PORT OF HOUSTON AUTHORITY

REQUEST FOR PROPOSAL
INVESTMENT CONSULTING SERVICES

COPY

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Prepared by
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COOK STREET CONSULTING INC
Independent • Investment • Fiduciary

TITLE PAGE

Subject:	Request for Proposal Response for Pension Investment Consulting Services for the Port of Houston Authority Pension Plan
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Firm Founded:	May 1981
Prepared as of:	December 30th, 2009

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I. Request for Proposal Response

A. Your Firm

1A. Provide a copy your ADV as filed with the SEC.

Please see the separate handout containing our ADV, Part I & II and Schedule F.

2A. Describe all past, present, and pending censures by the SEC.

Cook Street Consulting, Inc. (CSCI) has never been censured by the SEC.

3A. Describe any past, present, and pending criminal, civil or administrative litigation against your firm.

CSCI has not been involved in any criminal, civil, or administrative litigation.

4A. Describe the ownership structure of your firm. If employees have an ownership interest in the firm, please specifically identify who holds that interest.

CSCI has no parent organization or affiliated companies and is 100% employee owned and operated. This structure allows us to negate all conflicts of interest and provide the best possible service to our client base.

The ownership structure is as follows:

Sean M. Waters, CFA, AIF®:	75%
Karen McIntosh Robinson, CFA:	25%

5A. If any changes in the firm ownership are being contemplated, please provide details of the contemplated changes.

No changes in firm ownership are being contemplated.

6A. How long has your firm been in business?

Cook Street Consulting, Inc. (CSCI) was founded in 1981. Since 2000, our sole mission has been to provide investment consulting services for select pension plans.

7A. Provide the most recent audited financial statement for the firm, including a balance sheet and income statement.

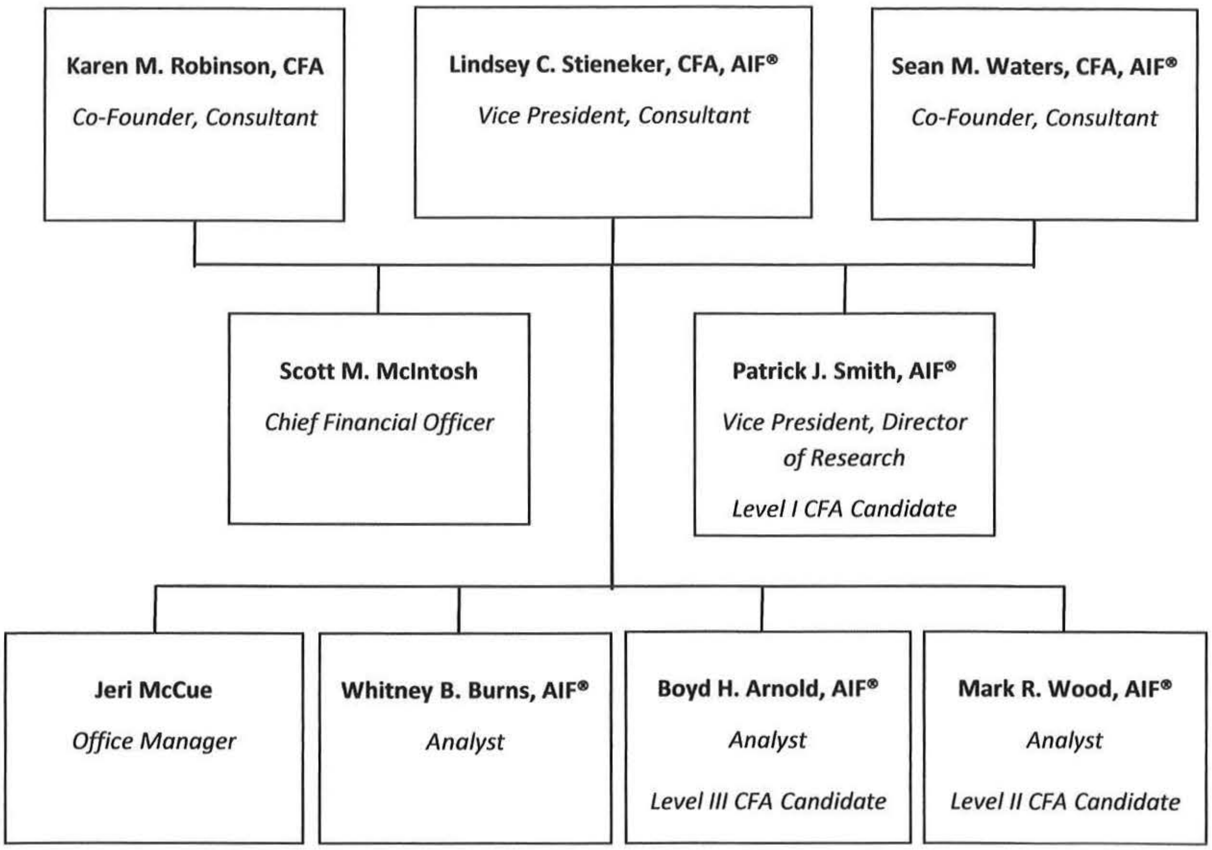
CSCI is operated as a private company and thus we do not release our audited financials for public disclosure. We would be happy to speak with you about any specific questions you may have regarding our firm or its structure.

8A. Provide a description of the types and amounts of insurance coverage.

- Professional Liability: $2,000,000
- Errors & Omissions: $2,000,000

Our coverage is provided by Chubb Group of Insurance Companies. We work closely with the insurance industry, our clients, attorneys and colleagues around the country to ensure our coverage is sufficient. We formally review our insurance coverage annually.

9A. Provide an organization chart for your firm. Show the total number of employees in each section of the organization chart.



*All CSCI consultants and analysts are either CFA Charterholders, CFA Candidates, or will be required to participate in the CFA program.

10A. Provide a copy of your firm's equal employment policy, HUB, Small Business or similar policies and goals.

Please see Section V: "Differentiating Factors & CSCI Diversity Policy" (p. 43).

11A. Describe the types of compensation available to your professional staff, especially any type(s) that would apply to the team covering this account.

The compensation arrangement for professional staff at CSCI includes a base salary and a separate bonus based on the profitability of the firm and performance of the individual. This incentive based structure motivates our consultants and analysts to perform to their best ability while focusing solely on CSCI clients.

12A. What is the total number of clients being serviced by your organization?

Currently CSCI consults to fifty five clients representing over $5 billion and 175,000 participants.

13A. Have you placed a limit on the number of clients being serve by your organization? If yes, please provide that limit.

CSCI's growth plans are built around a desire to remain an extremely focused boutique consulting firm. As such, our formal five year plan is to add 1-3 clients per year. CSCI's current team and structure will enable us to do this comfortably while continuing to provide the highest quality services and personal attention to our clients.

14A. What is the largest number of clients handled by one team?

CSCI limits the overall number of clients per consultant to a maximum of twenty.

15A. How many government accounts does your firm service? How many accounts with Texas governmental agencies does your firm service? Are there differences between governmental pension plans and private sector pension plans which you believe to be relevant to asset allocation or investment management?

We currently provide comprehensive consulting services to four governmental agencies in the state of Colorado. We serve seven clients located in Texas. We do not currently provide services for any Texas governmental agencies. We do not see any material differences in our approach to asset allocation and investment management between private sector pension plans and governmental pension plans. We recognize, however, there can be slight differences as it relates to the legal and/or regulatory environment the Plan is subject to (e.g. ERISA, Uniform Prudent Investors Act, etc.). Finally, the demographic structure of any entity, government or private, can have implications on asset allocation

16A. Describe any relationships with the Port Authority's employees, Commissioners, trustee or others that may be construed as a conflict of interest as defined by ERISA (as if ERISA were applicable to the Plan), Chapter 802 of the Texas Governmental Code, or the provisions of Texas law concerning public officials pursuant to Chapter 171 of the Texas Local Government Code.

CSCI is not involved in any relationships that would create a conflict of interest with the Port Authority.

17A. Provide information explaining your procedures for maintaining independence in the advice that you, as a pension investment consultant, provide, in light of the fact that many pension consulting firms provide services both to pension plans who are their advisory clients and to money managers, which duality may create a conflict of interest potentially clouding objectivity.

We have purposefully structured our firm to avoid all conflicts of interest. CSCI engages in comprehensive fee-based investment consulting to select retirement plans as our sole line of business. We do not have any relationships with money managers, vendors or other entities that cause conflicts or compromise our advice in any way. We do not accept payments from sources other than our clients. This is stated explicitly in all client agreements.

All of the consultants at CSCI are CFA Charterholders. As such, our entire firm abides by the CFA Code of Ethics and Standards of Professional Conduct. These are the most stringent policies in the industry and support the CFA Institute's mission "...of leading the investment profession globally by setting the highest standards of ethics, education, and professional excellence."

Please see Appendix D: "CFA Code of Ethics & Standards of Professional Conduct" (p. 58) for additional information.

18A. Describe your business relationships (and those of your affiliates), including but not limited to receipt of fees, from money managers that you would recommend to Port Authority.

CSCI receives no compensation other than the fees charged directly to clients for investment consulting services. We state this explicitly in all of our engagement letters. The following is taken directly from our engagement letter with all clients:

"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 herby represents and warrants that it is a co-fiduciary to (CLIENT PLAN NAME) as defined in 3(21)(A) of ERISA."

19A. Describe the extent to which you will disclose conflicts and potential conflicts of interest to Port Authority. Of particular interest are your business relationships with money management firms that you would consider recommending to Port Authority.

As noted above, we have purposefully structured our firm to avoid all conflicts of interest. We do not have any relationships with money managers, vendors or other entities that cause conflicts or compromise our advice in any way.

In 2005, the Department of Labor issued a questionnaire regarding selecting and monitoring pension consultants. We proactively addressed all these questions for our clients when the DOL issued the questionnaire. Please see Appendix C: "SEC/DOL Guidance on Selecting & Monitoring Pension Consultants" (p. 51) which contains a letter sent by CSCI to all clients on June 3, 2005.

20A. Describe the extent to which you will, and the method you will use to, disclose conflicts and potential conflicts of interest which you know or discover between yourself (and your affiliates) and the pension plan trustees, including any economic benefit provided directly or indirectly from plan service providers.

