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Associated Students of the University of Hawaii

15 MAR -3 11:00

March 2, 2015

MEMORANDUM

TO: Randolph G. Moore
Chairperson, Board of Regents

Jan Sullivan
Chairperson, BOR Committee on Budget and Finance

Barry Mizuno
Vice Chairperson, BOR Committee on Budget and Finance

VIA: David Lassner
President

VIA: Kalbert Young
Vice President for Budget and Finance / Chief Financial Officer

VIA: Robert Bley-Vroman
Interim Chancellor

VIA: Lori Ideta
Interim Vice Chancellor for Students

FROM: Stephen Nishihara
President, Associated Students of the University of Hawai'i at Mānoa

Krista Ann Lee
Chairperson, Committee on Investments & Long Range Planning
Associated Students of the University of Hawai'i at Mānoa

SUBJECT: CHANGE IN INVESTMENT CONSULTANT/
FINANCIAL ADVISOR FOR THE ASUH STADIUM STOCK FUND

SPECIFIC ACTION REQUESTED:

UNIVERSITY OF HAWAII
BOARD OF REGENTS
15 FEB 31 AM 12:4

It is requested that the Board of Regents approve the request to change the Investment Consultant/Financial Advisor for the ASUH Stadium Stock Fund from Merrill Lynch to Graystone Consulting.

This request is in response to notification from the current Investment Consultant/Financial Advisor, Merrill Lynch, that its company will no longer be available to provide wealth management services to public entities.

RECOMMENDED EFFECTIVE DATE:

Upon approval of the Board of Regents.

ADDITIONAL COST:

There are no additional costs related to this proposal.

PURPOSE:

The purpose of this request is to address the time-sensitive need for ASUH to employ an Investment Consultant/Financial Advisor to assist with the management of the ASUH Stadium Stock Fund. ASUH highly values having an Investment Consultant/Financial Advisor to assist the organization with the management of its investments. The health of the fund is very important to ASUH since each year up to 5% of the value is used to provide programs and services, including scholarships, graduate test preparation, and research awards for students. In addition, BOR Policy 8.207E.b. requires ASUH to have an Investment Consultant/Financial Advisor.

BACKGROUND INFORMATION

The ASUH Stadium Stock Fund represents proceeds from the sale of 1,481 shares in the old Honolulu Stadium that the ASUH acquired during the period 1936 through 1944. Of the total 1,481 shares acquired, 1,089 shares were purchased by ASUH, 260 were gifts from James Cockburn, George I. Brown, Otto Klum, J. Waterhouse, the Von Holts, Alice and J.P. Cooke, Charles Reed Hemenway, and R.P. Borthwick; and 132 were stock dividends.

Prior to the sale, ASUH and the University administration were engaged in determining ASUH's legal ownership of, and its authority over the disposal of said stocks. Attorney General (AG) Opinion 60-126, dated December 8, 1960, concluded that ASUH is an "unincorporated association acting independently of the Regents, under the powers granted by the Regents" and therefore, the disposal of the stadium stock held by ASUH should "be decided on by the ASUH Senate." Four years later on December 4, 1964, AG Opinion 64-56 was issued indicating that the ASUH was "free to sell the stock of Honolulu Stadium, Limited, which it holds if the proper officers thereof, in the exercise of sound fiduciary judgment, determine that such disposition is in the best interest of the ASUH." After the stocks were liquidated and distributed, a check was issued in the name of the "Associated Students of the University of Hawaii" dated October 1, 1976 for the amount of \$839,258.77. For the next two years, 1976-77 and 1977-78, ASUH and the University administration worked out interim procedures allowing ASUH use of capital receipts from the purchased shares. By January 1979, agreement on more permanent protocols for the use of the capital receipts was reached between the BOR and ASUH and

is embodied as BORP 8.211 (Resolution on Use of New Income, Principal, and Investment of ASUH-Mānoa Stadium Stock Fund). Finally, by June 1979, the Board adopted a new policy related to the ASUH Stadium Stock and Investment Policy Objectives & Guidelines.

The ASUH Stadium Stock Fund investment policy, BORP Section 8.207E, was revised in its content by the BOR on July 22, 1983. Recognizing its longstanding responsibility to ensure that the overall ASUH Stadium Stock Fund should be managed in a well-diversified manner to avoid significant impairment of capital, ASUH sought to update the investment policy and the current policy was revised in content by the BOR at its regular meeting on April 12, 2012.

Following BOR approval on May 21, 1999, Merrill Lynch was appointed as the Third-Party Monitor to assist ASUH with the management of the ASUH Stadium Stock Fund. The change of BOR policy on April 12, 2012 renamed the Third-Party Monitor to the Investment Consultant/Financial Advisor. From June 1999 through December 2012, ASUH worked with Merrill Lynch's Saracco Hochuli Group of advisors in this capacity. In late December 2012, Merrill Lynch initiated a change in the Investment Consultant/Financial Advisors assigned to work with ASUH's investments. This was due to new industry standards and certifications required for advisors providing wealth management services to public entities. Beginning January 2013, ASUH has worked with Merrill Lynch's Taniguchi Tanabe Group of advisors. Mr. Kirk Taniguchi and Mr. Keith Tanabe were assigned to work with ASUH because they hold the required certifications to provide wealth management services to public entities. After working with this change in advisors for 18 months, Merrill Lynch made a corporate-wide decision to completely withdraw from providing wealth management services to public entities. Since receiving formal written notification in August 2014 of this decision, the ASUH Committee on Investments and Long Range Planning (ASUH-ILRP) has been working to find a new Investment Consultant/Financial Advisor.

During the fall semester of 2014, ASUH-ILRP received assistance from former UH Vice President for Budget and Finance / Chief Financial Officer, Howard Todo, to put together a draft of an Invitation to Submit Proposal (ISP) to Provide Financial Management Services for the ASUH Stadium Stock Fund as well as a list of companies to invite to submit proposals. In late December 2014, ASUH-ILRP received assistance from Mr. Duff Zwald, Director, UH Office of Procurement and Real Property Management, to review the draft ISP before sending it to prospective companies. The ASUH-ILRP received proposals in mid-January 2015 from Bank of Hawaii Investment Services, Graystone Consulting, Stifel Consulting, and UBS Institutional Consulting.

To ensure adequate professional and financial expertise was involved with the process of reviewing the proposals, ASUH-ILRP solicited input from Ms. Susan Lin, Director, UH Financial Management Office, Mr. Wendall Ho, UH Treasury Officer, and Mr. Eddie Robles, Director, UHM Student Life Business Services Unit (in the Office of Student Life & Development), in addition to its Merrill Lynch advisors and its UHM faculty advisor.

After careful review of the proposals, the ASUH-ILRP conducted interviews during the week of February 16, 2015. ASUH-ILRP was impressed with a couple of firms. However, Graystone Consulting stood out for a number of reasons including, but not limited to providing 20 analysts (highest number), offering the lowest fee of 0.25%, offered a non-discretionary role than discretionary which is what ASUH prefers, and was convincing in the interview about the level of experience working with students and approaching investing in an education manner similar to the manner in which the current advisors provide to ASUH-ILRP.

ACTION RECOMMENDED:

It is recommended that the Board of Regents approve the request to change the Investment Consultant/Financial Advisor for the ASUH Stadium Stock Fund from Merrill Lynch to Graystone Consulting.

Attachments:

Proposal-Graystone Consulting

c: Cynthia Quinn
Executive Administrator and Secretary of the Board

*A Division of Morgan Stanley
Smith Barney*

Graystone Consulting Hawaii
733 Bishop Street
Suite 2800
Honolulu, HI 96813
direct 808 525 6900
fax 808 556 0793
toll free 800 465 4071

**Graystone
ConsultingSM**

January 15, 2015

Ms. Krista Ann Lee
Chairperson, Committee on Investments
Associated Students of the University of Hawai'i at Mānoa
2465 Campus Road, CC211A
Honolulu, HI 96822

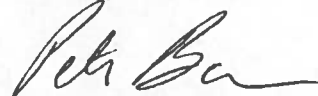
Dear Ms. Lee:

Thank you for the opportunity to submit a proposal for the University of Hawaii ASUH Stadium Fund. We have long supported the concept of the outsourced Chief Investment Officer for organizations such as yours and look forward to reviewing our capabilities in this area in greater detail. Specifically, we are committed to:

- 1) Acting as a fiduciary, taking full discretion of the day-to-day management of the endowment funds, always acting in the best interests of the ASUH Stadium Stock Fund.
- 2) Providing un-biased advice, including asset allocation, manager search and selection, and manager oversight.
- 3) Providing monthly and quarterly performance analysis via local and national reports.
- 4) Attending and reporting at quarterly meetings.
- 5) Providing these services utilizing an innovative fee schedule while aligning our revenue with improved investment performance. Our fees increase only if the portfolio grows over time.

Should you have any questions or require additional information, please do not hesitate to call. Our Graystone Hawaii team along with our entire Hawaii based staff of 120+ employees are excited at the opportunity to continue to serve this most important educational mission.

Sincerely,



Peter Backus, CFA
Senior Vice President
Institutional Consulting Director

Peter Backus, CFA*
Senior Vice President
Institutional Consulting Director
Family Wealth Director
tel 808 525 6064
peter.backus@morganstanleygraystone.com

Davin L. Kubo, CIMA*, CRPS*
Senior Vice President
Senior Institutional Consultant
Corporate Retirement Director
tel 808 525 6905
davin.l.kubo@morganstanleygraystone.com

Graystone
Consulting™

A business of Morgan Stanley



THE ASSOCIATED STUDENTS OF THE UNIVERSITY OF HAWAII AT MĀNOA

ASUH Stadium Stock Fund Proposal for Investment Consultant

January 2014

Graystone Consulting, is a business of Morgan Stanley

Graystone Consulting – Hawaii

733 Bishop Street, Suite 2800 | Honolulu, HI | 96813

Tel 808.525.6905 | toll-free 800.465.4071 | fax 808.356.0793

"In the products and services we offer, unless otherwise set forth in a signed agreement, neither Morgan Stanley Smith Barney nor any of its associated persons is acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice or solicitations within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act." Investments and services offered through Morgan Stanley; Member SIPC.

