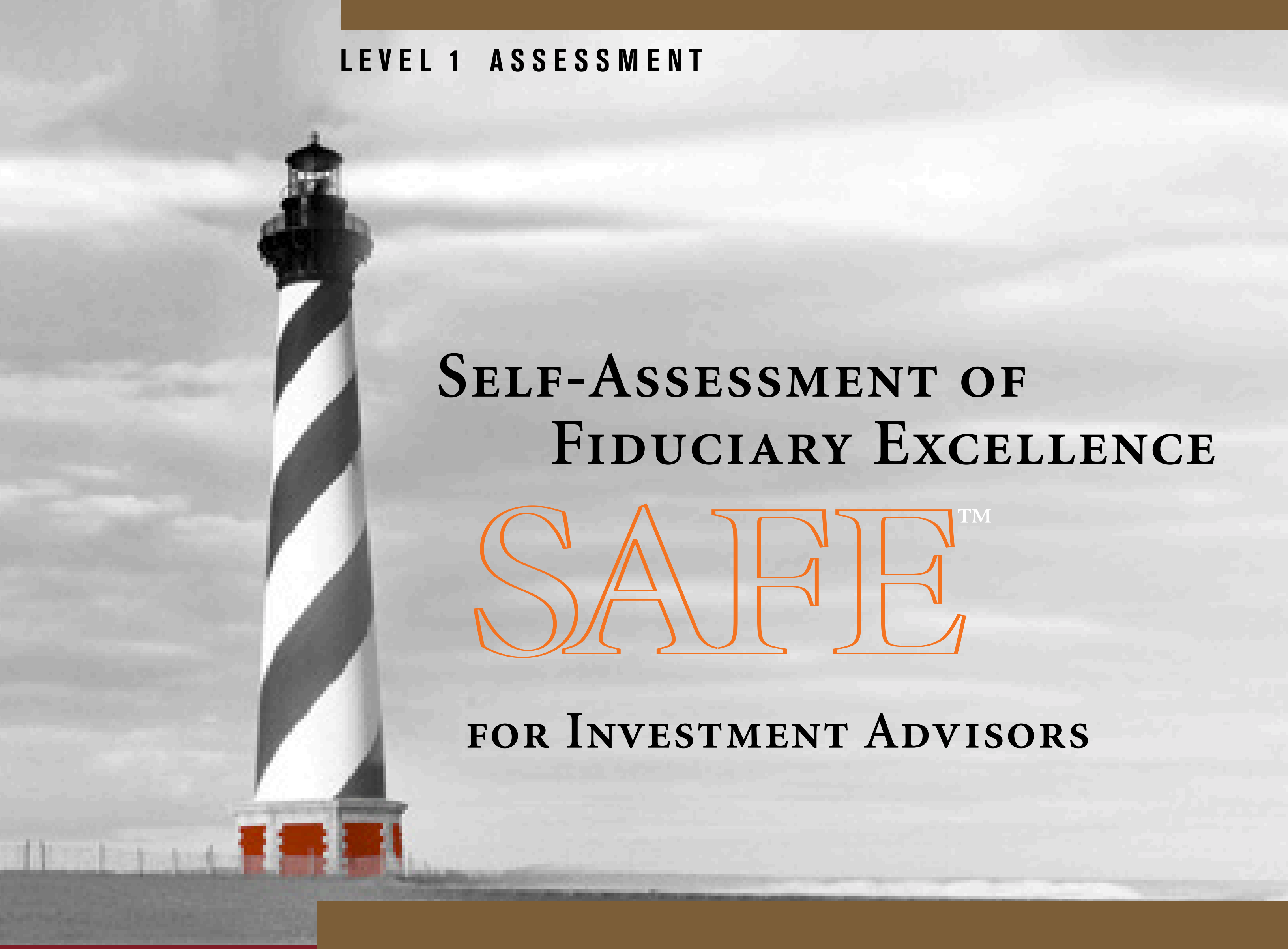
LEVEL 1 ASSESSMENT



Self-Assessment of Fiduciary Excellence

SAFE™

for Investment Advisors

Defining a Global Fiduciary Standard of Excellence for Investment Advisors

Persons who provide comprehensive and continuous investment advice including financial advisors, broker-consultants, investment consultants, wealth managers, financial consultants, trust officers, financial planners, and fiduciary advisers.