We have purposefully structured our firm to avoid all conflicts of interest. We do not have any relationships with money managers, vendors or other entities that cause conflicts or compromise our advice in any way. While we cannot envision this occurring, in the event it did inadvertently, you would be notified immediately of the situation and the action being taken to rectify the situation.

21A. Explain in detail your understanding of the fiduciary relationship, if you are awarded the contract, between yourself as pension consultant and the Port Authority as your client.

We insist on serving as a fiduciary to all of our clients. The following is taken directly from our engagement letter:

"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 herby represents and warrants that it is a co-fiduciary to (CLIENT PLAN NAME) as defined in 3(21)(A) of ERISA".

Our entire investment staff engages in extensive ongoing fiduciary training. Several members of our firm have attained the designation of Accredited Investment Fiduciary (AIF®) given by the Center for Fiduciary Studies. We utilize the standards and practices set forth by the Center for Fiduciary Studies and the Foundation for Fiduciary Studies extensively in our practice (for additional details on these organizations, please see (p. 35)). We also encourage all clients to partake in the AIF® program given by the Center for Fiduciary Studies. For more information on this program, please see Appendix E: "AIF® Program Overview" (p. 61).

22A. Describe the policies and procedures maintained by your company that concern how you prevent and manage conflicts of interest in your pension consulting services.

All of the consultants at CSCI are CFA Charterholders. As such, our entire firm abides by the CFA Code of Ethics and Standards of Professional Conduct. These are the most stringent policies in the industry and support the CFA Institute's mission "...of leading the investment profession globally by setting the highest standards of ethics, education, and professional excellence."

Please see Appendix D: "CFA Code of Ethics & Standards of Professional Conduct" (p. 58) for additional information.

23A. Describe the policies and procedures maintained by your company that govern disclosure of conflicts to existing and prospective advisory clients.

See questions 20A and 22A above. We have purposefully structured our firm to avoid all conflicts of interest.

24A. Describe the policies and procedures maintained by your company to prevent conflicts of interest or disclose material conflicts of interest with respect to the use of brokerage commissions, gifts, gratuities, entertainment, contributions, donations and the like provided to client or received from money managers.

As previously noted, all of the consultants at CSCI are CFA Charterholders. All CSCI analysts are either CFA Candidates, or will be required to participate in the CFA program.

As such, our entire firm abides by the CFA Code of Ethics and Standards of Professional Conduct. These are the most stringent policies in the industry and govern our policies regarding gifts, gratuities, entertainment, and the like with our clients and vendors.

Please see Appendix D: "CFA Code of Ethics & Standards of Professional Conduct" (p. 58) for additional information.

B. Your Services

1B. Do you perform asset allocation studies? If yes, describe your method for developing an asset allocation, and provide references, including contact information, for at least two organizations for which you have provided such service. The references should be from organizations that have total assets of a magnitude similar to the Port Authority pension fund.

Asset allocation is the most important investment decision we make with our clients. In trustee directed plans (e.g. defined benefit plans) we employ an independent third-party asset allocation system developed and maintained by SunGard Systems, a global leader in integrated IT solutions for the financial services industry. We optimize the asset mix and number of investment choices utilizing both a qualitative and quantitative approach, incorporating the liabilities and funding data provided by the actuaries and our client.

Client References:

Adams and Reese LLP
Paul Lassalle, Chief Financial Officer 504-585-0355

Mountain States Employers Council, Inc.
Michael G. Severns, President & CEO 303-223-5314

2B. Do you provide recommendations for investment managers? If yes, provide the method by which you determine which managers are to be recommended.

CSCI employs a procedurally prudent process for selecting and monitoring all investment managers. This includes meeting with the managers on a regular basis. Managers are put through a rigorous quantitative and qualitative screening initially during the selection process and ongoing through our monitoring process. Generally, they are compared to both a passive, "best-fit" index as well as the appropriate peer group as defined by CSCI. Reports of our research are disseminated quarterly to all clients (or more frequently as warranted).

In order to promote objectivity in our selection process, CSCI is completely independent from all of the investment products that are analyzed and recommended. As stated previously, we do not have any relationships with money managers, vendors or other entities that cause conflicts or compromise our advice in any way. CSCI uses an open architecture approach that allows us to work with any investment manager. These facts are stated explicitly in our Engagement Letter with each client.

Our Director of Research, Patrick J. Smith, AIF®, oversees and coordinates our research and fund analysis. All fund research is conducted in-house and is proprietary. We employ a team of analysts and consultants who assist him in the day-to-day process of cultivating data and conducting meaningful qualitative research on the investment managers.

Please see Section III: "Investment Selection & Monitoring Criteria" (p. 37) for additional details on our investment manager selection process.

3B. Describe your due diligence process when conducting an investment manager search.

Please see Question 2B (above) and Section III: "Investment Selection & Monitoring Criteria" (p. 37) for additional details on our investment manager selection process.

4B. Do you perform asset/liability studies? If yes, describe your asset-liability model in detail and indicate if the model is proprietary or purchased. State how often you recommend performing an asset/liability study. Provide references, including contact information, for at least two organizations for which you have performed an asset/liability study. The references should be from organizations that have total assets of a magnitude similar to the Port Authority pension plan.

CSCI does not perform asset/liability modeling internally. We feel strongly that truly independent, conflict free investment consulting firms should not participate in this function due to the possible biases that could be imparted upon the analysis. Additionally, we believe outsourcing specialized services such as this benefit our clients tremendously. While we believe this service should be overseen by us, it should be performed by an independent third-party actuary.

We do, however, perform the asset allocation analysis once the asset/liability studies are complete. CSCI would work closely with the Port Authority and the actuarial firm to monitor the asset mix and any resulting changes due to the asset/liability study. CSCI believes liabilities are an integral part of asset allocation modeling for trustee/committee directed pension plans. Thus, on an ongoing basis we would expect the independent actuarial firm to provide us with the modeled liability structure and expected cash flow requirements of the client's plan. We would then ensure that the portfolio(s) are allocated to reflect these and other goals and objectives outlined in the Investment Policy Statement.

5B. Do you provide educational services? If yes, please describe the services you provide and how you provide these services.

CSCI considers one of our major responsibilities to be the education of the Port Authority staff on fiduciary duties and responsibilities. Our entire investment staff engages in extensive ongoing fiduciary training. Sean Waters (Co-Founder, Consultant) has the distinction of being one of the first people in Colorado and one of the first thirteen in the United States to attain the designation of Accredited Investment Fiduciary (AIF®) given by the Center for Fiduciary Studies at the Katz Graduate School of Business (University of Pittsburgh). He has also served as a member of their Designation Oversight Committee and Global Asset Allocation Committee. Several other members of our firm are AIF® designees as well. Our consultants use our quarterly meetings with clients as a forum to educate the Committee members and staff on fiduciary topics.

We utilize the standards and practices set forth by the Center for Fiduciary Studies and the Foundation for Fiduciary Studies extensively in our practice (for additional details on these organizations, please see (p. 35)). We also encourage all clients to partake in the AIF® program given by the Center for Fiduciary Studies. For more information on this program, please see Appendix E: "AIF® Program Overview" (p. 61).

6B. Describe your approach to allocating assets among investment styles.

CSCI works closely with each client to determine the optimal mix of asset classes, taking into account factors such as portfolio size, experience of Committee members, Plan return expectations, etc. Identifying materially different asset classes is the key to building efficient and diverse portfolios, enabling clients to achieve or exceed their goals with limited risk.

If we identify "style drift," CSCI conducts our own internal research as to why style drift has occurred, if the drift is tactical or strategic, and the affect the style drift has had on the investment. As part of our quarterly review, we document our recommendation regarding the extent of the style drift and any action that is necessary. Ultimately, each manager must adhere to the specific investment style we have hired them to fulfill.

7B. What investment styles are tracked in your performance measurement system? Our current allocation is 50% bonds, 50% equity. Are there other classes of investments which should be strongly considered?

CSCI has the capability to track over 10,000 different investment managers and styles in our performance measurement system. In order to promote objectivity in our selection process, CSCI is completely independent from all of the investment products that are analyzed and recommended. We do not have any relationships with money managers, vendors or other entities that cause conflicts or compromise our advice in any way. CSCI uses an open architecture approach that allows us to work with any investment manager. These facts are stated explicitly in our Engagement Letter with each client.

8B. Within the broad classes of bonds or equity, should there be targeted allocations to subgroups? If so, please elaborate.

CSCI works closely with our clients to determine the optimal number and type of asset classes to include in a portfolio. In conjunction with an asset allocation analysis, and the factors outlined in question 6B above, we incorporate the following major investment styles at a minimum into our asset allocation analysis:

Equity

- Large Cap Growth
- Large Cap Value
- Small Cap Growth
- Small Cap Value
- Global Real Estate
- Foreign Stock

Bonds

- High Quality Bond
- Inflation-Protected Bond
- High Yield Bond
- Money Market/Stable Value

9B. Please describe your view as to the appropriateness of "alternative investments" in a fund of our size.

Identifying new asset class opportunities that may provide enhanced returns and additional diversification is an undertaking our entire advisory team engages in on a daily basis. From the inception of our firm, we have methodically added to our broad asset class recommendations as fiduciarily sound and rewarding opportunities present themselves. Currently, additional exposure in our retirement plans to nontraditional categories include High Yield Bonds (recommended in 2001), Treasury Inflation Protected Securities (recommended in 2005), and Global Real Estate Securities (recommended in 2009). In addition, some of the newer asset classes we are actively tracking today include, but are not limited to, investment options embedded with annuities or income guarantees, managed payout funds, absolute-return with daily liquid institutional mutual funds, and various commodity funds.

For an example of our work, Please see Section IV of the "Sample Investment Management Review" which contains our analysis of the global real estate asset class.

10B. Describe your recommended policies regarding bonds whose ratings have been downgraded, when and under what circumstances such bonds should be sold.

We do not envision managing any of the Plan assets. Rather, we will assist the Committee in selecting and monitoring investment managers. We will carefully evaluate each manager on their investment strategy and performance results. However, we feel it is up to the investment managers that we oversee to make decisions regarding the individual securities within their portfolio.

