choices have been made. We will prepare a quarterly performance report for the Plan that reflects the results obtained for each fund selected. This will include rate-of-return data, any updated fund information we may possess, and comparative return information against the appropriate peer group and/or index.
6. **Vendor Negotiations:** CSCI, if requested by the committee, will negotiate on behalf of the Client with all related vendors to the Plans on relevant issues (e.g. Expenses, education and enrollment meetings, etc.).
7. **Attend and Present Ongoing Analysis:** CSCI will meet with you and/or the investment committee in your offices to review our ongoing monitoring analysis, additional findings and/or recommendations on a quarterly basis. Generally, we are able to meet with clients, in person, anytime after the fourth week of the month following the calendar quarter end to review all analysis. At least one of our consultants, Sean M. Waters, CFA, AIF<sup>®</sup>, Lindsey Stieneker, CFA, AIF<sup>®</sup>, and/or Karen M. Robinson, CFA will attend all meetings.



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**Fees:**

CSCI agrees to provide services stipulated in this Agreement as outlined below:

- \$8,125/quarter for first 12 quarters,

After year three of the engagement, the annual retainer fee will be adjusted for increases in the cost of living index (using the index known as the "CPI-U All Items").

The billing format shall be quarterly in advance and commence July 20, 2009. All future invoicing will occur on or around the first day of each calendar quarter (i.e. 4/1, 7/1, 10/1, 1/1). In addition to other services referenced in this document, our fee includes four committee meetings per year (expected to be quarterly). The fee includes all associated travel expenses of attending four committee meetings each calendar year. Additional meetings, if needed, will be billed at \$2,000 per diem plus related travel expenses outside of Colorado (all or portions of this fee may be waived at the discretion of CSCI. For example, if market conditions warrant an additional meeting there is generally not an additional fee). If the client terminates this agreement prior to the first four (4) quarterly payments' having been paid, then CSCI may charge a pro-rated fee to cover any services performed, including any costs related to such services, through the termination date. CSCI will provide accounting of this fee to the client.

CSCI acknowledges and agrees that it will have no power or authority to obtain custody or possession of any cash or securities in the Plan and is not deemed to be custodian of the Plan.

Please note, CSCI unilaterally and irrevocably agrees that it will not, directly or indirectly, receive or otherwise benefit from any revenue sharing derived from the Plan's investments. By definition, revenue sharing will include, but not necessarily be limited to all finder's fees, commissions, 12b-1 fees, sub-transfer and shareholder servicing fees, pay-to-play agreements, directed brokerage arrangements and any remuneration that is or may be construed to be, soft-dollar payments. Having waived all revenue sharing, CSCI hereby represents and warrants that it is a fiduciary to the client as defined in Section 3(21)A of ERISA.

Since the Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the client represents that employment of CSCI, and any instruction that the client has given CSCI with regard to the Plan, is consistent with the applicable plan and trust document. Client agrees to furnish CSCI with copies of such governing documents. Client acknowledges that it is a "named fiduciary" with respect to the control and management of the assets held in the Plan, and shall notify CSCI promptly of any change in the identity of the named fiduciary. CSCI will have no duty, responsibility or liability for those client assets that are held outside the designated custodian.



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Client acknowledges and represents that it has provided CSCI with true and correct background information concerning the needs, circumstances, and investment objectives of the Plan, including information necessary for determining a suitable investment policy statement.

**Employer Securities & Individually Directed Brokerage Accounts:**

It is understood and acknowledged by the Client that CSCI shall not be an “investment manager” and it will not provide “investment advice” within the meaning of ERISA with respect to any Employer Securities (common stock issued by Client or any of its affiliates) or holdings in an Individually Directed Brokerage Accounts (“IDA”) that may be held by the Plan either at the present time or at any time in the future that is covered by the terms of this Agreement. Consequently, CSCI will not perform any services with respect to these securities relating to: (1) evaluating the appropriateness of having the Plan hold such securities; (2) monitoring the appropriate percentage, if any, of Employer Securities to be held by the Plan relative to guidelines or limits set forth by any governing body or plan document; or (3) monitoring the appropriateness of such securities with respect to their financial characteristics. In addition, the Client acknowledges and agrees to hold CSCI harmless from all claims, causes of action or other actions asserted by Plan participants or others relating to the existence of Employer Securities or IDAs held by the Plan and shall reimburse CSCI for all damages, awards and costs, including reasonable attorneys’ fees, relating to such claims.

