
GOLSAN SCRUGGS 2010 RIA RISK SURVEY

Conducted October through November of 2010 by electronic survey directed to approximately 8,000 independent Registered Investment Advisors throughout the United States.

The purpose of the survey was to determine what areas of risk are collectively perceived as concerning, significant and central to a U.S. based Registered Investment Advisory operation.

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GOLSAN SCRUGGS
INSURANCE & RISK MANAGEMENT

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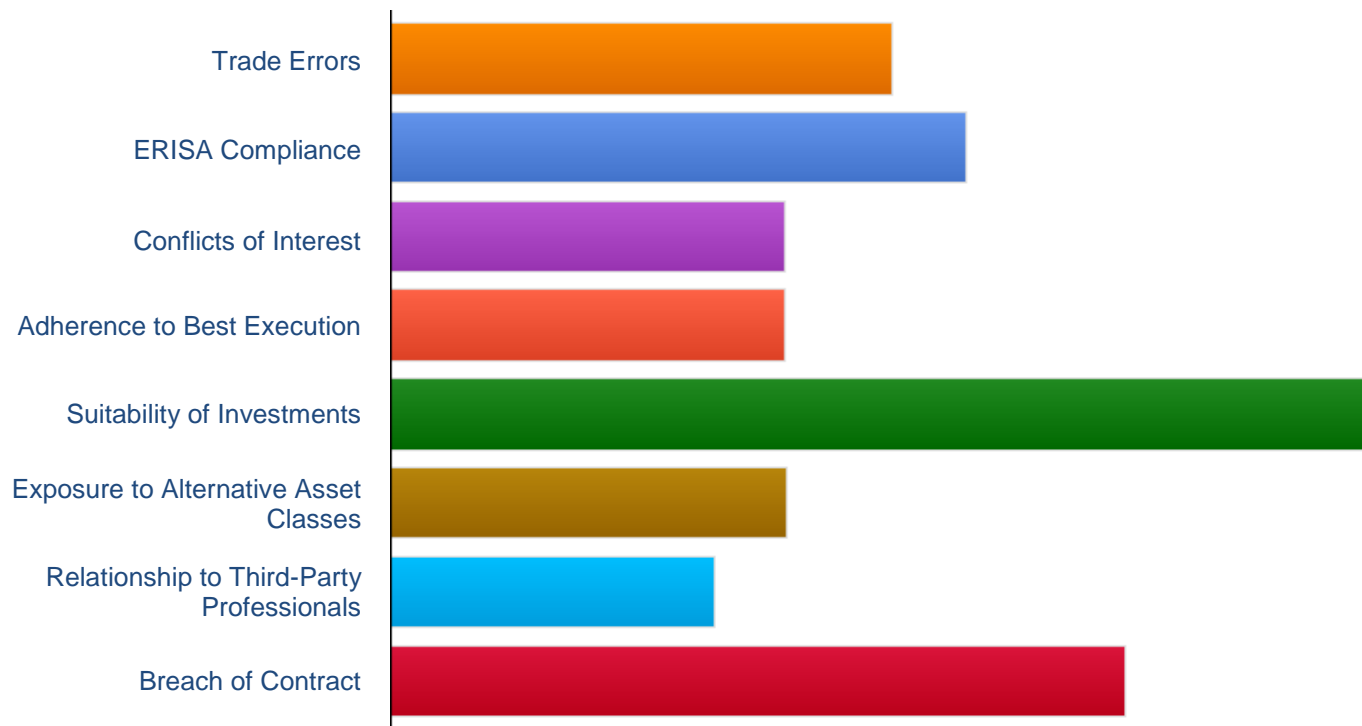
Survey Exhibit

As a Registered Investment Advisor, please rate the following areas of risk from lowest to highest:

- Trade Errors
- ERISA Compliance
- Conflicts of Interest
- Adherence to Best Execution
- Suitability of Investments
- Exposure to Alternative Asset Classes
- Relationships to Third-Party Professionals
- Breach of Contract

