

## ***Carlson Capital Management, Inc.***

### **CEFEX Investment Advisor Certification**



#### **Investment Advisor Definition**

A fiduciary who is responsible for managing a client's overall investment strategy, which may include deciding on the client's asset allocation, developing the client's investment strategy, implementing the strategy with appropriate Investment Managers, and monitoring the strategy, on a one-time or ongoing basis. The term refers to those who provide specific or comprehensive investment advice including financial advisors, broker-consultants, investment consultants, wealth managers, financial consultants trust officers, financial planners and fiduciary advisers.

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#### **Note to Report**

The information contained in this report is a summary of an assessment conducted by CEFEX, Centre for Fiduciary Excellence, LLC. The report is suitable for public distribution at the discretion of the certified firm. To confirm the registration of this firm, please visit [www.cefex.org](http://www.cefex.org), where a listing of all currently registered firms can be viewed.

**SECTION 1 – COMPANY INFORMATION**

**CEFEX File No.:** CFX10052

**Company Name:** Carlson Capital Management Inc.

**Address:** 11 Bridge Square, Northfield, MN 55057 USA

**Phone:** 507-645-6408

**SECTION 2 – ASSESSMENT DETAILS*****Dates and Participants Representing CEFEX:***

**Date of Registration:** 2011.11.26

**Type of Assessment:** Renewal

**Assessment Team:**

| <b>Position</b> | <b>Name</b>                                       |
|-----------------|---|
| Lead Analyst    | Donald K. Denton, Roland Criss Fiduciary Services |

***Attestation***

The Lead Analyst is independent of the registered firm. He/she has not been employed or compensated by the registered firm for a period of at least 2 years prior and 6 months following this assessment, for the purposes of providing fiduciary consulting services.

The Lead Analyst is an Accredited Investment Fiduciary Analyst (AIFA®) and has the adequate expertise and proficiency to perform this assessment.

***Purpose and Scope of this Assessment:***

To evaluate the Advisor's conformance to the practices and associated criteria as defined in the document "*Prudent Practices for Investment Advisors*" (the Standard) for the declared scope of registration.

The scope of registration is as follows:

*Investment advisory services for affluent individuals, personal trusts, charitable remainder trusts, non-profit/charitable gift funds, ERISA DB plans, ERISA DC plans, endowments, foundations and corporate-owned investment accounts.*

***Summary of Assessment Methodology:***

The assessment requires that the Analyst plan and perform a review of a representative sample of the Advisor's written records, interviews with appropriate personnel of the Advisor and, on a test basis, evidence supporting the actions taken by the Advisor in providing services to its clients. Sampling of records was conducted in accordance with the statistical guidelines used by the International Organization for Standardization, which required a

review of records equal to the square root of the total available records. Assessment elements include:

- Background check (performed at initial assessment), including ADV, FINRA BrokerCheck (if applicable) and civil lawsuit databases.
- Document review including Investment Policy Statement, Investment Committee minutes, client performance reports, RFP's in the selection of service providers, written evidence of Investment Manager reviews, and service agreements.
- Comparison of capital market inputs for asset allocation model assumptions to a benchmark
- Comparison of risk and return models to a benchmark
- Comparison of investment due diligence screens to a standard thresholds
- Review of actual investments using a standard fiduciary scoring system. The Fiduciary Score is a measure of an investment's position relative to a group of peers, using factors such as track record, assets, management tenure, style consistency, etc. over a period of three years.
- Review of arrangements with custodians, brokers and other service providers.

### **SECTION 3 - ASSESSMENT FINDINGS**

All of the Practices within the Standard were assessed and considered to be adequately implemented, as listed below. A full copy of the Standard, which includes criteria for the fulfillment of each Practice, can be downloaded from [www.cefex.org](http://www.cefex.org), or viewed by clicking on the Advisor's on-line CEFEX certificate.