Please see Section III: "Investment Selection & Monitoring Criteria" (p. 37).

11B. Describe how you verify compliance with investment styles.

Once asset classes are selected, CSCI considers style analysis one of the most important aspects of evaluating a manager's performance. We use both holdings-based and returns-based style analysis in identifying a specific management style. We use various independent institutional databases to identify the style consistency of each manager.

If we identify "style drift," CSCI conducts our own internal research as to why style drift has occurred, if the drift is tactical or strategic, and the affect the style drift has had on the investment. As part of our quarterly review, we document our recommendation regarding the extent of the style drift and any action that is necessary. Ultimately, each manager must adhere to the specific investment style we have hired them to fulfill.

12B. Describe how benchmarks are developed and how performance is compared to relevant items. Describe what you consider relevant comparisons.

Overall portfolio performance is compared to at least one passive standard benchmark and/or a custom benchmark ("Policy Benchmark"). Policy Benchmarks are customized based on the goals and needs of each client. They are determined after rigorous intake and analysis performed by CSCI with our clients, and based on accomplishing the separate goals of each portfolio. CSCI employs a procedurally prudent process for monitoring all investment managers on a regular basis. Each individual manager is benchmarked against a passive index and peer group. If a manager underperforms the benchmark or peer group, we provide a detailed write-up on the fund to be included in our quarterly Investment Management Review. The write-ups identify any potential problems, changes or trends which should be reviewed and discussed by the Committee.

Please see the separate handout "Sample Investment Management Review" for an example of our quarterly monitoring report.

13B. What information systems do you use to produce your reports? How frequently are reports produced?

We employ both proprietary quantitative and qualitative analyses when reporting on investment fund option performance. CSCI uses third party, independent databases (e.g. Morningstar Direct, FI360, Informa) to conduct the quantitative portion of our firm research. We purposefully use independent and comprehensive databases to ensure unbiased searches. All qualitative manager and market research is conducted internally by our consultants and research department.

While our analysis processes are dynamic and continual by nature, we prepare our formal reports for presentation to clients on a quarterly basis. In the event conditions warrant, our consultants are available for intra-quarter meetings as well. We are able to deliver reports to clients four weeks after quarter end. The goal of these meetings is to educate fiduciaries, ensure a prudent process is being followed when monitoring the plans, and perform all actions in the best interest of the participants and beneficiaries.

Please see the handout "Sample Investment Management Review" for the types of analysis included in our typical performance monitoring report. All of the research and analysis at CSCI is proprietary. Therefore, our reports are completely customizable and can be changed at anytime to meet the needs of the Port Authority.

14B. Do you solicit or accept fees for placing investment managers or for including investment managers in your universe for placement? If so, describe the circumstances and process.

No. CSCI does not receive payments from investment managers or any other service providers. Our sole source of revenue is the fees derived directly and solely from our clients. This enables us to remain completely unbiased and objective when making recommendations to clients.

15B. Describe how you detect early problems with investment managers. Provide examples of the tools used and the recommendations given. Remove all names from the examples to protect confidentiality.

We provide a detailed proprietary write-up on every investment manager in the plan in our quarterly Investment Management Review. The write-ups identify any potential problems, changes or trends which should be reviewed and discussed by the Committee. Each write-up includes the following:

- Issues
- Background on the manager and their strategy
- Analysis of issues
- Recommendation

Certain conditions will cause a manager to be elevated to a formal Watchlist. Items that can cause placement on the Watchlist include but are not limited to the following: Manager(s) resignation or departure, significant change in the underlying investment process or philosophy, consistent underperformance, ethical breaches, firm structure changes, personnel changes, etc. If the problems persist or collectively lead us to believe there will not be any improvement in the future, then a recommendation to replace the manager will be made to the Committee.

A fund can be removed from the Watchlist if we feel that the underlying investment process and philosophy remain intact, a strong management team is in place, and the fund performs in-line with our expectations. By formally making recommendations on each manager every quarter, even if it is to keep an existing manager, CSCI strengthens our fiduciary partnership with our clients.

16B. Describe how you deal with problems with investment managers.

Please see Question 15B (above).

17B. Do you facilitate the transfer of assets between investment managers? If yes, describe the process.

One of our primary goals at CSCI is to decrease our clients' internal administrative effort. Accordingly, CSCI will oversee all necessary transitions of service providers and investment managers. CSCI will notify all interested parties (e.g. investment managers and service providers) of the Port Authority's desired changes and assist in formalizing a timeline for the transition. We will then participate in all transition-related meetings and calls, and review related participant communication pieces. In addition, regular updates will be provided to the Port Authority as to the status of the changes.

18B. Provide specific example of how you have added value for your clients.

CSCI has made many leading edge recommendations to our clients in the past that have led to excess returns and value added. On a regular basis, our firm conducts in-depth asset class studies to determine specific asset classes that may be underrepresented in portfolios. CSCI was among the first to recommend the application of high yield bonds as an asset class worth adding to a portfolio. Several years ago we also recommended adding a TIPS bond fund to our clients' portfolios. More recently, we suggested the addition of a Global REIT fund.

In addition to significant outperformance, CSCI constantly adds even more value to our clients in the form of fee savings, decreased administrative workload, and reduced liability. Since inception, we have collectively saved CSCI clients millions of dollars through our proprietary fee benchmarking and negotiation services. Additionally, one of our main goals in partnering with clients is to reduce the workload of your internal staff. Finally, and arguably our largest source of additional value, CSCI materially decreases the liability of our clients by acting as a fiduciary capacity and being a Prudent Expert under ERISA.

Please see the separate handout titled "CSCI Sample Portfolio Performance Summary" for the portfolio performance of some of our actual clients.

19B. Provide a list of all new accounts for professional evaluation and consulting services to qualified plan sponsors in the last five (5) years. Structure this list by year. Show type of client, e.g., by industry, public sector/private for-profit/private no-for-profit type of plan, size of plan, and date your services were required.

Please see Appendix B: "Representative Client List & References" (p. 48) for a representative list. For reasons of confidentiality, we do not divulge our entire client list. If more specific client information is required, please feel free to contact us.

20B. Provide a list of all accounts lost in the last five (5) years. Structure this list by year. Show type of client, e.g., by industry, public sector/private for-profit/private no-for-profit type of plan, size of plan, and date your services were required.

Over the last five years we have lost ten clients, seven of which were mutually agreed upon terminations. Generally, we were unable to justify charging them our minimum fee due to their smaller plan size. Three clients (Homestead House, Sun Health, and McDATA Corporation) were lost due to acquisitions.

Client	Industry	Type	Services	Assets
ORIX Financial Services	Financial Services	Private	2006 - 2008	<$50M
Sun Health Corporation	Medical	Private	2003 - 2008	>$100M
Deline Box Co.	Manufacturing	Private	2002 - 2007	<$50M
J.F. Sato & Associates	Engineering	Private	2005 - 2007	<$50M
McDATA Corporation	Info Technology	Private	2005 - 2007	>$100M
Orthopedic Associates, Prof LLC	Medical	Private	2001 - 2007	<$50M
Behrent Engineering Company	Engineering	Private	2000 - 2005	<$50M
Garmat	Engineering	Private	2002 - 2005	<$50M
Homestead House	Manufacturing	Private	2000 - 2005	<$50M
Ultimate Support Systems	Manufacturing	Private	2000 - 2005	<$50M

C. **Your Team**

1C. Provide the names and location(s) of the team members who will be responsible for this account.

Sean M. Waters, CFA, AIF®, Karen McIntosh Robinson, CFA, and Lindsey C. Stieneker, CFA, AIF® are the consultants at the firm. All three would work directly with the Port Authority should we be fortunate to partner with you. Sean and Karen have extensive prior experience as institutional portfolio managers and are the founders of CSCI. They have been specifically responsible for generating investment performance, and reporting to large institutions and their consultants. We feel their past experience in directly managing billions of dollars is an invaluable benefit to all CSCI clients. Additionally, Port Authority would have direct access to, and frequent contact with, CSCI's Director of Research- Patrick J. Smith, AIF®.

2C. Provide a resume or brief biography of each team member.

For specific biographical information, credentials and professional affiliations of our consultants please see Section II: "Biographies of Consultants & Affiliations" (p. 29).

3C. Name the current clients of each team member. Identify the type of client, type of plan and how long each team member has provided services to the client.

CSCI strongly believes in a team approach. Our consultants actively participate in the investment research process, performance evaluation, and most importantly, the client relationship. Consultants are not assigned specific clients, but rather work together in equal capacity to ensure continuity of client service. In addition, they are supported by an experienced group of analysts and associates.

4C. Describe the qualifications of the team members.

Name: Sean M. Waters, CFA, AIF®
Title: Co-Founder, Consultant
Years of Experience: 17
Years with CSCI: 9
Specialty: Fiduciary Oversight/Issues, Investment Manager Selection & Monitoring
Education & Credentials: BA from the University of Colorado at Boulder, Chartered Financial Analyst, Accredited Investment Fiduciary
Background: For specific background information, credentials and professional affiliations please see Section II: "Biographies of Consultants & Affiliations" (p. 29).

Name: Karen McIntosh Robinson, CFA
Title: Co-Founder, Consultant
Years of Experience: 14
Years with CSCI: 7
Specialty: Investment Manager Research, Analysis, Selection & Monitoring, Performance Measurement
Education & Credentials: BS in Finance from the University of Colorado at Boulder (Magna Cum Laude), Chartered Financial Analyst
Background: For specific background information, credentials and professional affiliations please see Section II: "Biographies of Consultants & Affiliations" (p. 29).

Name: Lindsey C. Stieneker, CFA, AIF®
Title: Vice-President, Consultant
Years of Experience: 6
Years with CSCI: 6
Specialty: Investment Manager Research, Analysis, Vendor Expense Analysis & Benchmarking,

Education & Credentials: BS in Finance from the University of Colorado at Boulder, Chartered Financial Analyst, Accredited Investment Fiduciary
Background: For specific background information, credentials and professional affiliations please see Section II: "Biographies of Consultants & Affiliations" (p. 29).