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Response to Specific RFP Questions

1. Firm Information

A. Provide the name of your organization / firm's name.

The name of our organization is Graystone Consulting, a business of Morgan Stanley Smith Barney LLC.

Prior to June 2009, Graystone Consulting was known as Citi Institutional Consulting.

B. Provide a brief description of your consulting division.

Graystone Consulting is a business of Morgan Stanley, which provides investment consulting and investment management services to institutional clients. Our sister organization, the Consulting Group, also a business of Morgan Stanley, was founded in 1973. Graystone Consulting was originally founded in 2006 and its membership was derived from select Senior Institutional Consultants within Smith Barney.

Graystone Consulting provides a complete range of investment consulting services to clients including foundations and endowments, corporate retirement plans, Taft-Hartley funds, health care organizations, state and local governments and family offices. Investment solutions are delivered by experienced Graystone Consultants, who are backed by the global resources of its parent firms. The result: clients empowered to make informed investment decisions that can help meet their investment objectives.

Graystone Consulting's clients are serviced by more than 40 consulting teams who are responsible for their individual client relationships.

C. Provide a brief description of your parent firm.

Since 1997, Morgan Stanley has combined the skills and resources of two powerful organizations: Morgan Stanley, established in New York in 1933, and Dean Witter, established in 1924 in San Francisco. Their distinguished pedigrees encompass a record of historic firsts: in national and international expansion, in the use of technology, and in the development of new financial tools and techniques that have redefined the meaning of financial services for individual, institutional and investment banking clients. In 2009, Morgan Stanley combined its Global Wealth Management business with Citigroup's Smith Barney division to form Morgan Stanley LLC. Morgan Stanley completed the purchase of the joint venture, known as Morgan Stanley Smith Barney, in June 2013.

D. Describe your firm's history and ownership structure.

Graystone Consulting's creation was part of a joint venture between Morgan Stanley and Citigroup Inc. Prior to June 28, 2013, Morgan Stanley Smith Barney, LLC was owned by a joint venture company which was indirectly owned 65% by Morgan Stanley ("Morgan Stanley Parent") and 35% by Citigroup Inc. ("Citi"). On June 28, 2013 Morgan Stanley Parent purchased Citi's 35% interest in Morgan Stanley Smith Barney, LLC. Accordingly, Morgan Stanley Smith Barney, LLC is now a wholly owned indirect subsidiary of Morgan Stanley Parent.

Originally founded in 1935, Morgan Stanley is a global financial services firm that, through its subsidiaries and affiliates, provides its products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals. Morgan Stanley was incorporated under the laws of the State of Delaware in 1981. Morgan Stanley is a financial holding company regulated by the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956, as amended. Morgan Stanley conducts its business from its headquarters in and around New York City, its regional offices and branches throughout the U.S. and its principal offices in London, Tokyo, Hong Kong and other world financial centers. At December 31, 2011, Morgan Stanley had over 61,899 employees located in more than 1,200 offices in 36 countries.

E. Is your firm, its parent or affiliate a broker/dealer?

Yes. Morgan Stanley Smith Barney LLC., one of the world's premier financial services firms is a registered investment advisor and broker-dealer that is registered with the Securities and Exchange Commission.

F. Describe the firm's commitment to expenditures on its consulting division.

Although Morgan Stanley Smith Barney, LLC was formed in June of 2009, its creation represented the combination of two premier consulting firms who have been industry consulting leaders dating back to 1973. Morgan Stanley Smith Barney, LLC's parent companies have committed considerable financial resources in years past to the development and enhancement of Morgan Stanley Smith Barney, LLC and Graystone's consulting businesses. Future expenditures will be consistent with continuing to providing the high-quality advisory analysis we are known for, as well as full consulting services to our clients. It is our goal to be on the forefront of the industry, and we will assess our needs going forward and do whatever is reasonably necessary in pursuit of this objective.

G. Do you work through or are you related to any custodian banks or trust companies? If so, list all and explain all relationships.

Graystone Consulting is agnostic to where our clients custody their investments. Clients may custody assets with our firm at no additional cost. We provide basic custody services, including online account access, trade reconciliation and banking and wiring.

When assets are held at an outside custodian, we work directly with the custodian on the disposition of all funds. In addition, we enable our clients' managers to trade through a dedicated Morgan Stanley Smith Barney, LLC ("Morgan Stanley") equity desk on a zero-cents per share, best-execution basis, so that all trades may settle wherever custody resides. If desired, your financial advisor can provide you with additional information about how we obtain portfolio information from outside custodians when assets are held away from Morgan Stanley.

In the latter half of 2008, one of our former parent companies, Citigroup, sold the Citigroup Institutional Trust Company (CITC) to a third party in a deal that created First State Trust Company. While First State Trust Company continues to service some Morgan Stanley's clients

who utilized CITC's custodial services before the sale, Morgan Stanley itself does not currently own a custodian bank or trust company.

H. Is your firm a registered investment advisor with the SEC under the Investment Advisors Act of 1940?

Yes, Graystone Consulting is a business of Morgan Stanley Smith Barney LLC, a registered investment advisor with the Securities and Exchange Commission (SEC) pursuant to the Investment Advisor Act of 1940 (SEC file number: 801-70103).

I. Describe any significant changes within the organizational structure of the firm over the last five years (to include ownership changes, reorganizations, and restructurings).

In June 2009, Morgan Stanley (NYSE: MS) and Citi (NYSE: C) finalized the creation of a joint venture between Morgan Stanley's Global Wealth Management Group and the Smith Barney and Citi Institutional Consulting businesses of Citigroup Global Markets, Inc. Prior to June 28, 2013, Morgan Stanley Smith Barney, LLC was owned by a joint venture company which was indirectly owned 65% by Morgan Stanley ("Morgan Stanley Parent") and 35% by Citigroup Inc. ("Citi"). On June 28, 2013 Morgan Stanley Parent purchased Citi's 35% interest in Morgan Stanley Smith Barney, LLC. Accordingly, Morgan Stanley Smith Barney, LLC is now a wholly owned indirect subsidiary of Morgan Stanley Parent.

We are focused on client service and solutions. We anticipate continuing to add highly qualified individuals to headquarters staff as needed to service institutional consulting client growth. Similarly, we are committed to enhancing our platform with the technology needed to service our clients and the institutional consulting business.

J. Describe any anticipated changes within your firm over the next 12 to 18 months.

None anticipated.

K. Please provide a copy of Part I and Part II of the most recently filed Form ADV and attach as Exhibit 1.

The Morgan Stanley Graystone Form ADV is included as Exhibit 1.

L. Provide an organizational chart detailing the organizational structure as it relates to subsidiaries, affiliates, joint ventures, or sub-advisory relationships and attach as Exhibit 2.

An organizational chart is included as Exhibit 2.

2. Personnel

A. Please list each member of the proposed consulting team. In addition, please provide the following information:

a. Direct telephone number

Peter Backus: (808) 525-6064

Davin Kubo: (808) 525-6905

b. Office location

Morgan Stanley

733 Bishop Street, Suite 2800

Honolulu, HI 96813

c. E-mail address

Peter.Backus@msggraystone.com

Davin.L.Kubo@msggraystone.com

d. Descriptive role (i.e. lead, backup, etc.)

Peter Backus and Davin Kubo will act as co-lead consultants.

e. Tenure at the firm

Peter Backus and Davin Kubo both joined Morgan Stanley in 2008. Both individuals worked previously at Smith Barney, Mr. Backus since 1991 and Mr. Kubo since 2001. Smith Barney entered into a joint venture and was subsequently acquired by Morgan Stanley.

f. Professional background

Peter Backus, CFA is a Senior Vice President and Institutional Consulting Director for Graystone Consulting, a business of Morgan Stanley. Prior to joining Morgan Stanley in 2008, he led an institutional consulting team at Smith Barney for 18 years. Mr. Backus is a Chartered Financial Analyst holder, a designation awarded by the CFA Institute. In addition, Mr. Backus has the unique experience of previously working as a portfolio manager at various money management firms. This experience adds to his depth of consulting and evaluation of money managers. Mr. Backus is currently the primary consultant for many organizations in the State of Hawaii including corporate pension assets, Taft-Hartley programs, non-profits, foundations and endowments which totals over \$1 billion in assets. Mr. Backus graduated with a degree in Finance from the University of Hawaii.

Davin Kubo, CIMA, CRPS is a Senior Vice President and Senior Institutional Consultant for Graystone Consulting, a business of Morgan Stanley. Prior to joining Morgan Stanley in 2008, he was part of an institutional consulting team at Smith Barney for 8 years. Mr. Kubo is a Certified Investment Management Analyst, awarded by the Investment Management Consultants Association and Certified Retirement Planning Specialist, awarded by the College for Financial

Planning. In addition, Mr. Kubo has the unique experience of previously working as a portfolio manager at a local Trust company. This experience adds to his depth of consulting and evaluation of money managers. Mr. Kubo is a primary consultant for Taft-Hartley programs, non-profits, foundations, and endowments throughout Hawaii. Mr. Kubo graduated with a degree in Economics from the University of Hawaii.

g. Current client load

Our team collectively works on approximately 50 institutional relationships, which range from \$2 million to \$350 million in assets. We have not specified a limit in the number of accounts for our team but base the capacity on our ability to deliver our consulting services.

h. Number of years as a consultant

Peter Backus and Davin Kubo have 25 years and 15 years of experience as institutional consultants, respectively.

B. Provide an organizational chart of your firm that includes names, titles and functions of personnel (i.e. Consultants, Analysts). Please make the persons assigned to the ASUH account clearly distinguishable from other personnel and attach as Exhibit 3.

An organizational chart of Graystone Hawai'i is included as Exhibit 3.

C. How many analysts employed by your organization are responsible solely for investment manager research?

Global Investment Manager Analysis currently has over 20 professionals responsible for conducting initial and ongoing due diligence and publishing relevant analysis reports on the strategies that are available in the Consulting Group investment advisory programs.