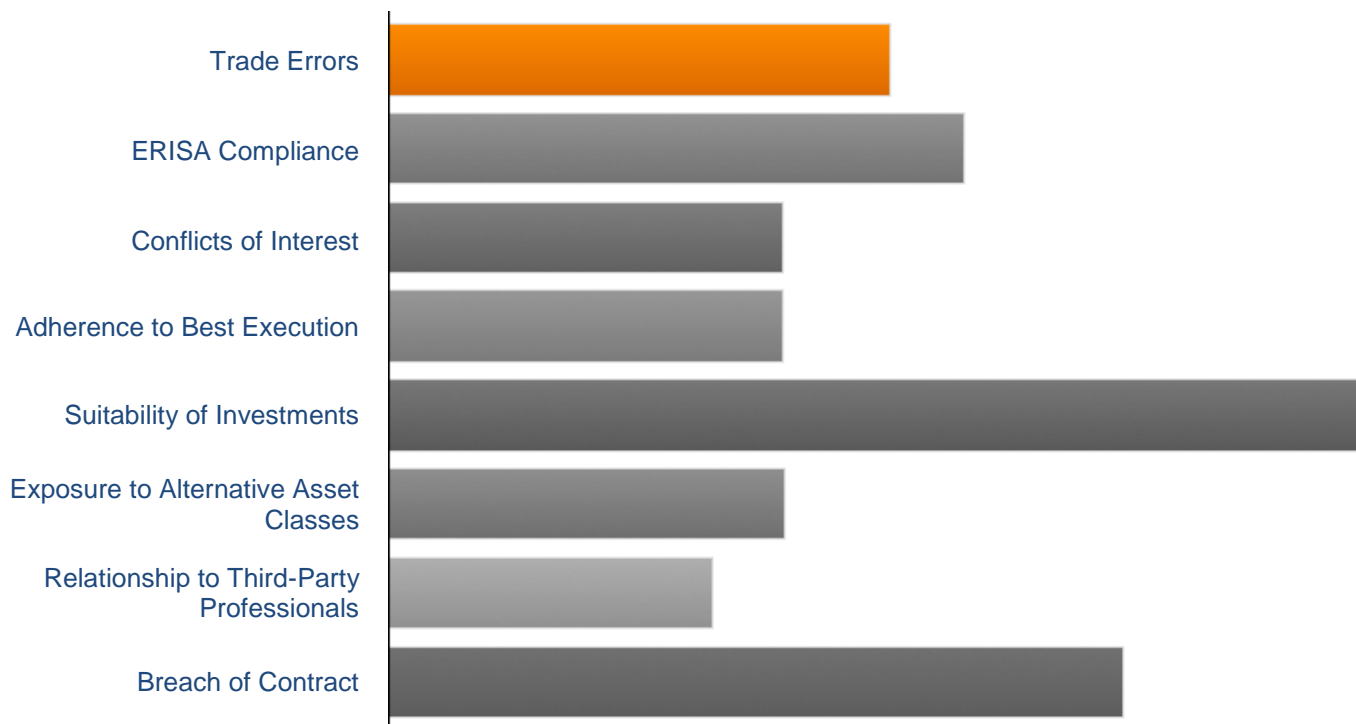
Summary of Survey Results

Registered Investment Advisors, in response to the Golsan Scruggs 2010 RIA Risk Survey conducted from October through November of 2010, ranked the following areas of risk from lowest to highest:



Expansion on Specific Terms:

TRADE ERRORS



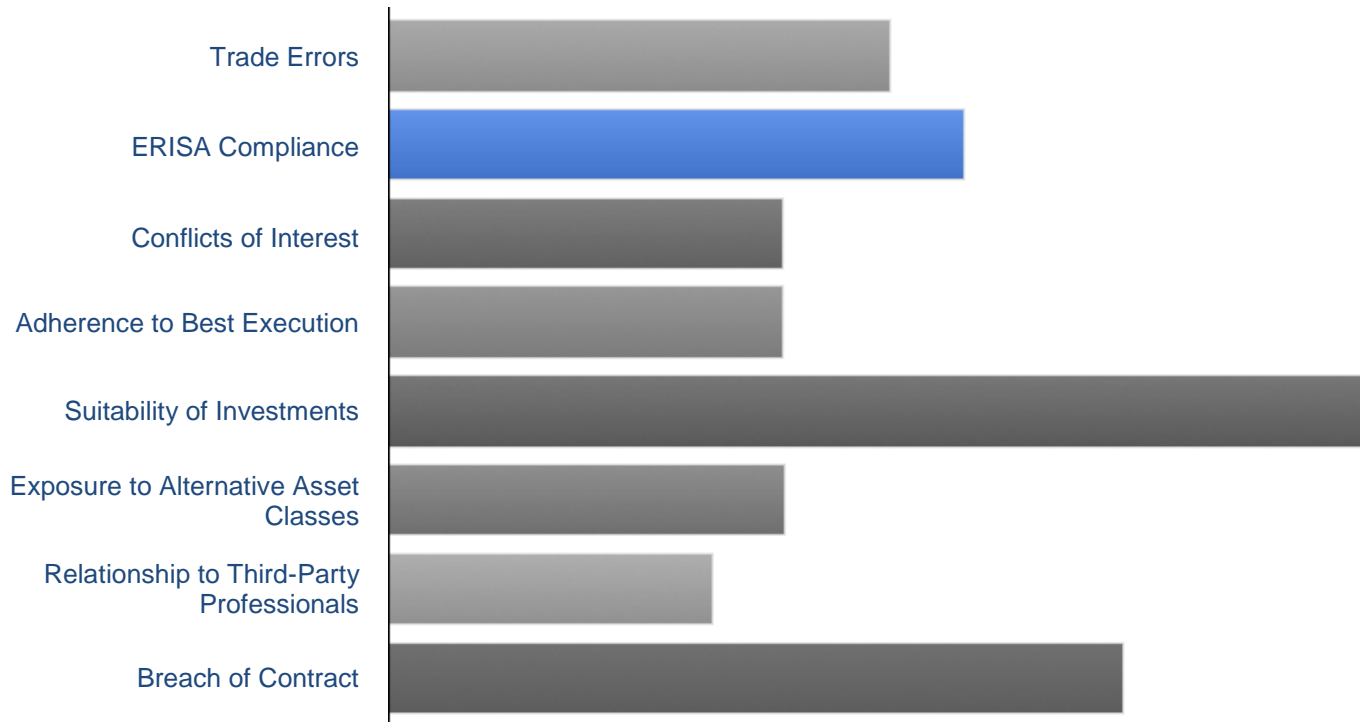
Definition of Risk: Failure or alleged failure to execute a securities trade-transaction as intended or preferred.

Management of Risk: Do you have appropriate mechanisms and adequate controls within your trading system and/or procedures to validate order accuracy, establish limits on block orders that exceed certain parameters, and prevent erroneous orders? Do you have a formal policy and procedure specifying how trade errors are to be handled? Are trade errors identified at the earliest possible time and resolved in a manner that is consistent with disclosures made to clients and your fiduciary relationship with clients?

Legal Substantiation: Pursuant to Sections 203(f), 203(k), 206(1), 206(2), and 211 of the Investment Advisers Act of 1940, such standard of care and conduct is a violation; advisors are held accountable (U.S. Securities and Exchange Commission). Cases can also fall under “negligence”, “failure to supervise”, and “Breach of Fiduciary Duty”. Case law: SEC v. Michael T. Jackson and EGM Capital Corp., Advisers Act Release No. 2374.

Expansion on Specific Terms:

ERISA Compliance



Definition of Risk: Failure and/or alleged failure to meet fiduciary role and proper compliance mechanisms as defined under ERISA.

Management of Risk: How are your activities as a fiduciary concurrent with each plan document that defines the investment scope? How have you collected, analyzed, and reviewed relevant documents pertaining to the establishment and management of each plan's investments? How have you assisted the client and the plan in establishing definitive goals and objectives?