U.S. EDITION

Introduction

This Self-Assessment of Fiduciary Excellence (SAFE) is intended to assist an Investment Advisor, or the public, in analyzing how well an Advisor meets a defined Global Fiduciary Standard of Excellence. The questions also can serve as the basis for framing an Investment Advisor's leadership quotient, the standard of care which exceeds minimum standards defined by securities regulators.

Each question is intended to be answered in the affirmative ("Yes"). A careful inquiry should be made into all "No" responses to determine whether:

1. There is an omission or shortfall in the Investment Advisor's procedures; and/or
2. The question is not applicable to the Investment Advisor's practice.

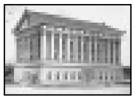
Each of the questions is based on one or more fiduciary practices that have been fully substantiated by legislation, case law, and regulatory opinion letters by the law firm of Reish Luftman Reicher & Cohen.

This SAFE is intended to serve as a Level I Assessment. A Level II Assessment, known as a Consultant's Assessment of Fiduciary Excellence (CAFE), provides a more detailed analysis of the Investment Advisor's practice. A Level III Assessment, or "Certification", is an independent recognition of a fiduciary's conformity to all Practices and Criteria, as defined by the *Prudent Practices* handbooks. It implies that a fiduciary can demonstrate adherence to the industry's best practices, and is positioned to earn the public's trust.

More information can be found in the series of fiduciary handbooks: ***Prudent Practices for Investment Stewards (U.S. Edition), Prudent Practices for Investment Advisors (U.S. Edition), Prudent Practices for Investment Stewards and Investment Advisors (Worldwide Edition), Prudent Practices for Investment Managers (Worldwide Edition), and Legal Memorandums.***

For more information or to obtain copies of the handbooks go to www.fi360.com or call 1-866-390-5080.

To find an investment advisor in your area who is familiar with the fiduciary practices referenced in this SAFE, go to www.fi360.com and look for the AIF®/AIFA® designee search icon:



Center for Fiduciary Studies

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The number referenced after each question represents the corresponding Criteria in the *Prudent Practices for Investment Advisors* handbook.

1 Are the fiduciary Practices and Procedures defined in the Prudent Practices for Investment Advisors handbook being applied? *(1.1.1)*

2 Are investments managed in accordance with all applicable laws? *(1.2.1)*

3 Are investments managed in accordance with client trust documents? *(1.2.2)*

4 Are investments managed in accordance with each client's written Investment Policy Statement (IPS)? *(1.2.3)*

5 Are documents pertaining to the investment management process filed in a centralized location? *(1.2.4)*

6 Are the roles and responsibilities of all parties documented in the IPS? *(1.3.1)*

7 Have all parties demonstrated an awareness of their duties and responsibilities? *(1.3.2)*

8 Have all parties acknowledged their fiduciary status in writing? *(1.3.3)*

9 Does the investment committee have and follow by-laws? *(1.3.4)*

10 Are policies and procedures defined? Are designated senior staff members tasked with the responsibility of overseeing and managing potential conflicts of interests? *(1.4.1)*

11 Do all employees annually acknowledge the organization's ethics policies and agree to disclose any potential conflicts of interest? *(1.4.2)*