Name: Patrick J. Smith, AIF®
Title: Director of Research
Years of Experience: 5
Years with CSCI: 1
Specialty: Investment Manager Research, Analysis, Selection & Monitoring
Education & Credentials: BS in Finance from the University of Colorado at Boulder, Accredited Investment Fiduciary
Background: For specific background information, credentials and professional affiliations please see Section II: "Biographies of Consultants & Affiliations" (p. 29).

5C. Will your company and each member of your team accept fiduciary responsibility for your services as a part of this contract?

Yes. The following is taken directly from our engagement letter with all clients:

"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 herby represents and warrants that it is a co-fiduciary to (CLIENT PLAN NAME) as defined in 3(21)(A) of ERISA."

6C. Describe the team's experience with preparing, reviewing and recommending changes to investment policies, guidelines and objectives.

CSCI regards the preparation and maintenance of an Investment Policy Statement (IPS) as one of the most critical functions of the fiduciary. The IPS should be viewed as the business plan and the essential management tool for directing and communicating the activities of the plans. We will work with Port Authority to either craft a customized IPS or to review a policy already in place. As a result of this process we will create the IPS to reflect certain plan characteristics, the asset classes selected, and the monitoring process that will be undertaken. The IPS will satisfy the fiduciary duty you owe to plan participants in this area.

When crafting or reviewing an IPS, CSCI confirms that the specific selection and monitoring criteria are tied directly to our Due Diligence standards so as to maximize ease of compliance. The IPS requires ongoing maintenance to keep up with changing circumstances; consequently, at least annually we perform a thorough review of all our clients' IPS to ensure compliance.

An outline of our process and resulting IPS format is as follows:

- Formal Client Intake
- Develop following IPS sections:
  - Executive Summary
  - Purpose
  - Background
  - Statement of Objectives
  - Duties & Responsibilities: Consultant, Investment Managers, Custodians
  - Asset Class Guidelines
  - Investment Manager Selection Criteria
  - Control Procedures
  - Statement of Review
- Annual Review & Update

7C. Describe how you will monitor compliance with the investment policies, guidelines and objectives.

When crafting or reviewing an Investment Policy Statement (IPS), CSCI confirms that the specific monitoring and selecting criteria are tied directly to our manager due diligence standards in order to ensure compliance. The IPS requires ongoing maintenance to keep up with changing circumstances; consequently, at least annually we perform a thorough review of all our clients' IPS to ensure compliance.

Please see "Sample Investment Management Review" for an example of our due diligence standards.

8C. Do you envision managing a portion of the assets?

No, we do not envision managing a portion of the assets. CSCI engages in comprehensive fee-based investment consulting to select retirement plans as our sole line of business. We do not engage in any services that we feel could create a conflict of interest or compromise the advice that we give to our clients in any way.

9C. How do you propose the Pension Committee measure and evaluate your performance?

We feel that the Pension Committee should evaluate our performance based on the following criteria:

- Our success in increasing and enhancing the fiduciary knowledge and actions of the Pension Committee,
- Our ability to increase both the performance of the Plan's individual managers and overall portfolio performance,
- Decreasing Plan expenses (both direct and indirect).
- Decreasing the liability of the Pension Committee.

10C. Describe what materials will be provided for performance evaluation and how that material will be prepared. Describe the quality controls in place to ensure the integrity of the information provided. Please include samples of your performance measurement reports.

Every consultant at our firm is a CFA charterholder. As such, all the systems utilized to review and calculate performance are compliant with CFA Institute Standards. Returns are calculated and presented quarterly based on the Global Investment Performance Standards ("GIPS®," formerly AIMR Performance Presentation Standards). Thus, all cash flows are time-weighted and returns are shown net and gross of fees. We evaluate cumulative and annualized performance on a quarterly, year-to-date, one, three, five and ten-year basis. Our use of multiple databases and sources of return information allows us to confidently and accurately calculate return data for a multitude of asset classes.

While our analysis processes are dynamic and continual by nature, we prepare our formal reports for presentation to clients on a quarterly basis. In the event conditions warrant, our consultants are available for intra-quarter meetings as well. We are able to deliver reports to clients four weeks after quarter end. The goal of these meetings is to educate fiduciaries, ensure a prudent process is being followed when monitoring the plans, and perform all actions in the best interest of the participants and beneficiaries.

Please see the "Sample Investment Management Review" for the types of analysis included in our typical performance monitoring report. All of the research and analysis at CSCI is proprietary. Therefore, our reports are completely customizable and can be changed at anytime to meet the needs of the Port Authority.

11C. How do you propose that the Pension Committee measure and evaluate the performance of investment managers?

CSCI evaluates clients' investment performance on both a portfolio and specific manager basis. The overall portfolio performance is generally compared to at least one passive standard benchmark and/or a custom benchmark ("Policy Benchmark"). Policy Benchmarks are customized based on the goals and needs of each client. They are determined after rigorous intake and analysis performed by CSCI with Port Authority, and based on accomplishing the separate goals of each portfolio. CSCI employs a procedurally prudent process for monitoring all investment managers on a regular basis. If a manager underperforms the quantitative and/or qualitative factors we follow, we provide a detailed write-up on the fund to be included in our quarterly Investment Management Review. The write-ups identify any potential problems, changes or trends which should be reviewed and discussed by the Committee.

Our performance monitoring system is based upon standards and practices set forth by the Center for Fiduciary Studies and Foundation for Fiduciary Studies. Our specific monitoring criteria can be found in Section III: "Investment Manager Selection & Monitoring Criteria" (p. 37). Please see "Sample Investment Management Review" for an example of our quarterly monitoring report.

12C. Describe the materials to be used for performance evaluation of investment managers and how that material will be prepared. Describe any quality controls in place to ensure integrity of information provided.

Every consultant at our firm is a CFA charterholder. As such, all the systems utilized to review and calculate performance are compliant with CFA Institute Standards. Returns are calculated and presented quarterly based on the Global Investment Performance Standards ("GIPS®," formerly AIMR Performance Presentation Standards). Thus, all cash flows are time-weighted and returns are shown net and gross of fees. We evaluate cumulative and annualized performance on a quarterly, year-to-date, one, three, five and ten-year basis. Our use of multiple databases and sources of return information allows us to confidently and accurately calculate return data for a multitude of asset classes.

Please see "Sample Investment Management Review" for more details.

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13C. Please provide a report showing the combined results of your clients' investments for the previous one, three, five, and ten years. For clients that you have provided services for only a portion of the time periods requested, state the time period.

Please see the handout "CSCI Sample Client Performance Summary" for an outline of our clients' performance.

14C. Do you accept compensation, either directly or indirectly, from the investment managers you recommend?

No. CSCI does not receive payments from investment managers or any other service providers. Our sole source of revenue is the fees derived directly and solely from our clients. This enables us to remain completely unbiased and objective when making recommendations to clients.

15C. Have you, any of your affiliates, or any of the team members:

- Undergone bankruptcy?
- Undergone liquidation?
- Undergone a proceeding similar to bankruptcy or liquidation?
- Had a license revoked?
- Had their investment consulting activities restricted?
- Been sued by a client?
- Ben found liable or guilty in an administrative, civil, or criminal matter or proceeding by any federal, state or local authority (other than misdemeanor, non-moving traffic violations)?
- Been sued or investigated by the Securities & Exchange Commission, the Department of Labor, the Texas Pension Review Board, or any other federal, state or local authority?
- Been denied liability insurance of a fidelity bond?

Please elaboration on any yes answers to the above questions.

None of the above is applicable to the team members at CSCI.

D. <u>Your Fees</u>

1D. Provide sufficient detail to describe the fees you propose to charge. Please enclose the fee proposal in a separate envelope which is self-addressed and stamped for our use to return your fee proposal should your proposal not be selected.

Please see Appendix A: "Fee Structure" (p. 46) for detailed fee information.

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2D. State the contractual period for which these fees are guaranteed.

Our fees are guaranteed for a period of three years. 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"). We do not have state minimum terms unless desired by the client.

3D. State any proposed escalation of fees.

We use a flat, retainer-based fee structure. 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").

Please see Appendix A: "Fee Structure" (p. 46) for detailed fee information.

F. Provide at least three references (with client name, address, telephone number, and contact person), from clients for whom you currently provide, and for the past three years have provided, pension consulting services.

Please see Appendix B: "Representative Client List & Client References" (p. 48) for a list of current client references.

G. Any other information you wish to provide.

CSCI is a boutique investment and fiduciary consulting firm focused solely on partnering with select pension plans. We take tremendous pride in our specialized and individualized client services and intend on continuing this tradition. Some of the services that we feel may be unique to our firm include:

- Fiduciary: We willingly serve as a fiduciary alongside all clients.
- Provider Expense Analysis & Benchmarking Analysis: Our fee includes an extensive Plan Expense Review performed initially upon hire and every 2-3yrs thereafter to fulfill requirements in this area (e.g. determining fee "reasonableness," etc.). Please see Section IV: "Provider Expense Analysis & Benchmarking Process" (p. 40) for further detail.
- Research: All investment and fiduciary research is performed independently by CSCI professionals. Unlike many firms, CSCI does not outsource this function.

- Ongoing Fiduciary Education: The senior consultants continuously educate the CSCI clients on fiduciary topics.

In addition, we feel we are unique in the following ways:

- Experience of Senior Consultants: Our senior consultants have actually managed institutional assets, and thus we are not simply "theory-based." They have been specifically responsible for generating investment performance, and reporting to large institutions and their consultants.

- Singular Focus- Pension Plan Consulting: Our ADV confirms that we are solely focused on working with pension plans. (e.g. no hedge fund or other limited partnerships, no private clients, etc.) This structure allows us to both specialize in one area, and simultaneously remove all potential conflicts of interest.

- Flat Fee Structure: We charge our clients flat, comprehensive retainer based fees. This allows us to avoid typical consulting firm conflicts of interest inherent in a "menu" of fees. For example, we feel having separate fees for different services leads many consulting firms to recommend that some aspect of the plan is "broken" and needs to be fixed.

- No Conflicts of Interests: We have no conflicts of interest (e.g. brokerage arms, hedge funds, investment companies or providers that are part of our firm). All compensation is derived directly and solely from our clients.