Legal Substantiation: Section 402(a)(1)(B) and (2) under the Employee Retirement Income Security Act of 1974 (ERISA) define "investment manager" as a fiduciary in accordance with specified powers of discretionary plan management, performing certain functions as described within the Act, and plan acknowledgement. The Act states, every fiduciary of an employee benefit plan and every person who handles funds or other property of such a plan act in accordance with its fiduciary accountability standards. The Act also gives participants of such plans the right to sue for benefits and breaches of fiduciary duty. Case law: *Fink vs. National Savings and Trust Co.*, 772 F.2d 951, 6 E.B.C. 2269 (D.C. Cir. 1985).

Expansion on Specific Terms:

CONFLICTS OF INTEREST



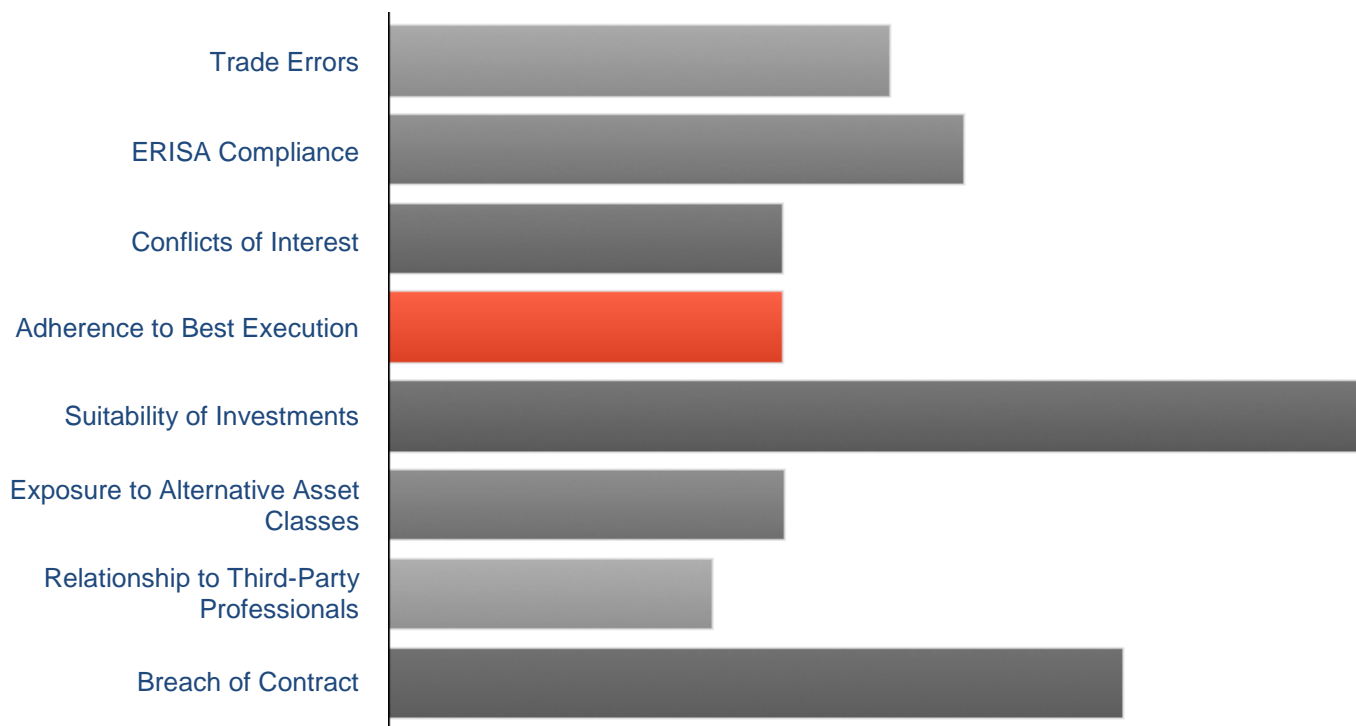
Definition of Risk: Placing or alleged to have placed your interest above the clients’.

Management of Risk: What potential conflicts of interest and/or “self-dealings” exist that might affect your recommendations? What are your sources of compensation and are they prudent? Who benefits the most from investment decisions? To what extent have you clearly and accurately described potential conflicts and how you will maintain impartiality?