12 Are agreements and contracts periodically reviewed to ensure consistency with the needs of the client? *(1.5.1)*

13 Are agreements and contracts periodically reviewed by legal counsel? *(1.5.2)*

14 Is consideration given to putting vendor contracts back out for bid every three years? *(1.5.3)*

15 Are assets within the purview of the relevant judicial system? *(1.6.1)*

16 Do ERISA plans have the required surety bond? *(1.6.2)*

17 Are the sources, timing, distribution, and uses of each client's cash flows documented for the coming five years? *(2.1.1)*

18 In the case of a defined benefit retirement plan client, has the appropriate asset/liability study been factored into the time horizon? *(2.1.2)*

19 In the case of a foundation or endowment, has the receipt and disbursement of gifts and grants been factored into the time horizon? *(2.1.3)*

20 In the case of a retail investor, has the appropriate needs-based analysis been factored into the time horizon? *(2.1.4)*

21 Are sufficient liquid assets maintained for contingency plans? *(2.1.5)*

22 Is the level of risk the client's portfolio is exposed to understood? Are the quantitative and qualitative factors that were considered documented? *(2.2.1)*

23 Has the "worst-case" scenario been considered? Has it been determined that the portfolio has sufficient liquidity to meet short-term (less than five years) obligations? *(2.2.2)*

24 Is the "expected" or "modeled" return for each client consistent with the client's investment goals and objectives? *(2.3.1)*

25 Are the "expected" or "modeled" return assumptions for each asset class based on reasonable risk-premium assumptions? *(2.3.2)*

26 For defined benefit plans, are the expected return values being used for actuarial calculations reasonable? *(2.3.3)*

27 Are assets appropriately diversified to conform to each client's specified time horizon and risk/return profile? *(2.4.1)*

28 For participant directed plans, do selected asset classes provide each participant the ability to diversify their portfolio appropriately given their time horizon and risk/return profile? *(2.4.2)*

29 Are the methodology and tools used to establish appropriate portfolio diversification for each client effective and consistently applied? *(2.4.3)*

30 Does the Advisor have the time, inclination, and knowledge to effectively implement and monitor all selected asset classes for each client? *(2.5.1)*

31 Are the process and tools used to implement and monitor investments in the selected asset classes effective? *(2.5.2)*

32 Has consideration been given of the ability to access suitable investment products within all selected asset classes? *(2.5.3)*

33 Does each client's IPS define the duties and responsibilities of all parties involved? *(2.6.1)*

34 Does each client's IPS define diversification and rebalancing guidelines consistent with specified risk, return, time horizon, and cash flow parameters? *(2.6.2)*

35 Does each client's IPS define the due diligence criteria for selecting investment options? *(2.6.3)*

36 Does each client's IPS define the monitoring criteria for investment options and service vendors? *(2.6.4)*

37 Does each client's IPS define procedures for controlling and accounting for investment expenses? *(2.6.5)*

38 Have each client's goals and objectives been evaluated to determine whether socially responsible investing is appropriate and/or desirable? *(2.7.1)*

39 If a client has elected to implement a socially responsible investment strategy, is the client's IPS appropriately structured, implemented, and monitored? *(2.7.2)*

40 Is there a due diligence procedure for selecting investment options? *(3.1.1)*

41 Is the due diligence process consistently applied? *(3.1.2)*

42 Do Investment Steward-directed investment decisions comply with applicable "safe harbor" requirements? *(3.2.1)*

43 Do participant-directed plans comply with applicable 404(c) "safe harbor" requirements? *(3.2.2)*

44 Do participant-directed plans comply with applicable fiduciary adviser "safe harbor" requirements (when participants are provided specific investment advice)? *(3.2.3)*

45 Do participant-directed plans comply with requirements for "qualified default investment alternatives" (when participants provide no investment direction)? *(3.2.4)*

46 Are decisions regarding passive and active investment strategies documented and appropriately implemented? *(3.3.1)*

47 Are decisions regarding the use of separately managed and commingled accounts, such as mutual funds and unit trusts, documented and appropriately implemented? *(3.3.2)*