**Confidentiality:**

All information furnished by either party to the other shall be treated as confidential and not be disclosed to third parties except as agreed upon in writing or as required by law or requested pursuant to subpoena or government request. All information, recommendations and advice furnished by CSCI and to Client and by Client to CSCI under this agreement shall be regarded as confidential by each party and shall not be disclosed to any person, firm, or corporation without prior written or oral consent of the other party. This does not preclude the disclosure of information to participants as part of normal participant communications. This agreement of confidentiality extends to all e-mail transmissions, documents, files or other communications, which may contain information that is confidential or legally privileged.

For disclosure purposes,

1. Included with this letter is a copy of Part II of our Form ADV that has been filed with the Securities and Exchange Commission, receipt of which is acknowledged by you.
2. Either party may terminate this agreement by providing the other party with written notice requesting termination.
3. Since our services are personal in nature, we may not assign the right to perform these services to any other party without your written consent.
4. The laws of the State of Colorado, including the arbitration laws of the State of Colorado, shall govern this agreement.



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We represent to you that the process we follow and the reports we issue are in compliance with current ERISA provisions, rules, and regulations. If this description of our services accurately describes the nature of our understanding, please sign in the place designated below and return a copy of this letter to our offices along with the Client Information Sheet.

The entire staff of Cook Street Consulting, Inc. is eager to work with you and your colleagues at SAMPLE CLIENT. We anticipate that our services will be of benefit to you, the Plan fiduciaries and Plan participants now and well into the future.

Sincerely,

Sean M. Waters, CFA, AIF®  
Co-Founder, Consultant

Karen M. Robinson, CFA  
Co-Founder, Consultant

Enclosure: Client Information Sheet,  
ADV Part I, II, and Schedule F



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## Fee Structure

CSCI utilizes a flat, retainer based fee structure with all clients. Our fees are designed to be comprehensive in nature and include the services outlined in this response. We feel this limits conflicts of interest, enhances our fiduciary position with clients and is easier for our clients to budget.

CSCI agrees to provide the comprehensive ongoing investment-consulting as summarized in our Request for Qualifications Response to the City of Arvada plan(s) as follows:

- City of Arvada Retirement Plan
  - \$50,000 per year (\$10,000/quarter)
- Police Money Purchase Plan
  - \$40,000 per year (\$10,000/quarter)
- Executive Defined Contribution Retirement Plan
  - \$40,000 per year (\$10,000/quarter)
- Voluntary 457 Defined Compensation Plan
  - \$40,000 per year (\$10,000/quarter)
- Oversight of all four Plans
  - \$65,000 per year (\$16,250/quarter)
- Additional relationship pricing scenarios may apply if CSCI is retained to provide services to more than one plan, but less than all four plans.

After year three of the engagement, the annual retainer fee will be adjusted for increases in the cost of living index (using the index known as the "CPI-U All Items"). *Regional or National - Clarification*

CSCI does not receive compensation from any sources other than directly from our clients. We have no relationships or arrangements that may constitute a conflict of interest or a breach of the firm's fiduciary duty to the Portfolio. This fact is stated directly in all our Client Engagement Letters:

*"CSCI unilaterally and irrevocably agrees that it will not, directly or indirectly, receive or otherwise benefit from any revenue sharing derived from the Portfolios' investments. By definition, revenue sharing will include, but not necessarily be limited to all finder's fees, commissions, 12b-1 fees, sub-transfer and shareholder servicing fees, pay-to-play agreements, directed brokerage arrangements and any remuneration that is or may be construed to be, soft-dollar payments. Having waived all revenue sharing, CSCI hereby represents and warrants that it is a co-fiduciary."*

The client acknowledges and represents that it has provided CSCI with true and correct background information concerning the needs, circumstances, and investment objectives of the plans, including information necessary for determining the fee estimate above.