Legal Substantiation: The Investment Advisers Act of 1940 imposes a duty on advisors to act as fiduciaries in dealings with their clients, meaning the advisor must hold the client’s interest above its own in all matters. Refer to section 211(g), standard of conduct, and material conflict of interest. Case law: SEC v. Capital Gains Research Bureau, Inc. 375 U.S. 180 (1963). See also ERISA sections 3(14), 404 and 406.

Expansion on Specific Terms:

ADHERENCE TO BEST EXECUTION



Definition of Risk: Inability or alleged breach of obligation to execute transactions in such a manner that the clients' total cost or proceeds in each transaction is the most favorable under the circumstances; failure or alleged failure to exercise reasonable care to obtain the most advantageous terms for your customer/client.

Management of Risk: In assessing whether this standard is met, to what extent have you considered the full range and quality of the custodial services, including, among other things, execution capability, commission rate, financial responsibility, responsiveness to the adviser, and the value of any research services provided?

Legal Substantiation: As a fiduciary, an adviser has an obligation to obtain "best execution" of clients' transactions. See Exchange Act Release No. 23170 (April 23, 1986). See also Investment Advisor Act of 1940, section 211(g)(1), Standard of Conduct. Case law, *Herman v. NationsBank Trust Co.*, (Georgia), 126 F.3d 1354, 21 E.B.C. 2061 (11th Cir. 1997).

Expansion on Specific Terms:

SUITABILITY OF INVESTMENTS



Definition of Risk: Breach or alleged breach of the fiduciary duty owed to your client to determine, provide and transact investment management concurrent and suitable to the client's financial situation, investment objectives and risk tolerance.

Management of Risk: Is the level of each client's portfolio exposure to risk (loss) understood and are the quantitative and qualitative factors that were considered documented? What is the "worst-case" scenario and is it acceptable and manageable? How do you monitor the performance and continued suitability of each strategy and particular investment? Is the investment plan and strategy consistent now and over-time with the client's investment goals and objectives? Are selected asset classes consistent with the risk, return and time horizon expected by the client?

Legal Substantiation: Pursuant to the Investment Advisers Act of 1940, the "client's interest first" standard exists which establishes a higher standard of care yet takes into consideration/incorporates "suitability". See also Investment Advisers Act Release No. 1406 (March 16, 1994) and ERISA 404(a)(1)(B). Case law, Laborers National Pension Fund v. Northern Trust Quantitative Advisors, Inc. 173 F.3d 313, E.B.C. 1001 (5th Cir.).

Expansion on Specific Terms:

ALTERNATIVE ASSET CLASSES

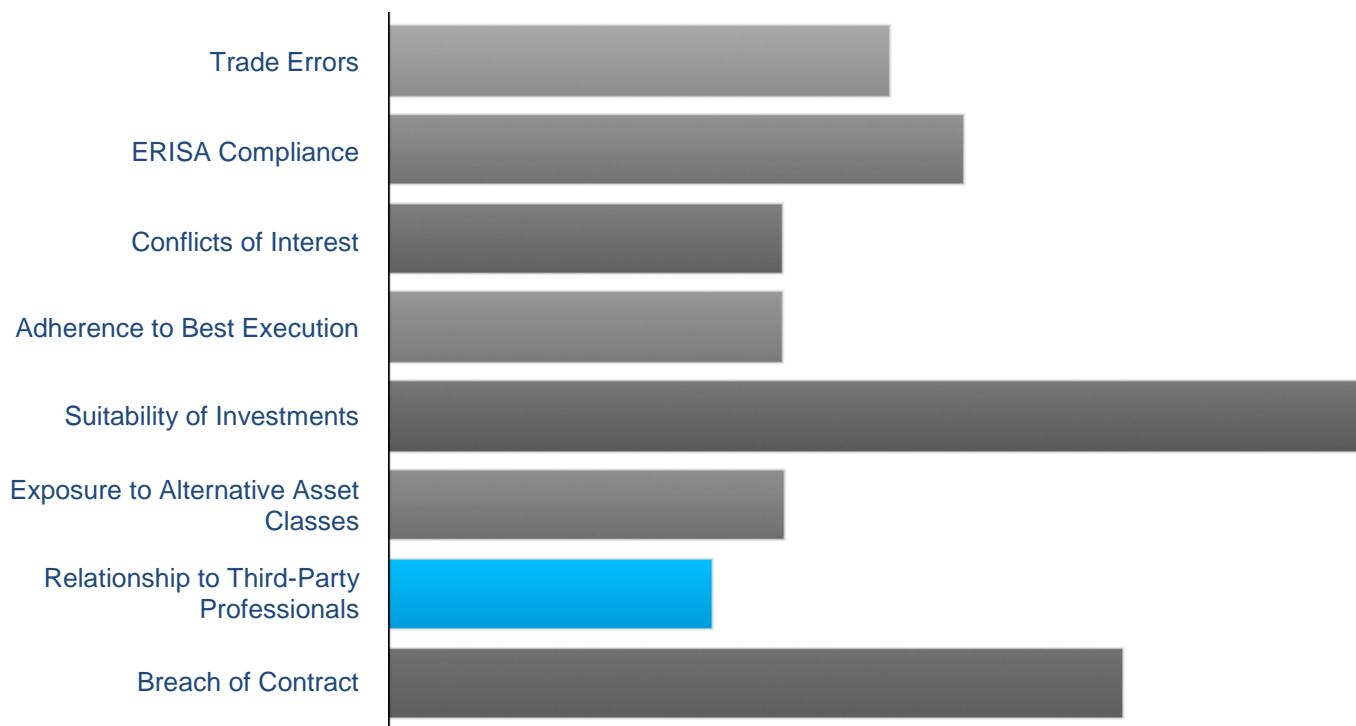


Definition of Risk: Volatility of investment return to clients' portfolios stemming from exposure to unregulated, privately-traded, specialized, leveraged, illiquid and/or assets with limited accounting oversight.

Management of Risk: Why are the alternatives being considered? What is the process for considering regulated vs. unregulated investment options? How much portfolio exposure is prudent? What evaluation-of-risk and due-diligence process has been employed? What third-party financial oversight exists to the asset in question? Who provided or is continuing to provide such oversight, is it objective and at what audit capability do they possess? Avoid recommending any financial product or asset that you do not thoroughly understand. Can reasonable risk/return and correlation statistics be obtained? What readily available data sources exist and how reliable?

Legal Substantiation: Pursuant to the Investment Advisers Act of 1940, the "client's interest first" standard exists which establishes a higher standard of care yet takes into consideration/incorporates "suitability". See also Investment Advisers Act Release No. 1406 (March 16, 1994) and ERISA 404(a)(1)(A), (B) and (C). Case law, Metzler v. Graham, 112 F.3d 207, 20 E.B.C. 2857 (5th Cir. 1997) and GIW Industries, Inc. v. Trevor, Stewart, Burton & Jacobsen, Inc. 10 E.B.C. 2290 (S.D.Ga. 1989).