48 Are regulated investment options selected over unregulated options when comparable risk and return characteristics are projected? *(3.3.3)*

49 Are investment options that are covered by readily available data sources selected over similar alternatives for which limited coverage is available? *(3.3.4)*

50 In the case of wrap or sub-accounts, is the portfolio's return comparable to the returns received by institutional clients in the same investment strategy? *(3.3.5)*

51 Is a documented due diligence process applied to select service providers? *(3.4.1)*

52 Does each custodian have appropriate and adequate insurance to cover each client's portfolio amount? *(3.4.2)*

53 Are appropriate sweep money market funds selected? *(3.4.3)*

54 Has an inquiry been made as to whether each custodian can provide performance reports and year-end tax statements? *(3.4.4)*

55 Is the performance of each investment option periodically compared against an appropriate index, peer group, and due diligence procedures defined in each client's IPS? *(4.1.1)*

56 Is the information that is provided in performance reports relevant to each client's circumstances? *(4.1.2)*

57 Are "watch list" procedures followed for under-performing investment options? *(4.1.3)*

58 Are rebalancing procedures followed? *(4.1.4)*

59 Are periodic evaluations of the qualitative factors which may impact selected money managers periodically evaluated? *(4.2.1)*

60 Is unsatisfactory news regarding an Investment Manager documented and appropriately acted upon in a timely manner? *(4.2.2)*

61 Are control procedures in place to periodically review each separate account manager's policies for best execution? *(4.3.1)*

62 Are control procedures in place to periodically review each separate account manager's policies for "soft dollars"? *(4.3.2)*

63 Are control procedures in place to periodically review each separate account manager's policies for proxy voting? *(4.3.3)*

64 Has a summary of all parties being compensated from each client's portfolio been documented? Are the fees reasonable given the level of services rendered? *(4.4.1)*

65 Are the fees paid to each party periodically examined to determine whether they are consistent with service agreements? *(4.4.2)*

66 Are the fees being paid for various services periodically compared to industry benchmarks? *(4.4.3)*

67 Have all parties compensated from portfolio assets, along with the amount (or schedule) of their compensation, been identified? *(4.5.1)*

68 Has compensation paid from portfolio assets been determined to be fair and reasonable for the services rendered? *(4.5.2)*

69 Is operational effectiveness periodically reviewed to foster continued improvement? *(4.6.1)*

70 Are assessments conducted at planned intervals to determine whether

(a) appropriate policies and procedures are in place to address all fiduciary obligations, and

(b) such policies and procedures are effectively implemented and maintained

(c) the IPS is up-to-date? *(4.6.2)*

71 Are assessments conducted in a manner that ensures objectivity and impartiality? *(4.6.3)*

The Periodic Table of Global Fiduciary Practices

Practice M-1.1 Senior management demonstrates expertise in their field, and there is a clear succession plan in place.	**Practice M-1.2** There are clear lines of authority and accountability, and the mission, operations, and resources operate in a coherent manner.		
Practice M-1.3 The organization has the capacity to service its client base.	**Practice M-1.4** Administrative operations are structured to provide accurate and timely support services and are conducted in an independent manner.	**Practice SA-1.1** Investments are managed in accordance with applicable laws, trust documents, and written investment policy statements (IPS).	**Practice SA-1.2** The roles and responsibilities of all involved parties (fiduciaries and non-fiduciaries) are defined, documented, and acknowledged.
Practice M-1.5 Information systems and technology are sufficient to support administration, trading, and risk management needs.	**Practice M-1.6** The organization has developed programs to attract, retain, and motivate key employees.	**Practice SA-1.3** Fiduciaries and parties in interest are not involved in self-dealing.	**Practice SA-1.4** Service agreements and contracts are in writing, and do not contain provisions that conflict with fiduciary standards of care.
	Practice M-1.7 There is a formal structure supporting effective compliance.	**Practice SA-1.5** Assets are within the jurisdiction of courts, and are protected from theft and embezzlement.	1 **ORGANIZE**