- Team Approach: Clients are not assigned to a specific consultant. Our consultants work together in equal capacity on each and every client.

- Independent Ownership: We are not owned by another larger entity. Our firm is 100% employee owned, releasing us from the pressure to "cross sell" and enhancing our focus on our clients. This structure allows the firm access to a greater number of resources, all of which are independent (e.g. attorneys, auditors, etc.).

- Formal Endorser of the "Prudent Investment Practices: *A handbook for Investment Fiduciaries*" (2003 Foundation for Fiduciary Studies): CSCI is the only firm in Colorado who formally endorses the Prudent Investment Practices, a handbook written by the Foundation for Fiduciary Studies. Our firm utilizes the procedures set forth in this document extensively to the benefit of all our clients.

II. Biographies of Consultants & Affiliations

TEAM APPROACH

We believe strongly that this industry requires a team approach. The increasingly complex global financial markets necessitate a well-organized process in order to effectively serve our select client base. Our consultants actively participate in the investment research process, vendor management, performance evaluation, and most importantly, the client relationship. Consultants are not assigned specific clients, but rather work together in equal capacity. In addition, they are supported by an experienced group of analysts and associates.

Sean Waters, CFA, AIF®, Karen Robinson, CFA, and Lindsey Stieneker, CFA, AIF® are the consultants for all CSCI clients. All three, with support of the Cook Street Consulting analyst team, will conduct all analysis and oversight of the plan. Sean, Karen and/or Lindsey will attend all meetings with the investment committee and are available to answer any questions regarding the plan on an on-going basis.

One of the most important factors that make us unique is the experience of our consultants. All three hold the Chartered Financial Analyst (CFA) designation and our two founders, Sean and Karen, have actually managed institutional assets. Consequently, they are not simply "theory-based." They have been specifically responsible for generating investment performance, and reporting to large institutions and their consultants. This real life experience is a tremendous benefit to all our clients.

Additional information can be found in our consultants' biographies and affiliations that follow.

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

Currently Sean, an Accredited Investment Fiduciary (AIF®) and co-founder of the firm, provides consulting services to all clients of Cook Street Consulting, Inc. (CSCI). He oversees and is responsible for the firm's fiduciary analysis, asset allocation modeling and business development.

Prior to joining CSCI, Sean was an institutional portfolio manager for Scudder Kemper Investments in San Francisco and was directly responsible for managing more than $250 million dollars and co-managing another $1.5 billion dollars. He began his career at Crédit Lyonnais in New York as a proprietary bond trader.

He also has the distinction of being one of the first people in Colorado and one of the first thirteen in the United States to attain the designation of Accredited Investment Fiduciary (AIF®) given by the Center for Fiduciary Studies at the Katz Graduate School of Business (University of Pittsburgh). He also served as a member of their Designation Oversight Committee and Global Asset Allocation Committee.

Sean holds a BA from the University of Colorado at Boulder and holds the Chartered Financial Analyst (CFA) designation. He is a member of the CFA Institute (formerly the Association of Investment Management and Research (AIMR)), the Denver Society of Security Analysts, the Investment Management Consultants Association and the Investment Management Council, a national organization of select investment consultants and advisors with specialized fiduciary training.

In addition to his business activities, Sean also serves on the Boards of Invest In Kids, a Colorado non-profit organization, the Ricks Center for Gifted Children and is a past President of the Alumni Board of Graland Country Day School.

Karen McIntosh Robinson, CFA
Co-Founder
Consultant

Karen, a co-founder of the firm, provides consulting services to all clients of Cook Street Consulting, Inc. (CSCI). In addition, she is actively involved in the firm's manager due diligence and performance measurement processes. Karen meets with institutional clients on a regular basis to review and analyze performance of both the entire plan and individual managers.

Prior to joining CSCI, Karen was an analyst with Ocean Fund Advisors, LLC (Santa Monica, CA) where she specialized in general market research, portfolio analytics and risk management. She also oversaw operations and administration for the Funds. Preceding this, she was an Associate Vice President for Roxbury Capital Management, LLC (Santa Monica, CA). At Roxbury, Karen worked in the Private Client Group on portfolio analysis and performance measurement. Karen's experience also includes two years as a Senior Analyst with Monticello Associates, an institutional investment consultant.

Karen holds a BS in Finance (Magna Cum Laude) from the University of Colorado at Boulder and holds the Chartered Financial Analyst (CFA) designation. She is a member of the CFA Institute (formerly the Association of Investment Management and Research (AIMR)) and the Denver Society of Securities Analysts.

Lindsey C. Stieneker, CFA, AIF®
Vice President
Consultant

Lindsey, an Accredited Investment Fiduciary (AIF®) provides consulting services to all clients of Cook Street Consulting, Inc. (CSCI). She, like the other consultants, is also actively involved in performance measurement, manager due diligence and all associated investment management processes. Additionally, she is responsible CSCI's Provider Expense Review & Benchmarking process, including all related vendor negotiations.

Lindsey holds a BS in Finance from the University of Colorado at Boulder where she graduated with distinction. In addition, Lindsey holds the designation of Chartered Financial Analyst (CFA). She is also an Accredited Investment Fiduciary (AIF®), a designation given by the Center for Fiduciary Studies at the Katz Graduate School of Business (University of Pittsburgh). Lindsey is also a member of the Western Pension & Benefits Conference.

In addition to her business activities, Lindsey is actively involved with the non-profit organization Whiz Kids Tutoring. Whiz Kids strives to fight illiteracy through one-on-one tutoring with elementary-age children in the Denver Public School District.

Patrick Smith
Vice President
Director of Research

Patrick is the Director of Research for Cook Street Consulting, Inc. (CSCI), leading the firm's investment manager due diligence and performance measurement efforts. Patrick meets with current and prospective managers on a regular basis to review and analyze the performance of each individual manager as well as their qualitative attributes. He oversees the firms team of analysts and works closely with the consultants on various client matters.

Previously, Patrick was an Associate at Tomorrow Ventures in Palo Alto, California, a venture capital firm targeting investments in revolutionary technology, media, entertainment, and consumer-related businesses. While at Tomorrow Ventures, Patrick served on the advisory boards of AllSet Auto, Experience Aviation, Intern Incorporated, MoboGift, and Ronnoc. Prior to Tomorrow Ventures, he was an analyst in the strategic advisory department of Gleacher Partners in New York. While at Gleacher, Patrick analyzed mergers, acquisitions, leveraged buyouts, and financing alternatives for clients in a variety of sectors, including aerospace and defense, alternative finance, consumer products, and general industrials.

Patrick graduated with distinction from the University of Colorado, Boulder with a BS in Finance. In addition to his business activities, Patrick is actively involved with Operation Frontline Colorado, an AmeriCorps non-profit agency mandated to serve low-income adults, teens and children living at-risk of hunger and malnutrition through financial literacy and nutrition education programs.

AFFILIATIONS

Center for Fiduciary Studies (CFS)/Foundation for Fiduciary Studies (FFS):

Cook Street Consulting, Inc. has been affiliated with the CFS and FFS since 2001. Reflecting our commitment to these entities and fiduciary issues, Sean serves on the Designation Oversight Committee and has served on the Global Asset Allocation Committee of the organization.

The Foundation for Fiduciary Studies (FFS) is a nonprofit organization that was established to develop and advance practice standards of care (practices) for investment fiduciaries around the world. It is independent of any ties to the investment community and therefore, positioned to be a crucible for advancing the practice standards of care.

The FFS operates in association with the Center for Fiduciary Studies, which is located at the University of Pittsburgh Katz Graduate School of Business, Center for Executive Education, ranked among the top 15 executive education programs in the nation. The FFS received its initial funding from another foundation, which wishes to remain anonymous. The donor recognized the need for the industry to develop a "report card" that could be used to measure the effectiveness of the decision making process of an investment fiduciary.

We utilize the standards and practices set forth by these organizations extensively in our practice. In fact, we are the only firm in Colorado, and one of the first 108 in the United States, that formally endorses the "Prudent Investment Practices: A Handbook for Investment Fiduciaries" (© 2003 Foundation for Fiduciary Studies).

CFA Institute (formerly the Association for Investment Management and Research):

Sean, Karen, and Lindsey are all members of the CFA Institute.

A global membership organization that awards the CFA designation, the CFA Institute leads the investment industry by setting the highest standards of ethics and professional excellence and vigorously advocating fair and transparent capital markets.

AFFILIATIONS (CONT.)

Denver Society of Security Analysts:

The Denver Society of Security Analysts, Inc. (DSSA) was founded in 1953 to foster the interchange of information and opinions, to promote a high standard of ethics and sound professional standards of investment management and research, and to enhance professional knowledge and skills.

The Denver Society of Security Analysts was admitted to membership in the former Financial Analysts Federation, now CFA Institute, in 1955, and was incorporated in 1968 pursuant to the Colorado Nonprofit Corporation Act.

Investment Management Consultants Association:

IMCA's mission is to ensure quality service to the public by developing and encouraging high standards in the investment consulting profession.

Investment Management Council:

A national organization of select investment consults and advisors with specialized fiduciary training.

Revere Coalition:

Sean is an original member of the Revere Coalition, and currently President.

The Revere Coalition is a consortium of independent, retirement plan consulting firms that provide conflict free, objective counsel to plan sponsors. Each member pledges that the fees they receive from clients are their only form of compensation.

The Revere Coalition provides a forum for members to exchange ideas and information that define the "best practices" in the profession, setting the highest standards of expertise, service and professionalism.

Collectively, the members of the Revere Coalition consult to over 550 pension plans representing over $75 billion in assets throughout the U.S.

Western Pension & Benefits Conference:

The Denver Chapter of the WP&BC has been serving the employee benefits community for over twenty years. The goal of the organization is to exchange information, advance education and foster sound principles and practices in the field of employee benefits.