Expansion on Specific Terms: RELATIONSHIPS TO THIRD-PARTY PROFESSIONALS



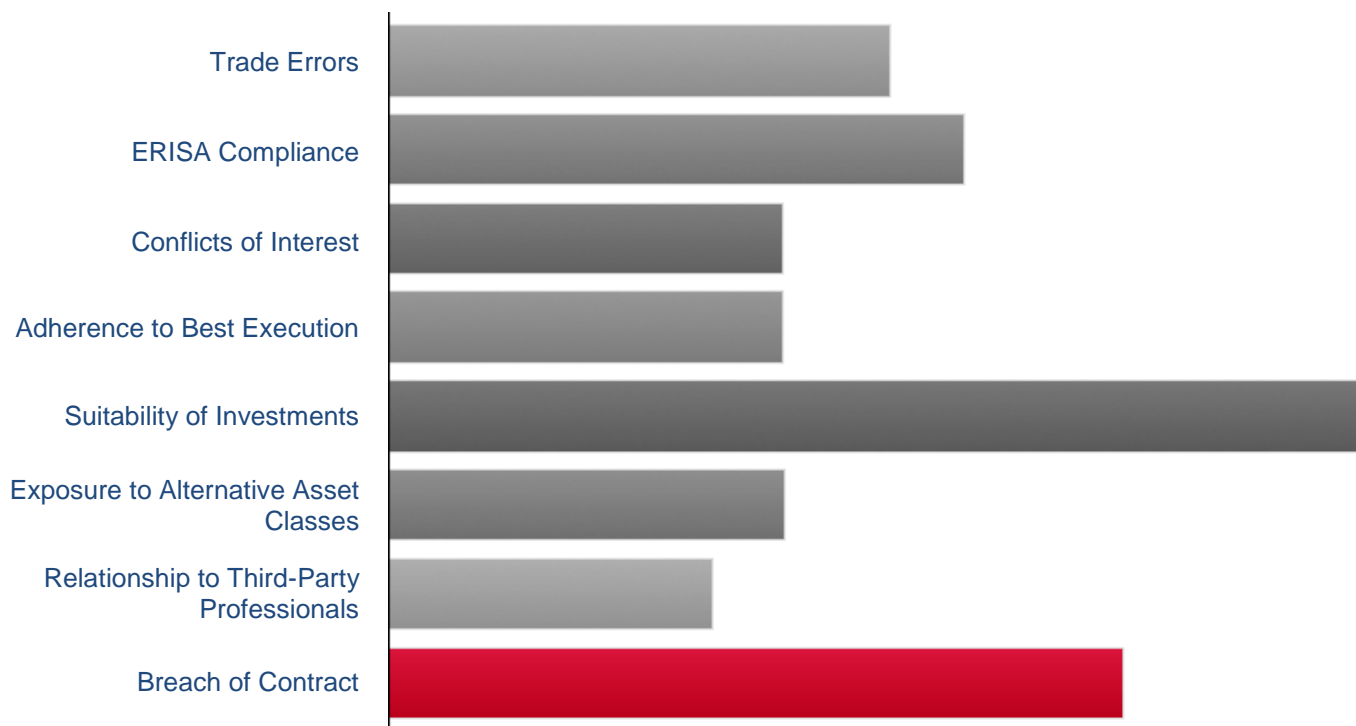
Definition of Risk: Liabilities imputed upon the advisor for the actions of a third-party relationship (ex: sub-advisor, tax and/or estate consultant, independent contractors, outside portfolio/investment managers, etc.).

Management of Risk: What third-party relationships exist? Any relationship of substance should be established in writing to define the scope of the parties' duties and responsibilities. How or what types of actions taken by such third-party relationships could impose responsibility upon you? Have IPS documents, pertaining to any third-parties, been crafted properly and what levels of accountability to its terms exist?

Legal Compliance: The Investment Advisers Act of 1940, section 211(g)(1), Standard of Conduct. As well, section 206(4)-1, 206(4)-2, 206(4)-3, and 206(4)-4 regulate, respectively: advertising, custody or possession; payment of fees to third parties; and disclosure of financial and disciplinary backgrounds. Additionally, refer to ERISA sections 3(38)(C), 402, 403, 404, 405, 406, 408 and 412. Case law, Varsity Corporation v. Howe, 516 U.S. 489, 116 S. Ct. 1065, 134 L.Ed.2d 130 (1996).

Expansion on Specific Terms:

BREACH OF CONTRACT



Definition of Risk: Failure or alleged failure to honor and/or fulfill the trust, faith or promise made as described within your client agreements, investment policy statements or trust documents.

Management of Risk: How are clients assets managed in accordance with the written documents governing the investment strategy? Is each client's investment strategy implemented in compliance with the required level of prudence? Do all parties clearly comprehend the roles specified within the documents? Are there any conditions or goals within the documents that contain limitations, impose constraints or which you feel are inappropriate?

Legal Compliance: Breach of contract is a legal cause of action established under "Common Law" (case law). In addition, the Investment Advisors Act of 1940, section 205, affirms the advisor's responsibilities to "prudent practices" which can include adherence to client plans. See also ERISA sections 3(38)(C), 104, 402, 403, and 404. Case law: Dardaganis v. Grace Capital, Inc., 664 F. Supp. 105, (S.D.N.Y. 1987).

Disclaimer & Corporate Information

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