| <b>No.</b> | <b>Practice</b>   | <b>Conformity</b> |
|------------|---|-------------------|
| 1.1        | The Investment Advisor demonstrates an awareness of fiduciary duties and responsibilities.  | √                 |
| 1.2        | Investments are managed in accordance with applicable laws, trust documents, and written investment policy statements (IPS).        | √                 |
| 1.3        | The roles and responsibilities of all involved parties (fiduciaries and non-fiduciaries) are defined, documented, and acknowledged. | √                 |
| 1.4        | The Investment Advisor is not involved in self-dealing.   | √                 |
| 1.5        | Service agreements and contracts are in writing, and do not contain provisions that conflict with fiduciary standards of care.      | √                 |
| 1.6        | Assets are within the jurisdiction of appropriate courts, and are protected from theft and embezzlement.                            | √                 |
| 2.1        | An investment time horizon has been identified for each client.   | √                 |
| 2.2        | A risk level has been identified for each client.   | √                 |
| 2.3        | An expected, modeled return to meet investment objectives has been identified.  | √                 |
| 2.4        | Selected asset classes are consistent with the identified risk, return, and time horizon.   | √                 |
| 2.5        | Selected asset classes are consistent with implementation and monitoring constraints.   | √                 |
| 2.6        | There is an IPS which contains the detail to define, implement, and monitor the client's investment strategy.                       | √                 |
| 2.7        | The IPS defines appropriately structured, socially responsible investment (SRI) strategies (where applicable)                       | √                 |
| 3.1        | Each client's investment strategy is implemented with the required level of prudence.   | √                 |
| 3.2        | The Investment Advisor and the Advisor's fiduciary clients are following applicable "safe harbour" provisions (when elected).       | √                 |
| 3.3        | Investment vehicles are appropriate for the portfolio size.   | √                 |

|     |   |   |
|-----|---|---|
| 3.4 | A due diligence process is followed in selecting service providers, including the custodian.  | √ |
| 4.1 | Periodic reports compare investment performance against an appropriate index, peer group, and IPS objectives.                                   | √ |
| 4.2 | Periodic reviews are made of qualitative and/or organizational changes of investment decision-makers.   | √ |
| 4.3 | Control procedures are in place to periodically review policies for best execution, “soft dollars,” and proxy voting.                           | √ |
| 4.4 | Fees for investment management are consistent with agreements and with all applicable laws.   | √ |
| 4.5 | “Finder’s fees” or other forms of compensation that may have been paid for asset placement are appropriately applied, utilized, and documented. | √ |
| 4.6 | There is a process to periodically review the Investment Advisor’s effectiveness in meeting its fiduciary responsibilities.                     | √ |

**Comment on Practices 4.4 and 4.5:**

Responsible fiduciaries should review information regarding fees and potential conflicts when engaging an Investment Advisor (Advisor). CEFEX-certified Advisors have been assessed using a checklist modeled after the disclosure requirements in DOL Regulation § 2550.408b-2(c). The CEFEX assessment includes a review of the Advisor’s service agreement(s) including a sampling of the Advisor’s client files to verify deployment of the service agreement, and appropriate disclosures. The Advisor’s service agreement and disclosures are reviewed along with the Advisor’s Form ADV to assure consistency. For Advisors serving plans subject to ERISA, many disclosures are mandatory in order to avoid a prohibited transaction. For those Advisors who do not serve ERISA plans, this checklist is considered a requirement for CEFEX certification on the basis of best practice.

**SECTION 4 - ASSESSMENT CONCLUSIONS AND RECOMMENDATION**

Based on the findings obtained during the Assessment, the Company is in substantial conformity to the Standard, and is recommended for CEFEX registration. This assessment has been reviewed by the CEFEX Registration Committee in order to maintain impartiality and consistency in the registration process. For details on the complete assessment process, please visit [www.cefex.org](http://www.cefex.org).

**Note regarding CEFEX certification:**

The CEFEX certificate has been awarded following the successful completion of an assessment to the standard referenced above. It may not address all of the products/services provided by the firm. The terms and conditions governing the issuance of the CEFEX certificate are contained in the Agreement between CEFEX and the firm. The certificate is the property of CEFEX, is valid for 1 year from the Date of Current Registration shown, and can be renewed annually.

The certification is not a source of legal or investment advice, a financial audit or expression of opinion regarding the completeness or accuracy of financial statements, a compliance or regulatory audit, a guarantee that the firm is in compliance with applicable fiduciary laws or standards, or a guarantee that the firm is adhering to the standard with respect to any specific client.