D. Do the consultants in your firm specialize by clientele or asset type? If so, please describe.

Graystone Consulting Hawai'i specializes in various organizations in Hawai'i, including non-profits, educational organizations, endowment funds, religious entities, and corporations.

E. Please describe the consulting staff compensation and incentive structure within your firm.

Graystone Consulting Team

Client satisfaction and the success/compensation of each regional Graystone Consulting team are directly related. Each Graystone Consulting regional team is responsible for the generation of revenue to support the servicing of their respective client base and compensation of their professionals.

Professional Staff

Our professional staff is compensated by means of salary and incentive compensation, which is subjectively determined based on each analyst's performance. If business conditions permit, and depending on Morgan Stanley's performance, the employee's business-unit performance and the performance of the individual, employees may receive a bonus. The decision of whether to pay or not pay a bonus (and if to pay, how much), is at the sole discretion of management. The firm reserves the right to pay all or part of bonuses in a form other than cash including, for example, a contingent, deferred or restricted stock award(s) and/or stock options. The amount of the bonus, if one is granted, shall be determined by management based upon a collective assessment of an employee's performance, the performance of the business group, the performance of the division and the performance of the parent organizations.

Investment Advisor Manager Analysts

Our Global Investment Manager Analysts are compensated by means of salary and incentive compensation, which is subjectively determined based on each analyst's performance. The value of total incentive compensation is a function of the overall operating health of the investment consulting division and the Firm at large. Global Investment Manager Analysis Analyst compensation is not directly linked to asset gathering, securities trading, investment banking revenues or any measure of business condition related to investment managers.

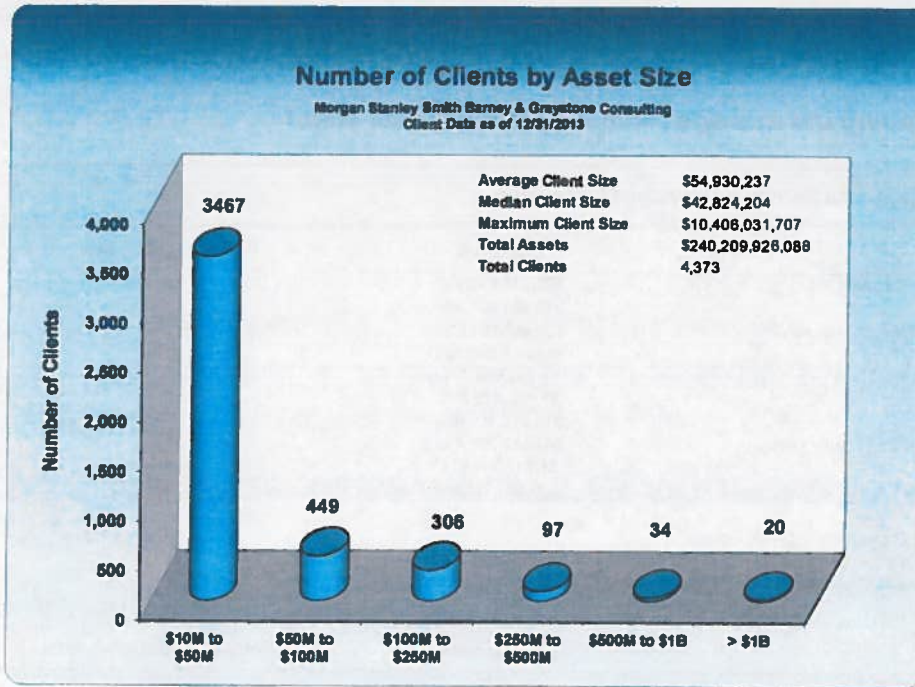
F. Who will be the local representative? What is the average number of clients that they work with?

Peter Backus and Davin Kubo will be the local representatives. They collectively work on approximately 50 institutional relationships.

3. Client Information

A. Please provide a breakdown of your Consulting Client base by client type and asset size.

As of December 31, 2013, Consulting Group and Graystone Consulting¹ actively consulted to over \$240 billion of clients' assets. This \$240 billion represents 4,373 institutional relationships, whose assets range from \$10 million to \$10.4 billion.² Clients include, but are not limited to, employee benefit plans, endowments and foundations, jointly trustee funds, public funds, hospitals, state and local governments, family offices and affluent individuals.



B. Please provide a representative client list

A representative client list is provided as exhibit 6.

C. For the most recent year, please state your assets under advertisement. Include details about the average client's portfolio size, the total number of investment management clients currently employing your process, including the average relationship length per client.

Morgan Stanley Smith Barney & Graystone Consulting¹

Client Type	Total Assets	Percent of Total Assets
401(k)/Defined Contribution	\$29,365,490,993	12%
Corporation	\$46,804,600,287	19%
Foundation/Endowment/Other NPC ³	\$30,485,001,835	13%
Taft Hartley	\$57,017,859,593	24%
Hospital/Healthcare	\$7,199,684,775	3%
Insurance Company	\$7,402,215,371	3%
Public Fund	\$16,315,489,025	7%
High Net Worth/Private Family Office	\$41,512,297,435	17%
Other	\$4,127,308,974	2%
Total	\$240,209,926,888	100%

³Other Non-Profit Organizations (NPO) include:
 137 Educational Institutions with \$7,486,886,733 in institutional consulting assets
 95 Faith Based Institutions with \$5,073,576,202 in institutional consulting assets

Client Type	Total Accounts	Percent of Total Accounts
401(k)/Defined Contribution	439	10%
Corporation	853	20%
Foundation/Endowment/Other NPC ³	634	14%
Taft Hartley	241	6%
Hospital/Healthcare	63	2%
Insurance Company	47	1%
Public Fund	196	4%
High Net Worth/Private Family Office	1,802	41%
Other	78	2%
Total	4,373	100%

Source: Consulting Group

¹Graystone Consulting was known as Cit Institutional Consulting until June 1, 2009.

²The information presented shows the total institutional consulting assets of Morgan Stanley Smith Barney LLC Global Wealth Management Group as of December 31, 2013. In June 2009, Morgan Stanley ("Morgan Stanley Parent") and Citigroup Inc ("Cit") combined the Global Wealth Management Group of Morgan Stanley & Co. LLC ("MS&Co") (formerly Morgan Stanley & Co. Incorporated) and the Smith Barney and related businesses of Cit affiliates.

4. Services

A. Describe the services you will provide to clients.

Graystone Consulting is a full service provider of customized investment advice. We follow a disciplined process that helps guide all aspects of our investment decisions:

- Assistance in our client's development of Investment Policy Statement
- Assistance in our client's Asset-Allocation
- Assistance in our client's Investment Manager Search and Selection
- Performance measurement and advanced analytics

Assistance in the Development or Evaluation of Investment Policy

- Achieve committee consensus
- Establish investment objectives
- Review policy constraints
- Establish customized performance benchmarks
- Define strategic policy allocation

Active Style Allocation Advice

- Quarterly market commentary
- Global Investment Committee outlook
- MS recommended asset allocation strategy

Manager Searches and Manager Recommendations

- Customized manager searches
- Proprietary manager analysis for covered investment products

Portfolio Analytics

- Portfolio analyses or portfolio characteristics reports
- Performance attribution reports (on selected investment products)

Performance Measurement

- Customized performance reports
- Quarterly reporting
- Absolute and risk-adjusted performance

Manager Evaluation Analysis

- Evaluation of investment managers on Investment Advisor Analysis platforms
- Published manager analysis reports on those platforms

Execution Services - (Included with Asset-Based Fee Arrangement only)

- No commissions on stock transactions effected through Morgan Stanley, LLC Consulting Group trading desk.
- No markups or markdowns on bond transactions effected through Morgan Stanley, LLC Consulting Group trading desk

B. Describe your advisory process.

Our primary philosophy is to develop customized investment strategies for each client based upon their unique investment objectives and risk tolerance. Because our institutional clients

have investment goals and risk tolerance that vary widely, we have tailored different asset allocations, money, and managers to each client's needs.

Our secondary philosophy is that our consulting team should function as an extension of our client's investment staff. We have staffed our team with specific operations and consulting analysts in addition to both the branch's personnel and the national consulting staff.

C. Are the research reports and/or analytics provided to clients proprietary or purchased? If purchased, please disclose the provider.

Our research reports are proprietary. The Consulting Group, a division within Morgan Stanley maintains numerous policies and procedures designed to address potential and actual conflicts of interest and to prevent such conflicts from affecting the advice we provide to clients. In addition, our research is not sold or made available to any other firm. We believe these processes create recommendations that are completely objective and independent. We regularly publish our research reports on recommended investment products, thereby enabling each client to remain completely informed and to document their fiduciary decisions.

Client portfolio analytical reports are created using the Informa Investment Solutions software. Style analysis is provided via Zephyr Associates software; fundamental analysis is performed via Thomson Vestek software and Factset Research Systems, Inc.; index data is provided by multiple index providers including Wilshire Associates, Inc., Russell Investment Group, Ibbotson Associates, Standard & Poor's, among others.

D. Is the data provided to clients proprietary or purchased? If purchased, please disclose the provider.

All client data related to client information and performance is proprietary and confidential. However, in addition to its own proprietary database, MS does use information provided by third parties for certain deliverables which may be provided to you. Notably, Consulting Group maintains an extensive database with information compiled from more than 1,250 investment managers throughout the world encompassing over 6,900 various products. Consulting Group purchases the investment manager data from Informa Investment Solutions, Inc. Investment Solutions Plan Sponsor Network database.

E. Describe any website capabilities your firm uses to provide clients with current information regarding their investments, capital markets or other proprietary research.

Performance reports are available online; however, to ensure the integrity of data, these reports are not interactive. We also provide capital market reports via our website.