III. Investment Selection & Fiduciary Monitoring Criteria

INVESTMENT MANAGER SELECTION CRITERIA

We will apply the following due diligence criteria in selecting each individual investment option from the available funds on the chosen provider's platform:

1. *Regulatory oversight:* Each investment manager should be a regulated bank, an insurance company, a mutual fund organization, or a registered investment adviser.
2. *Correlation to style or peer group:* The product should be highly correlated to the asset class of the investment option. This is one of the most critical parts of the analysis since most of the remaining due diligence involves comparisons of the manager to the appropriate peer group.
3. *Performance relative to a peer group:* The product's performance should be evaluated against the peer group's median manager return, for 1, 3 and 5-year cumulative periods.
4. *Performance relative to assumed risk:* The product's risk-adjusted performance (Alpha and/or Sharpe Ratio) should be evaluated against the peer group's median manager's risk-adjusted performance.
5. *Minimum track record:* The product's inception date should be greater than three years.
6. *Assets under management:* The product should have at least $75 million under management unless warranted due to style (e.g. small cap growth).
7. *Holdings consistent with style:* The screened product should have no more than 20% of the portfolio invested in unrelated asset class securities. For example, a Large Cap Growth product should not hold more than 20% in cash, fixed income and/or international securities.
8. *Expense ratios/fees:* The product's fees should not be in the bottom quartile (most expensive) of their peer group.
9. *Stability of the organization:* There should be no perceived organizational problems - the same portfolio management team should be in place for at least two years.

We apply these screens to each asset class we are reviewing and then select one to three funds from each that meet or exceed as many (or preferably all) of the due diligence factors as possible. These will then be presented to the committee with a recommendation from us.

FIDUCIARY MONITORING & CONTROL PROCEDURES

The ongoing review and analysis of the investment managers is just as important as the due diligence implemented during the manager selection process. The performance of the investment managers should be monitored on a regular basis but not less than quarterly.

The goal of such reviews should be to determine whether each manager is conforming to the search criteria outlined in the previous section; specifically:

1. The manager's adherence to the Plan's investment guidelines;
2. Material changes in the manager's organization, investment philosophy and/or personnel;
3. Any legal, SEC and/or other regulatory agency proceedings affecting the manager;
4. It is in the best interest of the Plan's participants that performance objectives be established for each investment manager. Manager performance should be evaluated in terms of an appropriate and relevant peer group and index (e.g. the large cap growth mutual fund universe and the Russell Top 200 Growth Index for a large cap growth mutual fund);
5. Per our criteria, a manager should be placed the Watchlist and a thorough review and analysis of the investment manager should be conducted, when:
   - A manager performs below median for their peer group over a 1, 3 and/or 5-year cumulative period.
   - A manager's 3-year risk adjusted return (Alpha and/or Sharpe) falls below that of the peer group's median risk adjusted return.
   - There is a change in the professionals managing the portfolio.
   - There is a significant decrease in the product's assets.
   - There is an indication that the manager is deviating from his/her stated style and/or strategy.
   - There is an increase in the product's fees and expenses.
   - Any extraordinary event occurs that may interfere with the manager's ability to fulfill their role in the future.

Ultimately, the decision to retain or terminate a manager cannot be made by a formula. It is the confidence in the manager's ability to perform in the future that ultimately determines the retention of a manager.

IV. Provider Expense Analysis & Benchmarking

PROVIDER EXPENSE ANALYSIS & BENCHMARKING PROCESS

Cook Street Consulting, Inc. (CSCI) utilizes a distinct proprietary process when evaluating pension plan providers. Following is a brief overview of the process:

1. *Intake with Client:* CSCI meets with all clients desiring a provider search or industry comparison to gain an understanding of their particular situation, needs and goals. During the intake session, CSCI covers a detailed list of items enabling us to better tailor the search process. Our experience indicates that certain providers work best with certain plans based on demographics, plans specifics and other unique circumstances. In order to identify the best fit, we feel it is important to clearly define our client and their needs.

2. *Diagnosis and Analysis of Data:* Once the data intake is complete, CSCI analyzes this information to develop an efficient and effective strategy for the search.

3. *Provider Universe:* The successful completion of steps one and two enable us to define the universe of providers which are best suited to service our clients (e.g. bundled vs. un-bundled, high average balance vs. small average balance, education strategy, investment architecture, etc.).

4. *Request for Proposal- Preparation and Submission:* Once an appropriate universe has been defined, CSCI prepares a RFP and submits it to the list of candidates on behalf of our clients. The RFP contains questions and information CSCI requests from each potential provider as well as a list of additional qualitative questions customized per each client.

5. *Request for Proposal- Analysis and Presentation:* CSCI compiles all the results obtained from step four in a comprehensive yet concise format. The synopsis includes a comparison of all expenses (e.g. Sub-TA, 12b-1, revenue sharing, etc.), including both recordkeeping and investment related fees. The provider search results are then presented to the client with our determination of "reasonableness" and recommendation.

6. *Finals Presentations:* If applicable (i.e. full search vs. benchmarking only), CSCI will coordinate and schedule "finals" presentations by two to four selected providers. CSCI requests that finalists bring the actual client service representative and operations personnel to these meetings. The "finals" presentations allow the client to familiarize themselves with each candidate and clarify any outstanding concerns or issues.

7. *Provider Selection:* If applicable, once a provider has been selected, CSCI assists in managing the implementation process. CSCI regularly monitors all vendor activities during the transition period through conversion. Every one to three years (or as necessary) thereafter, CSCI will perform Provider Expense Reviews using the same process as illustrated above. The Provider Expense Review is conducted to fulfill the fiduciary duty to monitor plan expenses and deem them reasonable on an on-going basis.

Provider Comparison Analysis Summary

	Current Provider	Industry Average	Difference ($)	Difference (%)
Conversion (one time):	$0	$0	$0	
Recordkeeping (annual):	$342,711	$281,727	($60,984)	-17.8%
Trustee (annual):	$0	$0	$0	
Testing (annual):	$0	$0	$0	
5500 Prep (annual):	$0	$0	$0	
Total Recordkeeping Costs:				
First Year:	$342,711	$281,727	($60,984)	-17.8%
As a % of total assets:	0.36%	0.29%	-0.06%	
Subsequent Years:	$342,711	$281,727	($60,984)	-17.8%
As a % of total assets:	0.36%	0.29%	-0.06%	
Revenue Sharing Offset:	($260,111)	($260,111)	$0	
Expected Hard Dollar Fee:	$82,600	$21,616	($60,984)	
Weighted Average Expense Ratio %:	0.69%	0.68%	-0.01%	
Revenue Sharing as a % of total assets:	0.27%	0.28%	0.01%	
Weighted Average Expense Ratio $:	$664,937	$654,553	($10,384)	-1.6%
Revenue Sharing $:	($260,111)	($272,537)	($12,426)	4.8%
Total Investment Costs:				
Net Investment Expense:	$404,826	$382,016	($22,810)	-5.6%
Total Costs:				
First Year:	$747,537	$663,743	($83,794)	-11.2%
Subsequent Years:	$747,537	$663,743	($83,794)	-11.2%
As a % of total assets:	0.78%	0.69%	-0.09%	
Per Participant:	$317	$230	($87)	-27.4%
Additional Information:				
Architecture:	Semi-Closed	Open		
Education Included:	Yes	Yes		
Frequency:	Upon Request	Quarterly		

V. DIFFERENTIATING FACTORS & CSCI DIVERSITY POLICY

DIFFERENTIATING FACTORS

- No Conflicts of Interests: We have no conflicts of interest (e.g. brokerage arms, hedge funds, investment companies, broker-dealer affiliates, etc.). All compensation is derived directly and solely from our clients.

- Co-Fiduciary: We willingly serve as a co-fiduciary to all clients.

- Independent Ownership: We are not owned by another larger entity (e.g. bank, brokerage firm, holding company, etc.). CSCI is 100% employee owned, releasing us from the pressure to "cross sell" and enhancing our focus on our clients. This structure allows the firm access to a greater number of resources, all of which are independent (e.g. attorneys, auditors, etc.).

- Singular Focus- Pension Plan Consulting: Our ADV confirms that we are solely focused on working with pension plans. (e.g. no hedge fund or other limited partnerships, no additional private clients, etc.) This structure allows us to both specialize in one area, and simultaneously remove all potential conflicts of interest.

- Experience of Senior Consultants: Our senior consultants have actually managed institutional assets, and thus we are not simply "theory-based." They have been specifically responsible for generating investment performance, and reporting to large institutions and their consultants.

- Research: All investment and fiduciary research is performed independently by CSCI professionals. Unlike many firms, CSCI does not outsource this function.

- Team Approach: Clients are not assigned to a specific consultant. Our consultants work together in equal capacity on each and every client.

- Ongoing Fiduciary Education: The senior consultants continuously educate the CSCI clients on fiduciary topics.

- Formal Endorser of the "Prudent Investment Practices: *A handbook for Investment Fiduciaries*" (2003 Foundation for Fiduciary Studies): CSCI is the only firm in Colorado, and one of the first in the United States, that formally endorses the Prudent Investment Practices, a handbook written by the Foundation for Fiduciary Studies. Our firm utilizes the procedures set forth in this document extensively to the benefit of all our clients.

Diversity Policy & Philanthropic Mission

Diversity Policy

Cook Street Consulting is an equal opportunity employer, dedicated to the principles of equal employment opportunity in any term, condition, or privilege of employment. We do not discriminate against applicants or employees on the basis of age, race, sex, color, religion, national origin, or disability. We continuously seek to promote an environment where all employees are treated with dignity and respect. We greatly value the contribution made by individuals with varying backgrounds and perspectives in serving our diverse range of clients. In addition, CSCI places particular emphasis on the advancement of women in business.

Commitment to our Community

Cook Street Consulting Inc. fully supports and promotes initiatives intended to better our surrounding communities. Since inception, Cook Street Consulting has committed its support to local and national causes through the donation of time and charitable contributions. Cook Street Consulting provides funding for worthy organizations throughout the Denver area, including the local arts, area hospitals, and neighborhood schools. In addition, the people of Cook Street Consulting have committed their time and talent toward improving the lives of those in our community. We believe that education is the most powerful force in improving lives, and therefore a great deal of time is dedicated to meeting the needs of children in our community. It is a primary interest of this company to continuously seek ways in which to further enhance these initiatives. Some of the organizations we support and encourage others to support are:

- Young American's Bank & Center for Financial Education
- Girls Inc.
- Invest in Kids
- Children's Programming at the Rocky Mountain Public Broadcasting Network, Inc.
- Children's Museum of Denver
- F.A.C.E.S - Family Advocacy, Care, Education, Support
- Boys and Girls Clubs of America

APPENDIX A: FEE STRUCTURE

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 RFP 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 services to the Port of Houston Authority Pension Plan as outlined below:

- $65,000/year ($16,250/quarter).