Practice M-4.1 There is a defined process for the attribution and reporting of costs, performance, and risk.	**Practice M-4.2** All aspects of the investment system are monitored and are consistent with assigned mandates.	**Practice SA-4.1** Periodic reports compare investment performance against appropriate index, peer group, and IPS objectives.	4 **MONITOR**
Practice M-4.3 Control procedures are in place to periodically review policies for best execution, "soft dollars," and proxy voting.	**Practice M-4.4** There is a process to periodically review the organization's effectiveness in meeting its fiduciary responsibilities.	**Practice SA-4.2** Periodic reviews are made of qualitative and/or organizational changes of investment decision-makers.	**Practice SA-4.3** Control procedures are in place to periodically review policies for best execution, "soft dollars," and proxy voting.
		Practice SA-4.4 Fees for investment management are consistent with agreements and with all applicable laws.	**Practice SA-4.5** "Finder's fees" or other forms of compensation that may have been paid for asset placement are appropriately applied, utilized, and documented.
			Practice SA-4.6 There is a process to periodically review the organization's effectiveness in meeting its fiduciary responsibilities.

Practice SA-2.1 An investment time horizon has been identified.	**Practice SA-2.2** A risk level has been identified.	**Practice M-2.1** The organization provides disclosures which demonstrate there are adequate resources to sustain operations.	**Practice M-2.2** The organization has a defined business strategy which supports their competitive positioning.
Practice SA-2.3 An expected, modeled return to meet investment objectives has been identified.	**Practice SA-2.4** Selected asset classes are consistent with the identified risk, return, and time horizon.	**Practice M-2.3** There is an effective process for allocating and managing both internal and external resources and vendors.	**Practice M-2.4** There are effective and appropriate external management controls.
Practice SA-2.5 Selected asset classes are consistent with implementation and monitoring constraints.	**Practice SA-2.6** There is an IPS which contains the detail to define, implement, and manage a specific investment strategy.	**Practice M-2.5** The organization has a defined process to control its flow of funds and asset variation.	**Practice M-2.6** Remuneration of the company and compensation of key decision-makers is aligned with client interests.
2 FORMALIZE	**Practice SA-2.7** The IPS defines appropriately structured socially responsible investment (SRI) strategies (where applicable).	**Practice M-2.7** The organization has responsible and ethical reporting, marketing, and sales practices.	**Practice M-2.8** There is an effective risk-management process to evaluate both the organization's business and investment risk.

3 IMPLEMENT	**Practice SA-3.1** The investment strategy is implemented in compliance with the required level of prudence.	**Practice M-3.1** The asset management team operates in a sustainable, balanced, and cohesive manner.	**Practice M-3.2** The investment system is defined, focused, and consistently adds value.
Practice SA-3.2 Applicable "safe harbor" provisions are followed (when elected).	**Practice SA-3.3** Investment vehicles are appropriate for the portfolio size.	**Practice M-3.3** The investment research process is defined, focused, and documented.	**Practice M-3.4** The portfolio management process for each distinct strategy is clearly defined, focused, and documented.
Practice SA-3.4 A due diligence process is followed in selecting service providers, including the custodian.		**Practice M-3.5** The trade execution process is defined, focused, and documented.	

LEGEND:

Practices in gold that begin with an "SA" define a fiduciary standard of excellence for Investment Stewards and Investment Advisors.

Practices in red that begin with an "M" define a fiduciary standard of excellence for Investment Managers.

"SA" Practices highlighted are best reviewed in conjunction with Investment Managers Practices.

"Society depends upon professionals to provide reliable fixed standards in situations where the facts are murky or the temptations too strong. Their principal contribution is an ability to bring sound judgment to bear on these situations. They represent the best a particular community is able to muster in response to new challenges."

–Dr. Robert Kennedy

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