5. Investment Philosophy and Process

A. Please describe your investment philosophy and process. Has it changed significantly in the past three years?

Graystone Consulting's Vision

To be an exceptional consulting team setting the industry standard with:

- *Unabashed* client advocacy
- *Independent and Leading Edge* advice
- *Entrepreneurial* spirit
- *Passion* about understanding the investment environment
- *Dedication* toward exceeding client investment objectives

Graystone Consulting's Mission

- *Collaborate* ... with clients & partners to understand & meet objectives
- *Educate & Advise* ... on all issues related to investments
 1. Market Environment, Asset Allocation, & Asset Class Expertise
 2. Fiduciary Requirements
 3. Process of meeting investment objectives to serve clients' needs
- *Exceed* ... performance and service expectations for clients & associates

This mission will be accomplished while providing un-conflicted, unbiased, uncompromised advice.

Our holistic, proactive approach makes us unique in the consulting industry. Performing the functions of an investment office for our clients, our approach to addressing client needs is solutions-based. Our team approach to clients, where consultants, analysts, and operational professionals work side by side, leads to more complete answers. Ultimately, the longevity of our client relationships is the testament to our focus on clients and our abilities to address complex investment and planning needs as our relationships have matured and evolved.

Over the years we have embraced the challenges of developing solutions for multifaceted clients. We have fostered a culture of collaboration within our organization, our industry, and with our clients who view us as partners. Throughout this time period, and across our diverse client base, our consulting philosophy has been grounded in the same fundamentals: independence and advocacy, education, and customization.

Independence and Advocacy: As cited throughout this proposal, our only constituency is our consulting clientele. We do not advise asset managers and we do not charge for inclusion on our database. Our advice is unencumbered by other business interests. Independent advice means we are also our clients' advocate. Because we serve as our clients' representative to the outside asset management world, we are often able to successfully negotiate investment management terms more favorable than otherwise, particularly in light of our stature in the investment management business.

Education: In addition to our advisory position, we take a professorial role within each engagement. There are two reasons we have found success with this approach. Number one, our clients are generally inquisitive and highly involved in the investment process and education is demanded. Because our clients are sophisticated investors, we are often charged with distilling

new strategies and unique approaches to accomplishing goals. Number two, educated clients make confident decisions. The strategies our clients employ involve significant decisions. Because our clients are fiduciaries, it is critical they exhaust all options and demonstrate their thoroughness in their decisions. We take great pride in our educational approach and this philosophy can be found in every aspect of our client work.

Customization: Beyond basic systems that all firms provide, there is the need to customize all aspects of the investment and communications process. Our investment process is entirely customized client-by-client based on client needs and desires. These customizations can range from executive summary reports to preparation of investment education for large audiences.

B. Describe any optimization or risk management techniques used in the portfolio construction process. Detail any strategies employed to prevent excessive volatility.

Graystone Consulting assists its clients with the selection and monitoring of the performance of investment managers, as well as asset allocation and rebalancing back to target allocations defined by the client in its investment policy statement. Graystone Consulting will promptly report any developments that are potentially material to the level of risk or expected performance associated with that asset allocation and investment managers. However, ensuring compliance with the investment policy guidelines remains the fiduciary responsibility of the client.

To assist clients with monitoring the risk of the overall portfolio, Graystone Consulting leverages the thinking of our Morgan Stanley Wealth Management Global Investment Committee and the firm's Global Investment Manager Analysis team as well as our quarterly performance evaluation reports.

C. Describe your firm's investment philosophy and process for discretionary accounts.

Graystone discretionary management is a comprehensive investment management program designed to manage the overall investment management process, including investment policy decisions, asset and investment style allocation decisions, manager selection and review, and tailoring of the investment program to your overall investment policy and objectives. The objectives of this program are to improve investment performance, control risk, and manage expenses.

Our focus is threefold:

1. We seek to offer clients a diverse selection of independent, third-party investment managers who meet or exceed our quality standards.
2. We seek to provide practical, actionable advice that will help clients select the right investment products and effectively monitor ongoing product performance; and
3. Where appropriate, we seek to help clients take advantage of shorter-term market trends that we believe may favor specific investment products.

Graystone discretionary management means that we become a "manager of managers," and as such, have discretionary authority over the asset allocation and manager selection decisions. Based on a client's long-term strategic asset allocation parameters and other investment constraints, our team looks for opportunities in asset classes or investment styles with above average expected rates of return, while managing overall portfolio risk in accordance with a client's investment policy. Since efficient market theory is predicated on the concept of diversification, Consulting Group seeks to assure diversification in your portfolio.

Once we help to determine the proper asset allocation strategy, we will search for investment specialists to manage the investment style-specific portfolios according to our plan. Consulting Group's proprietary investment manager evaluation research is used to choose the appropriate sub-advisors. Generally, the criteria for selection are consistency in providing enhanced risk-adjusted performance relative to an appropriate benchmark, stability of personnel, consistency in the application of the investment process, and the quality of investment research.

Properly constructed portfolios can add value for clients through improved risk-adjusted returns. Leveraging the vast intellectual capital of the Firm, Graystone discretionary management has created a "Top Down and Bottom Up" process that it believes can achieve improved risk-adjusted returns, which includes: I) the appropriate establishment of asset allocation frameworks; II) the proper selection of the best strategies and implementation vehicles; and III) the disciplined management of risk.

D. What level of discretion do you offer through your outsourced management services?

Our Graystone discretionary management platform and process allows us to assume full discretion as a complete "outsourced CIO". We tailor communication and involvement for each client, depending on client preference. Our discretion would include:

- high level of responsibility
- discretion to hire and fire managers
- discretion to alter asset allocation within prearranged limits
- signs and maintains control of manager contracts

E. Provide an example of how you would invest the ASUH Stadium Stock Fund.

We would anticipate implementing a portfolio of passive investments (index funds) using our strategic and tactical asset allocation models.

6. Investment Policy Statements

A. What degree of importance do you place on the development of an investment policy statement?

We believe that investment-policy statements are critical to all aspects of the investment decision-making process. The first and most important step in a consulting relationship is to facilitate the development or review of a client's investment policy, guidelines, and objectives.

The purpose of an investment policy is to evaluate its investment objectives; that is, the organization's absolute needs for liquidity, income, growth of income, growth of principal and preservation of capital. We help clients to balance all of these needs by helping our clients to develop an investment strategy that we believe can help maximize the probability of achieving those needs.

B. How would you assist in the formulation, development, implementation and communication of investment policy statements?

Graystone Consulting believes that one of the most important components of prudent fiduciary stewardship for our clients is a documented investment policy. We adhere to the following process to assist clients with the development of an Investment Policy Statement:

CONDUCTING A NEEDS ANALYSIS

Conducting needs analysis includes a review of these and other important considerations.

- Mission and objectives
- Time horizon
- Risk tolerance
- Asset/liability structure, cash flow analysis
- Desired fund surpluses and reserves
- Spending policy
- Tax analysis for family offices
- Fiduciary and documentation review

CREATING ASSET ALLOCATION OBJECTIVES

Graystone Consulting begins every relationship with an objective assessment of the client's current investment needs and future goals. This analysis leads to detailed asset allocation recommendations that seek to improve returns, reduce risks and eliminate unnecessary expenses.

Some of the critical factors examined include:

- Rates of return the client expects to achieve (both in absolute terms and relative to appropriate benchmarks)
- Amount of risk the client is willing to assume in pursuit of its investment objectives
- Specific asset allocation strategy adopted and the amount allocated to stocks, bonds, and, where appropriate, alternative investments (e.g., funds-of-hedge-funds, private equity, real estate, etc.)
- Client's prior investment strategies and limitations

ESTABLISHING INVESTMENT POLICY

Once the client's investment objectives have been discussed and an appropriate strategy formulated, Graystone Consulting assists the client in drafting and adopting a written investment policy statement. The investment policy statement defines the duties of all parties' involved with the plan's investment program. It also details the plan's risk and return targets, describes portfolio constraints, and outlines the selection and termination criteria used for investment managers.

C. Describe the measures in place to ensure that there is compliance with client investment policy guidelines.

Graystone Consulting Hawai'i will monitor the performance of client's investment selections and asset allocation with respect to rebalancing back to target allocations. We will also ensure that each manager adheres to the investment policy guidelines.

7. Asset Allocation

A. Discuss the theory and methodology of the asset allocation models your firm employs. How do you develop asset class assumptions?

We believe that the methodology is predicated on time-tested relationships between fundamental drivers of financial markets and the return potential of asset classes. In a changing global landscape, this allows us to forecast market returns based on expected economic drivers of such returns, which can result in significant differences from historical performance the framework also allows for consistency of return expectations across traditional and alternative asset classes.

Strategic estimates are meant to be stable across all asset classes and sub-asset classes, and, importantly, are not influenced by market action or valuations. Therefore, returns will typically not change meaningfully over short periods. Nevertheless, we continue to provide updates during the year if there are significant changes in market data or in the fundamentals, our models, our asset class coverage or in any other factor that can influence portfolio returns and asset allocations.

To establish long-term returns for the major asset classes- Cash, Sovereign Bonds, and broad Stocks – we employ a “building block” approach that draws on various theoretical tenets of economics and finance. For those with the appetite for Alternative investments (and those that meet the financial standards) we compute return estimates using forecasting models for hedge funds, managed futures, private equity, real estate and commodities.

B. What asset classes do you actively follow? How many have been added or subtracted in past years?

The Morgan Stanley Wealth Management Global Investment Committee (the “GIC” or “Global Investment Committee”) gathers and analyzes historical market data, economic indicators and other fundamental factors to build long term projections of risk and return for a variety of asset classes used for its strategic and tactical model portfolios.

A list of the asset classes that the GIC actively follows are compiled from the portfolios section in the back of its monthly flagship publication *Global Investment Committee Monthly*. Copies are available upon request from your Graystone Consultant.

In recent years, the GIC has expanded its coverage to include various types of alternative investments (managed futures, hedge funds, private equity, real estate), primarily as a source of additional portfolio diversification for those investors that meet the investment qualifications for these vehicles.

In addition to these asset classes, the GIC has developed further assumptions for a number of other global asset classes and sub-asset classes, as needed by our clients, and regularly undertakes initiatives to model new ones, as necessary.