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").

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.

APPENDIX B: REPRESENTATIVE CLIENT LIST & REFERENCES

APPENDIX C: SEC/DOL GUIDANCE ON SELECTING & MONITORING PENSION CONSULTANTS

Cook Street Consulting Inc.
Independent • Investment • Fiduciary

Friday, June 03, 2005 ****URGENT****

To all our clients and friends:

On Tuesday, May 31st, the U.S. Department of Labor and the Securities and Exchange Commission published a guide to help pension plan fiduciaries assess third party pension consultants, specifically, regarding potential conflicts of interest ("Selecting and Monitoring Pension Consultants – Tips for Plan Fiduciaries" May, 2005, source: *http://www.dol.gov/ebsa/newsroom/fs053105.html*). We are ecstatic that they have done so and feel action like this has been necessary for some time.

Here are some items we feel everyone should know about this situation:

- Over 1 year ago the SEC sent formal inquiries to 24 pension consulting firms throughout the U.S. asking about how they structure and conduct their businesses
- Focus was on Conflicts of Interests and any other biases that might taint their guidance
- They found an alarming amount of biases including:
    - More than 1/2 received a "significant part of their annual revenue" from money managers and mutual funds (instead of 100% from their clients). This raised a red flag in the SEC eyes given the recommendations some consultants made seemed to indicate that they favored the firms that were paying them.
    - A majority of the firms were affiliated with broker dealers, which raised concern with the SEC about whether clients were paying too much in fees (implying that most fees that go through these channels are hidden or poorly disclosed).
    - There exists an overall lack of disclosure between the consulting firms and their clients regarding these conflicts.

As you will see, they offer 10 poignant questions that all plan sponsors should ask of their consultants. Accordingly, and in a proactive manner, we have answered them and included our responses on the following pages. Frankly, given our focus and business structure (completely conflict free) it was very easy to do so.

We hope you find the article and our responses to be enlightening. If you have any questions, please do not hesitate to contact any of us.

Sincerely,

Sean M. Waters | Karen M. Robinson

Sean M. Waters, CFA, AIF®
President

Karen M. Robinson, CFA
Director of Research

Attachments: "Selecting and Monitoring Pension Consultants – Tips for Plan Fiduciaries" May, 2005
CSCI Responses (following pages)

44 Cook Street, Suite 600, Denver, Colorado 80206 Telephone 303.333.7770 800.318.7770 Fax 303.333.7771

Cook Street Consulting, Inc. Answers to 10 Questions Outlined by the Department of Labor in their release "Selecting and Monitoring Pension Consultants – Tips for Plan Fiduciaries" (May, 2005, *http://www.dol.gov/ebsa/newsroom/fs053105.html*):

1. **Are you registered with the SEC or a state securities regulator as an investment adviser? If so, have you provided me with all the disclosures required under those laws (including Part II of Form ADV)?**

   Yes, Cook Street Consulting, Inc. (CSCI) is an independent RIA registered with the SEC. Our ADV is available online at the SEC's Investment Adviser Public Disclosure Web site. We also make it available to all clients and prospects at anytime.

2. **Do you or a related company have relationships with money managers that you recommend, consider for recommendation, or otherwise mention to the plan? If so, describe those relationships.**

   No. CSCI does not have relationships with any money managers. This fact is stated in all our client agreements along with the fact that we unequivocally do not accept revenues from any sources other than directly from our clients. These facts enable us to remain completely unbiased and objective when making recommendations to clients.

3. **Do you or a related company receive any payments from money managers you recommend, consider for recommendation, or otherwise mention to the plan for our consideration? If so, what is the extent of these payments in relation to your other income (revenue)?**

   No. CSCI does not receive payments from money managers or any other sources. Our sole source of revenues is the fees derived directly from our clients.

4. **Do you have any policies or procedures to address conflicts of interest or to prevent these payments or relationships from being a factor when you provide advice to your clients?**

   We have purposefully structured our firm to avoid all conflicts of interest. As noted above, we do not accept payments from sources other than our clients and do not have any relationships with money managers or other vendors that cause conflicts.

5. **If you allow plans to pay your consulting fees using the plan's brokerage commissions, do you monitor the amount of commissions paid and alert plans when consulting fees have been paid in full? If not, how can a plan make sure it does not over-pay its consulting fees?**

   We do not allow plans to pay our fees with any form of commissions.

6. **If you allow plans to pay your consulting fees using the plan's brokerage commissions, what steps do you take to ensure that the plan receives best execution for its securities trades?**

   Not applicable, see #5 above.

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7. **Do you have any arrangements with broker-dealers under which you or a related company will benefit if money managers place trades for their clients with such broker-dealers?**

   CSCI has no such relationships.

8. **If hired, will you acknowledge in writing that you have a fiduciary obligation as an investment adviser to the plan while providing the consulting services we are seeking?**

   Yes, CSCI acknowledges our co-fiduciary status with all clients. Each client agreement has the following statement:

   > "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 co-fiduciary to the Client as defined in Section 3(21)A of ERISA."

9. **Do you consider yourself a fiduciary under ERISA with respect to the recommendations you provide the plan?**

   Yes, we consider ourselves fiduciaries under ERISA, see #8 above.

10. **What percentage of your plan clients utilize money managers, investment funds, brokerage services or other service providers from whom you receive fees?**

    0%.

U.S. Department of Labor
Employee Benefits Security Administration
May 2005

Selecting and Monitoring Pension Consultants – Tips for Plan Fiduciaries

The Employee Retirement Income Security Act (ERISA) requires that fiduciaries of employee benefit plans administer and manage their plans prudently and in the interest of the plan's participants and beneficiaries. In carrying out these responsibilities, plan fiduciaries often rely heavily on pension consultants and other professionals for help. Findings included in a report by the staff of the U.S. Securities and Exchange Commission released in May 2005, however, raise serious questions concerning whether some pension consultants are fully disclosing potential conflicts of interest that may affect the objectivity of the advice they are providing to their pension plan clients.

Under the Investment Advisers Act of 1940 (Advisers Act), an investment adviser providing consulting services has a fiduciary duty to provide disinterested advice and disclose any material conflicts of interest to their clients. In this context, SEC staff examined the practices of advisers that provide pension consulting services to plan sponsors and trustees. These consulting services included assisting in determining the plan's investment objectives and restrictions, allocating plan assets, selecting money managers, choosing mutual fund options, tracking investment performance, and selecting other service providers. Many of the consultants also offered, directly or through an affiliate or subsidiary, products and services to money managers. Additionally, many of the consultants also offered, directly or through an affiliate or subsidiary, brokerage and money management services, often marketed to plans as a package of "bundled" services. The SEC examination staff concluded in its report that the business alliances among pension consultants and money managers can give rise to serious potential conflicts of interest under the Advisers Act that need to be monitored and disclosed to plan fiduciaries.

To encourage the disclosure and review of more and better information about potential conflicts of interest, the Department of Labor and the SEC have developed the following set of questions to assist plan fiduciaries in evaluating the objectivity of the recommendations provided, or to be provided, by a pension consultant.

1. **Are you registered with the SEC or a state securities regulator as an investment adviser? If so, have you provided me with all the disclosures required under those laws (including Part II of Form ADV)?**

You can check yourself - and view the firm's Form ADV - by searching the SEC's Investment Adviser Public Disclosure Web site. At present, the IAPD database contains Forms ADV only for investment adviser firms that register electronically using the Investment Adviser Registration Depository. In the future, the database will expand to encompass all registered investment advisers-individuals as well as firms-in every state. If you can't locate an investment adviser in IAPD, be sure to contact your state securities regulator or the SEC's Public Reference Branch.

2. **Do you or a related company have relationships with money managers that you recommend, consider for recommendation, or otherwise mention to the plan? If so, describe those relationships.**

   When pension consultants have alliances or financial or other relationships with money managers or other service providers, the potential for material conflicts of interest increases depending on the extent of the relationships. Knowing what relationships, if any, your pension consultant has with money managers may help you assess the objectivity of the advice the consultant provides.

3. **Do you or a related company receive any payments from money managers you recommend, consider for recommendation, or otherwise mention to the plan for our consideration? If so, what is the extent of these payments in relation to your other income (revenue)?**

   Payments from money managers to pension consultants could create material conflicts of interests. You may wish to assess the extent of potential conflicts.

4. **Do you have any policies or procedures to address conflicts of interest or to prevent these payments or relationships from being a factor when you provide advice to your clients?**

   Probing how the consultant addresses these potential conflicts may help you determine whether the consultant is right for your plan.

5. **If you allow plans to pay your consulting fees using the plan's brokerage commissions, do you monitor the amount of commissions paid and alert plans when consulting fees have been paid in full? If not, how can a plan make sure it does not over-pay its consulting fees?**

   You may wish to avoid any payment arrangements that could cause the plan to pay more than it should in pension consultant fees

6. **If you allow plans to pay your consulting fees using the plan's brokerage commissions, what steps do you take to ensure that the plan receives best execution for its securities trades?**

Where and how brokerage orders are executed can impact the overall costs of the transaction, including the price the plan pays for the securities it purchases.

7. **Do you have any arrangements with broker-dealers under which you or a related company will benefit if money managers place trades for their clients with such broker-dealers?**

   As noted above, you may wish to explore the consultant's relationships with other service providers to weigh the extent of any potential conflicts of interest.

8. **If hired, will you acknowledge in writing that you have a fiduciary obligation as an investment adviser to the plan while providing the consulting services we are seeking?**

   All investment advisers (whether registered with the SEC or not) owe their advisory clients a fiduciary duty. Among other things, this means that advisers must disclose to their clients information about material conflicts of interest.

9. **Do you consider yourself a fiduciary under ERISA with respect to the recommendations you provide the plan?**

   If the consultant is a fiduciary under ERISA and receives fees from third parties as a result of their recommendations, a prohibited transaction under ERISA occurs unless the fees are used for the benefit of the plan (e.g., offset against the consulting fees charged the plan) or there is a relevant exemption.