C. How frequently are strategic/tactical asset allocations reviewed and changes implemented?

The Morgan Stanley Wealth Management Global Investment Committee (the “GIC” or “Global Investment Committee”) employs tactical overlays for its series of model portfolios. The GIC believes that systematic exploitation of opportunities of a short term nature, as part of a disciplined investment process can enhance portfolio efficiency over any horizon. The GIC’s tactical allocation adjustments are triggered by an assessment of where we are in the economic and capital market cycle combined with an analysis of various absolute and relative valuation metrics.

The GIC typically views the time horizon for its tactical allocations as 6-12 months.

The GIC’s monthly publication, *Global Investment Committee Monthly*, lists all asset classes it actively follows along with its latest thinking on asset allocation and portfolio construction, and performance information.

The GIC believes the monthly periodicity of its tactical asset allocation process is appropriate for dynamically rebalancing a portfolio so that market-induced drift does not impact risk and return efficiency. Even using strategic portfolios, we recommend adoption of a more mechanical/less judgmental rebalancing method, such as threshold rebalancing. We generally view a five percentage point drift away from the targeted allocation as warranting serious consideration of rebalancing.

D. What process would you use to review the asset allocation strategy for ASUH?

We would employ a combination of both annual strategic asset allocation reviews as well as quarterly recommendations on any tactical changes.

We believe that the methodology is predicated on time-tested relationships between fundamental drivers of financial markets and the return potential of asset classes. In a changing global landscape, this allows us to forecast market returns based on expected economic drivers of such returns, which can result in significant differences from historical performance. The framework also allows for consistency of return expectations across traditional and alternative asset classes.

Strategic estimates are meant to be stable across all asset classes and sub-asset classes, and, importantly, are not influenced by market action or valuations. Therefore, returns will typically not change meaningfully over short periods. Nevertheless, we continue to provide updates during the year if there are significant changes in market data or in the fundamentals, our models, our asset class coverage, or in any other factor that can influence portfolio returns and asset allocations.

To establish long-term returns for the major asset classes- Cash, Sovereign Bonds, and broad Stocks – we employ a “building block” approach that draws on various theoretical tenets of economics and finance. For those with the appetite for Alternative Investments (and those that meet the financial standards) we compute return estimates using forecasting models for hedge funds, managed futures, private equity, real estate and commodities.

E. Discuss your philosophy regarding inclusion of indexed funds for our asset allocation.

We believe that there are advantages to having both actively managed accounts as well as index funds in a client’s investment portfolio. Index funds are clearly the lowest cost of delivering exposure to an asset category. Index funds also allow investment committees to focus on asset allocation over manager selection decisions in their working relationship with their investment consultant. Many of our clients index a portion or all of the more efficient asset classes (such as US large cap equities). Larger clients typically utilize a core/satellite approach in which index funds are utilized for the core holding in an asset class and specialized managers are used to drive alpha opportunities.

Active managers have the flexibility to avoid the momentum names within an index and also to raise cash during adverse market periods. In general we have seen that index funds tend to outperform active managers in strong up markets whereas active managers have more opportunities to outperform in more restrained market environments.

Our investment philosophy and our fee structure are not biased for or against index funds vs. active management. We have some clients that use 100% index funds and some that use 100% active, but most utilize a blend of the two.

F. Indicate whether and why you would utilize separate accounts or mutual funds for the various asset strategies.

Once the investment policy has been finalized, the portfolio construction process begins with a review of the investment strategy and the current tactical recommendation. Each asset category will be reviewed individually, and as part of the total portfolio when seeking the appropriate investment vehicles which may include a separately managed account, mutual fund, or exchange traded fund (ETF). In traditional asset classes such as large cap stocks, separately managed accounts could be used for active management, due to its cost efficiencies, immunization from redemption issues, portability, etc. Exchange traded funds could be employed for passive or index strategies, because of the high degree of liquidity and flexibility. Mutual funds would be used for unique asset classes, such as small cap, international/emerging stock or debt, income and growth strategies using covered option writing, long/short, market neutral, etc. to potentially

provide additional return or “alpha” beyond the portfolios “core” holdings. These “alpha” strategies are more efficiently administrated through mutual funds or pooled funds.

8. Description of Programs

A. Please describe the investment programs you are recommending for our investment.

The Graystone Discretionary program utilizes a mixture of passive and active investment strategies employing separate accounts, index funds and mutual funds to implement our strategic asset allocation coupled with our tactical changes to implement our Global Investment Committee’s views on risk / reward across global markets.

As part of our investment policy discussion, we would jointly determine one of several risk models that would determine the specific asset allocation targets that would be utilized for the ASUH Stadium Stock fund portfolio.

9. Alternative asset Class Experience

A. Describe your firm’s philosophy on alternative investments.

Alternative investments generally refer to a diverse range of investment strategies that fall outside the traditional, long-only purchase and sale of stocks and bonds. Our robust alternative investments platform includes a variety of:

- Hedge funds
- Managed futures funds
- Private equity funds
- Real estate funds
- Funds of hedge funds

It is our belief that Alternative Investments generally can provide diversification benefits, low correlated returns and some downside portfolio protection. By combining a variety of alternative investment strategies utilizing forward looking qualitative views and quantitative tools, investors can often benefit by incorporating alternative investments in their portfolios.

Investment returns are generated by an intense focus on risk/reward. Our philosophy utilizing alternatives revolves around managing risk first and foremost, then seeking to maximize returns within that framework. As such, a client’s risk objectives are the first consideration in portfolio construction. Factors such as volatility, draw downs and inter-manager correlations, among others, are crucial in managing risk in the portfolio. Once risk is addressed, we can employ a bottoms-up approach in manger selection in seeking to maximize returns from the portfolio. Lastly, a top-down approach is used to size the positions and strive to achieve maximum benefits from strategy, sector and regional trends as alternatives are integrated with more traditional portfolios.

B. Describe in detail the firm's depth and experience in researching, selecting and monitoring managers in alternative asset classes, such as hedge funds, private equity, real estate, distressed debt and commodities.

As one of the world's largest wealth management organization, Morgan Stanley's global network affords us the ability to offer suitable clients a vast number of alternative investment options. We leverage our unique position and our affiliates to source innovative strategies from among the best investment minds in the business. We utilize the experience and due diligence expertise of both the Morgan Stanley Wealth Management Alternative Investments Analysis Group and Morgan Stanley Alternative Investment Partners (AIP) to identify, evaluate and select each alternative investment product on our platform to help assure that we only introduce our clients to what we believe to be the best managers in the industry.

Access Leading Alternative Investment Strategies

Alternative investments offer many appealing characteristics to suitable investors, at the same time, they also present significant challenges. These challenges include understanding and selecting complex strategies, meeting prohibitive investment minimums and accessing exclusive fund offerings. At Morgan Stanley Wealth Management, we leverage the expertise of over 30 dedicated analysts who employ rigorous due diligence to identify, evaluate and select each alternative investment available to our clients. We assess the skill level, risk management capabilities and operational infrastructure of each fund manager that we offer. In addition, our global network, institutional relationships and our client base afford us the ability to negotiate preferable investment terms that might otherwise only be available to institutional investors.

Morgan Stanley Wealth Management Alternative Investments Group Snapshot

- **Experience:** Approximately \$45 billion of client assets invested in alternative investment strategies as of December 31, 2012.
- **Industry Leading Platform:** Approximately 200 unique alternative investment strategies available
- **Intellectual Capital:** Over 130 dedicated professionals
- **Unique Capabilities:** Offering funds through direct investment, fund sponsorship and fund creation/management
- **Manager Access:** Many leading affiliated and unaffiliated investment managers
- **Fund Manager Selection:** We leverage the expertise of over 30 dedicated analysts for fund manager due diligence

Morgan Stanley brings together a unique combination of resources that allows us to offer you quality advice as well as distinctive opportunities in the alternative investments field. We have been at the forefront of the development and evolution of the alternative investments industry. Furthermore, Morgan Stanley is among the industry leaders in the area of alternative investments and is as an innovator and dominant force within this asset class. Graystone Consulting can discuss with you the risks and opportunities associated with alternative investments and may assist you in determining which investments may be most suitable.

C. In the last 10 years, have any of your clients in which you serve as advisor had direct or indirect exposure to fraudulent or defunct hedge funds (i.e., Madoff, Bayou, Sowood, Amaranth, etc.)? If so, please elaborate and describe the level of due diligence undertaken with respect to these managers and the level of risk management employed to monitor these managers within your client's portfolios.

Graystone Discretionary has not recommended any investments in these funds. It may be possible that clients had either direct or indirect exposure to these funds through direct investments of which we were not aware.

10. Performance Reporting

A. How do you report portfolio performance? ASUH senate members change on a semi-annual and annual basis, will you be able to provide education and report to a changing group of committee members? Do you provide education on the current economic status and show how it affects the portfolio?

Graystone Consulting supplies customized performance reports that leverage a sophisticated software program that ties together the data sources available through Morgan Stanley Wealth Management. The result is a single, integrated reporting platform that is a flexible and comprehensive system for maintaining and reporting information on the aggregate portfolio level, the individual account or manager level and market indices. The performance reports are customizable based on the needs and objectives of each client and a variety of different time periods are available in displaying client returns.

Our consulting process includes the ongoing monitoring of manager results. Our performance reports compare individual managers to appropriate market indices, as well as to universes of similar managers. The aggregate portfolio is compared to a blended index, with market index weightings representative of the client's actual portfolio. Results are considered in light of both absolute performance, as well as risk-adjusted results, in seeking to take into account the client's unique risk profile and performance objectives.

The reports can include an analysis of the overall asset allocation mix, equity portfolio composition, fixed income portfolio characteristics, risk-and-return charts, manager and sponsor peer universes and visual displays of account cash flows and the growth of client assets over time. Each report is carefully organized in a simple, graphical format.

Our performance reports also include advanced statistical indicators, such as beta, alpha, R^2 and the Sharpe Ratio, drawn from the teachings of Modern Portfolio Theory.

Also, Graystone Consulting is committed to helping trustees, directors and investment committees manage their fiduciary responsibilities and navigate the increasingly complex world of investing by delivering objective and customized investment advice and services.

Our consulting process is specifically designed to help you meet the standards of financial prudence and fiduciary process— standards that we believe can pose significant challenges to even the most knowledgeable directors and trustees.

B. Can a monthly, quarterly, and annual summary of results be prepared for non-investment experts?

We normally provide for quarterly investment reports, but more frequent reports can be provided as needed by the client as long as the relevant information has been received from the appropriate custodian. Quarterly performance reporting is provided and is designed to provide our clients with an accurate picture of how the total fund and individual accounts are performing. Hard copy performance reports are generally available 3-4 weeks after the end of the quarter. These reports can be simplified to non-investment experts.

C. To what extent can your performance reports be customized to meet a particular client's needs?

Performance reports can be customized to the extent that clients have the ability to choose from various exhibits and time frames. We also have provided customized reports to meet client specific needs and have not had any issues to date regarding any customization requested by our clients. Our reports can be run on any month-end date.

D. Describe how benchmarks are chosen or developed and how performance is compared to similar portfolios.

Our performance measurement database includes hundreds of indices. This makes it possible to select an appropriate index to compare to any manager and to build a composite benchmark for the client. Benchmarks for individual managers are chosen based on the style of the manager. For equity managers this would include a number of characteristics, including capitalization, domestic/foreign, market sectors, and value/growth. For fixed income managers the benchmark would be determined by the type of fixed income instruments purchased, maturity, duration, and quality. Each manager's performance is also compared to a universe of similar managers on both an absolute and risk-adjusted basis. This lets us see how the managers perform relative to their active competition in addition to the passive indices.

In addition, a composite benchmark is constructed based on the target allocations set forth in the Investment Policy Statement. This allows our clients to monitor their account relative to the weighted-average of the appropriate style indices.

Graystone discourages the use of universes for relative benchmarking purposes. Realizing that each fund has unique objectives, *your* assets should be measured against a benchmark that reflects *your* investment goals. However, we understand that many clients utilize universe comparisons for the purpose of measuring performance relative to their peer groups.

E. How does the firm obtain data from master trustees and investment managers?

When assets are held away from the firm, our performance reporting group may obtain the data in a number of different ways. First, and most preferable, is to obtain a performance download from the custodial website which affords the group the ability to upload the performance data directly into our reporting system. Another means of obtaining data would be through the use of hard copy, custodial statements.

F. How does your firm verify the accuracy of the data?

Firm returns are compared against manager returns. Manager returns are evaluated for accuracy. Understanding that different calculation methods are acceptable under industry recognized standards (e.g., Modified Dietz vs. Daily Valuation) but can produce varying results, the analyst will identify return variances that are outside an acceptable limit. The manager is contacted and dollar values for market values, flows, fees, and income are reconciled.

G. Describe your process of portfolio attribution.

We can provide an advanced portfolio attribution report. Whereas the quarterly investment performance report is more objectives-oriented, the attribution report is a pure analytical tool, helpful in determining *how* the investment manager achieved the results. Essentially, this report answers the question, "What investment decisions have positively (or negatively) impacted performance?"

The fixed income attribution capabilities allow you to see the impact (positive or negative) of investment decisions pertaining to various fixed income attributes such as effective duration, years to maturity and quality ratings (S&P or Moodys)

H. Please list and describe the qualitative factors, if any, included in your reports.

Our qualitative information is customized. We describe the people (their experiences and input to the process), as well as the firms philosophy and process (how and why it may add value). Performance is also dissected with opinions on historical and future performance.

There are several distinguishing characteristic of our due diligence. One is that we identify the positive attributes of the products. We state why we have a positive or negative opinion. We also cite current and future issues for consideration. Lastly since no product is perfect we also point out areas of concern and the reasons why. We believe this information provides the client with an unbiased view of a money manager's strengths and weaknesses.

I. Please provide sample reports you would generate and attach as Exhibit 4.

A sample report is included as Exhibit 4.

11. Fees for Services

A. Please describe your fee structure for the various levels of discretionary services.

Graystone Consulting usually proposes an all-inclusive asset-based fee; it properly aligns the interests of the Investment Managers and Consultants with their Clients.

As a general matter, this single fee includes:

- Review of current portfolio
- Review/Proposal of Investment Policy Statement
- Strategic Asset Allocation Recommendation
- Manager Search and Selection Recommendation
- Quarterly Manager Performance Reports
- Commissions on trades executed through Morgan Stanley
- Custody of Assets

Our outsourcing clients often realize significant fee savings when we are both the discretionary investment manager and the custodian. We negotiate investment management fees directly with managers, by leveraging the size of all assets of Morgan Stanley clients. These fees are passed onto ASUH on a wholesale basis.

1. We do not charge for custody
2. Our technology as custodian allows us to leverage the full technology of MS. Our technology creates economies of scale for money managers. This makes it easy to negotiate the lowest possible institutional pricing with managers.
3. We do not “mark up” manager fees to you. We simply pass on our cost directly.
4. As custodian, we often have the ability to eliminate any placement fees on alternative investments. At times we are able to rebate any fee trailers from hedge funds back to you.

We charge one fee for full discretionary investment outsourcing. Our proposed fee schedule is as follows:

<u>Graystone Discretionary Fee</u>	
First \$25 mil.	0.40%

We negotiate manager fees and pass those manager fees directly to the Client. This unbundled fee approach means that we are paid the same, no matter what allocation or managers we might recommend. This keeps all interests aligned and un-conflicted. The following is an example of passive index fund expenses based on custody at Morgan Stanley and a hypothetical asset allocation:

Broad Asset Category	Average Expense Ratio	Sample Weight	Weighted Expense
US Broad Market Index	0.05%	35.0%	0.02%
Other Equity Index/ETF	0.12%	35.0%	0.04%
Fixed Income Index	0.17%	40.0%	0.07%
		110.0%	0.13%

Based on this proposed asset allocation the estimated expenses for the combined investment management, custody (assuming the use of MS as custodian), consulting and commissions (MS executions are included at no additional cost in our fee) would be 0.53%.

a. Please breakdown how much of the fees are retained by your organization versus paid to outside investment managers, etc.

The fees listed under the Graystone discretionary fees are retained by Morgan Stanley. All manager fees are passed through to the client or incurred within the investment vehicle (in case of mutual funds or ETF's).

b. Under your proposal does your firm generate higher fees depending on the asset allocation recommended? If so, please describe how you address this potential conflict of interest.

Our unbundled fee approach keeps our fee level regardless of asset allocation or type/quantity of managers used.

B. Specifically, detail in terms of retainer, manager searches, performance monitoring on a quarterly basis, and other functions. The stated fee schedule must include all charges associated with your service provisions and must reflect your costs in their entirety.

We would like to offer an asset-based fee as it properly aligns the interests of the Investment Managers and Consultants with their Clients. We do not anticipate any additional compensation for services described in this RFP.

As a general matter, this single fee includes:

- Review of current portfolio*
- Review/Proposal of Investment Policy Statement*
- Strategic Asset Allocation Recommendation*
- Manager Search and Selection Recommendation (as needed, no pre-determined limit)*
- Quarterly Manager Performance Reports*
- Commissions on trades executed through Morgan Stanley Smith Barney (under the asset based arrangement)*
- Custody of Assets (optional)*

This fee does not cover Investment Management Fees.

C. Do fees include costs associated with travel to attend meetings or costs of special reports or projects you may choose to/be asked to present at meetings? If not, how would these items be billed?

All services described in this proposal, including travel and the cost of special reports are covered in our asset based fee proposal. In certain instances, such as asset liability studies, there may be additional costs associated. Such projects would only be conducted at the client's request and after disclosing any additional fees associated with the project.

D. How long can you guarantee this fee rate?

We can guarantee our traditional consulting services annual fee for up to three years.

12. Client Material & Deliverables

A. Please list examples of written communications and materials which you can provide to clients upon request.

Typical communications provided to you by your Graystone Consulting Director might include: sample investment policy statements and investment policy questionnaires, which will help you develop a new investment policy statement, or review an existing investment policy statement; Asset Allocation materials, such as the Global Investment Committee's Asset Allocation Models and monthly Bulletins and commentary; investment manager comparisons, which are used for comparing existing or new investment managers; research reports and materials, these reports allow a more in-depth review of current and prospective investment managers covered by our Research team to assist in manager selection and retention; Performance reports, which will provide a review of your portfolio's performance and individual investment manager performance over specific periods to their benchmarks, and can be customized to meet your needs. Finally, Morgan Stanley also produces client materials addressing current investment trends, capital market events, and other educational materials which your investment consultant can send to you.

13. Research & Investments Information

A. Describe the manager research and evaluation process.

Our Consulting Group Investment Advisor Research department uses a multi-step process to narrow the universe of thousands of registered investment managers to a much smaller group of recommended managers.

Our process is underpinned by a set of key beliefs:

- We believe that past performance does not predict future success.
- It is important to distinguish portfolio returns and performance. We define these terms as follows:
 - Returns are absolute numbers. Typically, they are expressed without mention of risk or a relative comparison.

- Performance of an investment product can be presented against a reasonable benchmark or on a risk-adjusted basis where returns are typically scaled using a measure of volatility. These returns must be evaluated over multiple time segments to eliminate the possibility of a time period bias.
- We believe that the quality of a manager's personnel, process, and organization is the best indicator of potential future results. Consequently, we focus on qualitative analysis in order to identify those investment managers that are best suited for our research universe.
- Our investment manager research and selection process should not be interpreted as short term performance forecasts.
- We believe there is a need for objectivity in the analysis of active and passive management.