10. **What percentage of your plan clients utilize money managers, investment funds, brokerage services or other service providers from whom you receive fees?**

    The answer may help in evaluating the objectivity of the recommendations or the fiduciary status of the consultant under ERISA.

For more information on the SEC staff's findings, please read Staff Report Concerning Examinations of Select Pension Consultants . Plan trustees, pension consultants, and other service providers can learn about their fiduciary responsibilities under the Employee Retirement Income Security Act (ERISA) by visiting the Web site of the U.S. Department of Labor. Pension consultants who have questions concerning their obligations under the Investment Advisers Act of 1940 should either consult with an attorney who specializes in the federal securities laws or contact the staff of the SEC's Division of Investment Management.

APPENDIX D: CFA CODE OF ETHICS & STANDARDS OF PROFESSIONAL CONDUCT

Code of Ethics and Standards of Professional Conduct

PREAMBLE

The CFA Institute Code of Ethics and Standards of Professional Conduct (Code and Standards) are fundamental to the values of CFA Institute and essential to achieving its mission to lead the investment profession globally by setting high standards of education, integrity, and professional excellence. High ethical standards are critical to maintaining the public's trust in financial markets and in the investment profession. Since their creation in the 1960s, the Code and Standards have promoted the integrity of CFA Institute members and served as a model for measuring the ethics of investment professionals globally, regardless of job function, cultural differences, or local laws and regulations. All CFA Institute members (including holders of the Chartered Financial Analyst® (CFA®) designation) and CFA candidates must abide by the Code and Standards and are encouraged to notify their employer of this responsibility. Violations may result in disciplinary sanctions by CFA Institute. Sanctions can include revocation of membership, candidacy in the CFA Program, and the right to use the CFA designation.

THE CODE OF ETHICS

Members of CFA Institute (including Chartered Financial Analyst® [CFA®] charterholders) and candidates for the CFA designation ("Members and Candidates") must:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.
- Place the integrity of the investment profession and the interests of clients above their own personal interests.
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession.
- Promote the integrity of, and uphold the rules governing, capital markets.
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.

STANDARDS OF PROFESSIONAL CONDUCT

I. PROFESSIONALISM

A. Knowledge of the Law. Members and Candidates must understand and comply with all applicable laws, rules, and regulations (including the CFA Institute Code of Ethics and Standards of Professional Conduct) of any government, regulatory organization, licensing agency, or professional association governing their professional activities. In the event of conflict, Members and Candidates must comply with the more strict law, rule, or regulation. Members and Candidates must not knowingly participate or assist in and must dissociate from any violation of such laws, rules, or regulations.

B. Independence and Objectivity. Members and Candidates must use reasonable care and judgment to achieve and maintain independence and objectivity in their professional activities. Members and Candidates must not offer, solicit, or accept any gift, benefit, compensation, or consideration that reasonably could be expected to compromise their own or another's independence and objectivity.

C. Misrepresentation. Members and Candidates must not knowingly make any misrepresentations relating to investment analysis, recommendations, actions, or other professional activities.

D. Misconduct. Members and Candidates must not engage in any professional conduct involving dishonesty, fraud, or deceit or commit any act that reflects adversely on their professional reputation, integrity, or competence.

II. INTEGRITY OF CAPITAL MARKETS

A. Material Nonpublic Information. Members and Candidates who possess material nonpublic information that could affect the value of an investment must not act or cause others to act on the information.

B. Market Manipulation. Members and Candidates must not engage in practices that distort prices or artificially inflate trading volume with the intent to mislead market participants.

III. DUTIES TO CLIENTS

A. Loyalty, Prudence, and Care. Members and Candidates have a duty of loyalty to their clients and must act with reasonable care and exercise prudent judgment. Members and Candidates must act for the benefit of their clients and place their clients' interests before their employer's or their own interests. In relationships with clients, Members and Candidates must determine applicable fiduciary duty and must comply with such duty to persons and interests to whom it is owed.

B. Fair Dealing. Members and Candidates must deal fairly and objectively with all clients when providing investment analysis, making investment recommendations, taking investment action, or engaging in other professional activities.

C. Suitability.

1. When Members and Candidates are in an advisory relationship with a client, they must:

   a. Make a reasonable inquiry into a client's or prospective clients' investment experience, risk and return objectives, and financial constraints prior to making any investment recommendation or taking investment action and must reassess and update this information regularly.

   b. Determine that an investment is suitable to the client's financial situation and consistent with the client's written objectives, mandates, and constraints before making an investment recommendation or taking investment action.

   c. Judge the suitability of investments in the context of the client's total portfolio.

2. When Members and Candidates are responsible for managing a portfolio to a specific mandate, strategy, or style, they must only make investment recommendations or take investment actions that are consistent with the stated objectives and constraints of the portfolio.

D. Performance Presentation. When communicating investment performance information, Members or Candidates must make reasonable efforts to ensure that it is fair, accurate, and complete.

E. Preservation of Confidentiality. Members and Candidates must keep information about current, former, and prospective clients confidential unless:

1. The information concerns illegal activities on the part of the client or prospective client.
2. Disclosure is required by law.
3. The client or prospective client permits disclosure of the information.

IV. DUTIES TO EMPLOYERS

A. Loyalty. In matters related to their employment, Members and Candidates must act for the benefit of their employer and not deprive their employer of the advantage of their skills and abilities, divulge confidential information, or otherwise cause harm to their employer.

B. Additional Compensation Arrangements. Members and Candidates must not accept gifts, benefits, compensation, or consideration that competes with, or might reasonably be expected to create a conflict of interest with, their employer's interest unless they obtain written consent from all parties involved.

C. Responsibilities of Supervisors. Members and Candidates must make reasonable efforts to detect and prevent violations of applicable laws, rules, regulations, and the Code and Standards by anyone subject to their supervision or authority.

V. INVESTMENT ANALYSIS, RECOMMENDATIONS, AND ACTION

A. Diligence and Reasonable Basis. Members and Candidates must:

1. Exercise diligence, independence, and thoroughness in analyzing investments, making investment recommendations, and taking investment actions.
2. Have a reasonable and adequate basis, supported by appropriate research and investigation, for any investment analysis, recommendation, or action.

B. Communication with Clients and Prospective Clients. Members and Candidates must:

1. Disclose to clients and prospective clients the basic format and general principles of the investment processes used to analyze investments, select securities, and construct portfolios and must promptly disclose any changes that might materially affect those processes.
2. Use reasonable judgment in identifying which factors are important to their investment analyses, recommendations, or actions and include those factors in communications with clients and prospective clients.
3. Distinguish between fact and opinion in the presentation of investment analysis and recommendations.

C. Record Retention. Members and Candidates must develop and maintain appropriate records to support their investment analysis, recommendations, actions, and other investment-related communications with clients and prospective clients.

VI. CONFLICTS OF INTEREST

A. Disclosure of Conflicts. Members and Candidates must make full and fair disclosure of all matters that could reasonably be expected to impair their independence and objectivity or interfere with respective duties to their clients, prospective clients, and employer. Members and Candidates must ensure that such disclosures are prominent, are delivered in plain language, and communicate the relevant information effectively.

B. Priority of Transactions. Investment transactions for clients and employers must have priority over investment transactions in which a Member or Candidate is the beneficial owner.

C. Referral Fees. Members and Candidates must disclose to their employer, clients, and prospective clients, as appropriate, any compensation, consideration, or benefit received from, or paid to, others for the recommendation of products or services.

VII. RESPONSIBILITIES AS A CFA INSTITUTE MEMBER OR CFA CANDIDATE

A. Conduct as Members and Candidates in the CFA Program. Members and Candidates must not engage in any conduct that compromises the reputation or integrity of CFA Institute or the CFA designation or the integrity, validity, or security of the CFA examinations.

B. Reference to CFA Institute, the CFA designation, and the CFA Program. When referring to CFA Institute, CFA Institute membership, the CFA designation, or candidacy in the CFA Program, Members and Candidates must not misrepresent or exaggerate the meaning or implications of membership in CFA Institute, holding the CFA designation, or candidacy in the CFA Program.

APPENDIX E: AIF® PROGRAM OVERVIEW

<u>Accredited Investment Fiduciary®</u>
<u>Program Overview</u>

In order to enhance fiduciary education, CSCI recommends that one Committee member participate in the AIF® program given by the Center for Fiduciary Studies. The AIF® program is a 2-day course designed to provide participants with the knowledge necessary to understand and implement a prudent investment process for investment stewards, advisors, and managers. Instructors from the Center for Fiduciary Studies teach participants the four steps that comprise the prudent process, as well as the Practices and Criteria necessary to fulfill each step. The course culminates with an accreditation exam for those wishing to obtain the AIF designation.

The course instructs Investment Stewards (defined as those people who manage an investment process) on how to fulfill their duties to a standard of care. Divided into four major steps (Organize, Formalize, Implement, and Monitor), the Standard is defined by the twenty-two Practices in the Prudent Practices for Investment Stewards handbook. After completing the course, attendees will understand the legal and regulatory underpinning of each of the Practices and be able to implement the Practices in real-life situations. All of this training function to create a greater understanding of duties among fiduciaries, standardize the investment process, and decrease the instances of negligence in the investment industry.

Upon successful completion of the program, participants will be able to:

- Articulate the definition of a fiduciary and the circumstances that determine when fiduciary responsibility is assumed.
- Identify the legal and regulatory underpinnings of the Prudent Investment Practices for Investment Stewards.
- Articulate the purpose and functions of a Fiduciary Standard for Investment Stewards
- Recognize and understand the Prudent Practices for Money Managers.
- Explain the differences in the investment process across market segments.
- Apply the Prudent Practices for Investment Stewards in real business situations or in case studies involving investment fiduciary obligations.
- Evaluate circumstances that may entail fiduciary obligations to determine whether a fiduciary responsibility does in fact exist and, if so, what Prudent Practices for Investment Stewards would directly apply.
- Identify and access key sources of information that provide substantiation of the Prudent Practices and assistance in applying the Practices.
- Recognize and understand the steps in conducting a Fiduciary Practices Assessment.