In addition to our beliefs, we have certain goals that drive the manager research process:

- **Due Diligence:** While our manager research process has grown to include many other components, the ongoing evaluation of the investment managers in our universe remains a primary focus of our process.
- **Timeliness:** A major and ongoing goal is to provide up-to-date research materials.
- **Differentiate Managers:** A primary goal of this process is to clearly identify key and unique qualities of a particular investment product and clearly communicate how these characteristics differ from peer strategies in the same style category and the benchmark.
- **Separate coincidence from skill:** We seek to understand the sources of performance. Outperformance in a given quarter could be solely the result of chance, i.e., coincidentally being in the right place at the right time. The right place might be the appropriate capitalization range, growth sector, or industry. Similarly, being in the wrong place at the wrong time is not necessarily an indication of a lack of skill. Moreover, we place significant emphasis on understanding investment managers' decisions that drove their current positions and if these decisions are consistent with their stated investment process.
- **Verify the process:** The implementation of investment decisions should be constantly tested against our understanding of the investment manager's investment process. This focus allows us to constantly expand our knowledge of the manager.

We employ the following guiding principles in our analysis:

- Descriptive statements relating to an investment manager should be readily verified through supporting information.
- Evaluative statements should have some grounding in well-supported descriptive statements.
- Through our dynamic involvement with investment managers, we will continually seek to test and refine our own analytical process.

The overarching goals of our investment manager research are to: help investors maintain confidence in their investment decisions; demonstrate a prudent research process; and help clients realize their investment objectives.

In seeking to fulfill all of these goals, we seek to:

- Identify managers with investment strategies that are compatible with clients' return objectives and tolerance for risk.
- Recommend managers that have—and we expect will continue to have—a consistent, disciplined investment process.
- Monitor and evaluate manager quality and performance on an ongoing basis.
- Inform clients of material changes, such as the departure of key personnel or a modification of investment process, which could have the potential to influence portfolio performance.
- Identify managers whose investment strategies and personnel have the potential to attain positive risk-adjusted performance.

B. Describe your firm's policy regarding frequency of on-site manager visits. Describe their role in the manager search process.

GIMA conducts approximately 300 visits per year across all asset classes. Prior to a manager being placed on the Focus List, GIMA normally performs an on-site visit at the manager's office. The onsite visit consists of detailed meetings with a firm's investment, business, trading, operations, and compliance personnel. GIMA typically has multiple points of contact with firms whose strategies are on the Approved List, and we formally conduct an annual due diligence conference call or on-site visit.

C. What is your process for continued monitoring of portfolio managers, including hiring and firing?

Evaluating portfolio management services is a never-ending job, requiring periodic re-assessments of the key qualitative factors previously outlined. The investment managers we cover are also required to inform us promptly of any material changes in their personnel, process or ownership. Consequences for failure to notify, or for providing false or misleading statements, can include removal from our advisory programs.

At times, the deterioration of an investment manager's investment process or operations may force us to drop a strategy or fund from the Approved List. Accordingly, managers may be removed from this list to make room for new investment ideas. These steps may require clients to select new investment products or revise their contractual relationship with an investment manager.

Selecting an investment manager is a serious responsibility, and advising clients on this decision is one of the most important services Graystone Consulting provides. Our research process is specifically designed to look beyond historic short-term performance, which is rarely an accurate guide to future results, and to address the many qualitative factors we believe are more reliable indicators of an advisor's long-term quality.

14. Legal & Disclosure Information

A. Describe any state or federal regulatory agency which has oversight for your firm. What regulatory audits is/are your firm subject to?

Morgan Stanley, LLC is subject to periodic examinations and inquiries by various regulatory agencies including, but not limited to, the SEC, NYSE, and NASD. Additionally, Morgan Stanley Smith Barney, LLC is subject to periodic audits by regulatory agencies of the states in which it operates. Our parent organization, Morgan Stanley, is subject to reviews by various regulatory agencies including, but not limited to, the Federal Reserve and the OCC (Office of the Comptroller of the Currency).

Morgan Stanley addresses deficiencies or corrective actions that are identified or recommended resulting from these periodic examinations and inquiries in order to satisfy the requirements and/or demands of the respective regulatory body. Information regarding material ongoing regulatory matters may be found in Form ADV. Your Graystone Consultant can provide a copy of the relevant Form ADV Program Brochure. Consulting Group periodically updates its Form ADV and related Brochures and Schedules, and makes the updated documents available. Part I of Morgan Stanley's Form ADV may be found on the SEC's web site at <http://www.adviserinfo.sec.gov>.

B. Does your firm have an Internal Audit Staff?

Yes. Morgan Stanley Smith Barney, LLC ("Morgan Stanley") is audited by Morgan Stanley's Internal Audit department. Within our firm, the audit function is responsible for the independent monitoring of all major operational, financial and governance functions of the Firm. Given Morgan Stanley's transition to a financial holding company, the Audit function takes on even greater importance as it is not only critical to our Firm's success in assuring strong and effective controls and compliance, but is also key to continued success as we work with our regulators on the transition and beyond. The Internal Audit department reports directly into an Audit Committee and administratively to the Chief Legal Officer of Morgan Stanley.

C. Within the last five years, has your firm, or any officer, principal, or employee of your firm been involved in any business litigation or other criminal or civil legal proceedings, whether related or unrelated to your consulting activities? If so, provide an explanation and indicate the current status of the proceedings.

Since the inception of Graystone Consulting in 2006, it has not been the subject of any governmental or professional investigation, and neither it nor any of its investment professionals who will be responsible for providing services under this RFP, have been investigated, or charged by the U.S. Departments of Labor or Justice, the Internal Revenue Service, the Pension Benefit Guaranty Corporation, the SEC or any other federal, state or local regulatory agency. Furthermore, and upon information and belief, none of the investment professionals, officers, directors, employees or agents of Graystone Consulting have been a target in any government or professional investigation.

D. Has your firm or any officer, principal, or employee of your firm been involved in any business litigation or legal proceeding relating to an investment advisory position? If so, please provide an explanation and the current status of the proceedings.

Since the inception of Graystone Consulting in 2006, it has not been the subject of any governmental or professional investigation, and neither it nor any of its investment professionals who will be responsible for providing services under this RFP, have been investigated, or charged by the U.S. Departments of Labor or Justice, the Internal Revenue Service, the Pension Benefit Guaranty Corporation, the SEC or any other federal, state or local regulatory agency. Furthermore, and upon information and belief, none of the investment professionals, officers, directors, employees or agents of Graystone Consulting have been a target in any government or professional investigation.

15. Insurance Information

A. Please describe the level of coverage for SEC-required (17g-1) fidelity bonds, errors and omissions insurance, and any fiduciary or professional liability insurance your firm carries, policy limits, and deductible.

Financial Institutions Bond: (A.K.A. Fidelity Bond or Fiduciary Liability)

Morgan Stanley and all its subsidiaries maintain a Financial Institutions Bond, which insures Morgan Stanley and all its Subsidiaries for loss due to dishonest or fraudulent acts by employees; loss caused by forgery or alteration of securities electronic and computer crime and voice-initiated money transfers. Details are given below:

Name of Insurer:	ACE UK and others
Policy Number:	FC1480789
Extent of Cover:	USD 250 Million
Deductible:	USD 20 Million
Expiry Date:	1 October 2015

Professional Indemnity Errors and Omissions Policy:

Morgan Stanley maintains an Advisers Errors and Omissions Policy, which insures Morgan Stanley and all its subsidiaries for claims by clients regarding actual or alleged breach of duty, negligence and errors and omissions while in the business as an investment adviser. Details are given below.

Name of Insurer:	Travelers Casualty & Surety Co. of America
Policy Number:	105218422
Extent of Cover:	USD 15 Million
Deductible:	USD 100,000
Expiry Date:	31 January 2015

16. Potential Conflicts of interest

A. Provide information as to how your firm avoids conflict of interest situations.

Our firm has a number of policies and procedures designed to address conflicts of interest or to prevent payments or relationships from being a factor when providing advice to clients. We are committed to delivering pure, objective investment advice customized to our client's unique financial goals. Objective analysis of investment managers has been the core of our firm's evaluation process for more than three decades.

Investment managers and other investment products that Graystone Consulting recommends to clients must pass an objective due diligence review by our Global Investment Manager Analysis department or the Graystone Director of Analysis before they may be recommended to our clients.

The Global Investment Manager Analysis department is comprised of one of the most robust teams of manager analysis analysts in the financial services industry. To maintain our independence and objectivity and to remain conflict free, we adhere to the following guidelines:

- We do not recommend investment managers or proprietary products affiliated with either of our parent companies or their affiliates to our clients.
- We do not charge investment managers a fee for our evaluation services or to be included in our database or on any of our platforms.
- We do not permit investment managers to compensate our analysts in any way.
- The Global Investment Manager Analysis team follows a disciplined evaluation process that is consistently applied to every firm it reviews and approves for our clients consideration.
- Investment manager analysis is generated solely for the use of our clients and to support our advisory programs; it is never sold or released to outside organizations.
- These investment manager analysis analysts are compensated by salary and incentive compensation, which is subjectively determined based on each analyst's performance and contributions. Their compensation is not directly linked to asset gathering, securities trading, investment banking revenues or any measure of business condition related to investment managers.
- As detailed in our Code of Ethics, our firm has very strict guidelines related to the acceptance of cash or gifts from individuals or entities with which we conduct business. While it is inevitable that conflicts may exist within a firm of our size and breadth, we have policies and procedures in place to protect against the eventuality that such conflicts will impact the independence of our analysis function. We also fully disclose all material conflicts of interest on Form ADV. Please contact us if you would like a copy of the relevant portions of Form ADV.

B. How does your firm prevent potential conflicts of interest?

Graystone Consulting does not accept compensation from investment managers to support Graystone Consulting conferences and Graystone Consulting recommends as a best practice that

its consultants do not accept such benefits in connection with non-Graystone training or educational events. Also, Graystone consultants do not accept finder's fees or soft dollars from investment managers or other third-parties in connection with Graystone Consulting clients.

None of the individuals who would be providing services pursuant to this RFP receive compensation, finder's fees, soft dollars or any other benefit from investment managers or other third parties.

Graystone Consulting is a business unit of Morgan Stanley. Of the more than 15,000 financial advisors that work for Morgan Stanley, less than 200 are Graystone consultants. Graystone Consulting was created to primarily focus on institutional clients and to a lesser extent, large high net worth individuals.

Investment managers participating in Morgan Stanley-sponsored internal training and education conferences and meetings may make certain payments to, or for the benefit of, Morgan Stanley or its Financial Advisors to offset expenses incurred for these events. Morgan Stanley's policies require that the training or education portion of these events comprises substantially the entire event. Investment managers may sponsor educational meetings or seminars in which clients as well as Financial Advisors are invited to participate. Investment Managers are not required to make any of these types of payments and none of these amounts relate to any particular transaction or investment made by Morgan Stanley clients with investment managers. Upon request, we can provide an annual estimate of the aggregate value of these amounts paid or provided by an investment manager to Morgan Stanley.

C. Does your firm receive any fees, commission or payments of any kind from investment managers or broker-dealers? If so, please describe in detail.

Due to the size and scope of our parent organizations and the nature of the businesses that our parent companies engage, it is possible that our affiliates and its employees may receive additional compensation from investment management firms that they recommend. Please refer to the Firms Schedule H of the Descriptive Brochure, part II of Form ADV for further information.

D. Does your firm accept directed commissions or soft dollars?

No, Graystone Consulting Hawai'i does not provide institutional consulting services on a soft-dollar basis. Graystone Consulting Hawai'i strongly believes that a transparent asset based or hard dollar fee structure is in our clients' best interest because it eliminates the possibility and/or the perception of conflicts of interest.

E. Do you or related companies receive payments (income or revenue) from money managers you recommended, consider for recommendation, or include in the firm's manager research database? If so, please explain.

As a business of a joint venture that is owned by two of the world's largest financial services companies, it is possible that one of our affiliates or businesses have a business relationship with a money manager that is unaffiliated with Morgan Stanley and recommended independently to

clients. Certain Funds and the Fund's affiliates may offer additional compensation to the firm in the form of 12b-1 fees, management and administrative fees, transfer agency fees, revenue sharing compensation record keeping fees, shareholder serving fees or any other Fund related services fees. For additional information and any compensation received from money managers please refer to the applicable Morgan Stanley ADV brochure. Information can also be found in the Graystone Institutional Services Agreement.

Graystone Consulting *does not* consider the existence or extent of any such relationships or payments as a factor in making its recommendations.

F. Please disclose any potential conflicts of interest, or appearance of conflict, which may arise if your firm is selected to provide investment management services for ASUH.

We do not believe any conflicts of interest exist or will arise from our engagement to provide investment management services for ASUH.

G. Does your firm have written Conflict of Interest and/or Code of Ethics policies? Please provide a copy of any policy you have.

Yes, a copy of our Code of Conduct is included as Exhibit 5.

H. If you allow clients to pay your consulting fees using the client's brokerage commissions, do you monitor the amount of commissions paid and alert clients when consulting fees have been paid in full? If not, how can a client make sure it does not overpay its consulting fees?

Graystone Consulting will not accept payment of hard dollar or asset based institutional plan client fees through "soft dollar" or "directed brokerage arrangements."

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

Graystone Consulting will not accept payment of hard dollar or asset based institutional plan client fees through "soft dollar" or "directed brokerage arrangements."

17. Affiliated Managers

A. Do investment managers or their affiliates give your firm any direct or indirect consideration, including finder's fees, for placement of their firms with your clients.

Certain Funds available through Graystone Consulting may offer additional compensation to Morgan Stanley in the form of 12b-1 fees, management and administrative fees, transfer agency fees, revenue sharing compensation, record keeping fees, shareholder servicing fees or any other Fund related fees (collectively referred to as "Fund Fees"). However, in the absence of an agreement with the Client, Morgan Stanley will not seek or retain any Fund Fees from

participating Funds. Accordingly, the aggregate fees received by Morgan Stanley will not vary depending on the eligible assets in which the client invests. Any fees passed on to client will be reported to such client as additional income if the client account is taxable.

B. Does your firm (or related companies) have an ownership interest in any of the money managers you recommend or use in funds provided to clients? If so, please explain.

Morgan Stanley Smith Barney, LLC, does not own an asset management business.

Graystone Consulting only recommends managers to plans that are analyzed by our Global Investment Manager Analysis team, whether or not the managers have a business relationship with Morgan Stanley or their affiliates.

In evaluating these money managers, GIMA is committed to objectivity, and has a number of procedures in place to address potential conflicts of interest that could exist in recommending money managers:

- **Manager Analysis Not for Sale.** Our analysis of an investment manager is prepared solely for our clients and our investment programs. This research is never sold to outside organizations such as investment managers.
- **No Compensation for Inclusion in Manager Analysis Database, Evaluation or Recommendations.** We do not receive compensation of any kind from money managers in exchange for including them in its analysis database, for evaluating them, or for recommending them to our clients.
- **Analysts Not Compensated in Measures Related to Investment Managers.** Our manager analyst compensation is not directly linked to asset gathering, securities trading, investment banking revenues or any measure of business condition related to investment managers. Our analysts are compensated by means of salary and incentive compensation, which is subjectively determined based on each analyst's performance and contributions. The value of total incentive compensation is a function of the overall operating health of our firm as a whole.
- **Graystone Consultants are Not Compensated for Manager Recommendations.** Our Institutional Consultants are not compensated based on their recommendation of a specific money manager.
- **Disclosure of Recommendations of Affiliated Money Managers.** The agreement between Graystone Consulting and the plan fully discloses whether we will recommend affiliated money managers, and plans may request that affiliated money managers not be included in our recommendations.
- **Graystone Consulting Does Not Influence IPO Share Allocations.** Graystone Consulting has no influence or role in how IPO shares are allocated to investment managers or other investors. IPO share allocation to investors has no influence on our review and evaluation of investment managers.

Parent Companies:

Morgan Stanley owns Morgan Stanley Investment Management (MSIM) which is dedicated to providing investment and risk-management solutions to investors worldwide. Morgan Stanley Investment Management, together with its investment advisory affiliates, has 563 investment professionals around the world and \$338 billion in assets under management or supervision as of December 31, 2012. MSIM strives to provide outstanding long-term investment performance, service and a comprehensive suite of investment management solutions to a diverse client base, which includes governments, institutions, corporations and individuals worldwide.

18. Technology & Tools

A. Does your firm maintain a proprietary database of investment manager information?

The Informa database contains information compiled from more than 1,300 investment managers throughout the world encompassing over 8,100 various products including (as of 12/31/13):

- 3,624 U.S. Equity Products
- 1,876 U.S. Fixed Income Products
- 1,574 Non-U.S. and Global Equity Products
- 730 Balanced Products
- 334 Non-U.S. and Global Fixed Income Products

We purchase the PSN Investment Manager database from Informa Investment Solutions, Inc. Informa Investment Solutions has been maintaining the PSN database for over 25 years.

The database includes not only historical investment performance results, but also information on each manager's investment style, minimum account size, assets under management, number of accounts managed, founding date, personnel, contact information, ownership structure and denotes whether the product is accepting new accounts. The database also includes a narrative on the firm level, the product level, as well as a composite description.

B. Provide an overview of the hardware and software systems used in the production of performance reports.

Performance reports can be created using Graystone Consulting's proprietary software, Orion, or tools purchased by Graystone Consulting from third parties.

Orion is a proprietary performance measurement system. We use Orion to report on all aspects of a client's investment program, including but not limited to: performance results for the total aggregate portfolio and each manager, analysis of the overall asset mix, equity and fixed income portfolio composition and characteristics, risk and return charts, and visual displays of account cash flows and growth of portfolio assets over time, etc. Orion reports also include advanced statistical indicators, such as beta, alpha, R^2 and the Sharpe Ratio, drawn from the teachings of Modern Portfolio Theory.

Third party applications include PARis which is a fully-integrated, turn-key investment analytics platform that delivers performance measurement, risk attribution and streamlined, customized presentation-quality reports. Style analysis is provided via Zephyr Associates software. Fundamental analysis is performed via Thomson Vestek software and Factset Research Systems, Inc. Index data is provided by multiple index providers including Wilshire Associates, Inc., Russell Investment Group, Ibbotsen Associates, Standard & Poor's, among others. Performance is reported either gross and/or net of fees based on client preferences and State regulatory requirements.

C. Does your firm license any third party technology?

Yes. Graystone Consulting uses the following technology from third parties:

PARis: PARis is a fully-integrated, turn-key investment analytics platform that delivers performance measurement, risk attribution and streamlined, customized presentation-quality reports.

Clearwater Analytics: For clients who need enhanced custody reports, including Form 5500 preparation, we offer Clearwater Analytics, a third party vendor that provides customized statement services. Clearwater Analytics is offered 'at cost' to clients.

Zephyr Associates, Inc.: Zephyr, an industry leader in analytical software, was created by a world-class team of software engineers who created an entirely new program—one of the most sophisticated and functional style analysis and performance analysis software available. Since the release of this software, Zephyr's development team continues on the cutting edge. Graystone Consulting uses Zephyr to get the most thorough and complete style analysis possible in their manager evaluations.

Morningstar®: Morningstar maintains data on mutual fund managers and funds. Morningstar allows Graystone Consulting to sort through manager or fund databases utilizing commonly requested criteria. Morningstar offers a powerful search, allowing us to screen on hundreds of data points and providing well-defined results. All the screeners allow Graystone Consulting to save search results as a Watch List, in case we'd like to track the performance of these investment vehicles for a while before making a decision. Morningstar will also "Score" investment vehicles, giving us a benchmark for our own analysis that ranks managers and funds that pass our test based on criteria that are important to us.

Informa Investment Solutions, Inc.: Informa Investment Solutions, Inc. was founded in 1976 to provide objective performance measurement services to the institutional investment community. Since its founding, Informa Investment Solutions, Inc. has developed its position as an international provider of specialist information and services for the academic, professional and business communities. Graystone Consulting links to Informa Investment Solutions, Inc. databases to address the qualitative and quantitative factors needed for an extended level of analysis.

D. Does your system offer your clients online access to reports?

Client statements are available online. Performance reports may be delivered electronically by your Graystone Consulting team on a quarterly basis or other agreed upon frequency, however, they are not presently available online.