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March 30, 2007

The above date witnessed a remarkable convergence in the ethics landscape for providers of financial planning services.

CERTIFIED FINANCIAL PLANNER BOARD OF STANDARDS

On March 30, 2007, the CFP Board issued the Second Exposure Draft of Proposed Revisions to the CFP Board's Standards of Professional Conduct. In this exposure draft, the Board, for the first time, clearly embraced the concept of the fiduciary standard of care as the required standard for all financial planning engagements for CFP® Certificants. This exposure draft was prepared and released after an initial re-write of the Standards of Professional Conduct last summer and a substantial round of feedback and comment from CFP® licensees and other interested parties.

It is important to understand that the CFP Board's Standards of Professional Conduct apply only to licensees authorized to use the CFP® and CERTIFIED FINANCIAL PLANNER™ marks; and apply only to the extent that the CFP Board regulates the use of the marks. The Standards are, in essence, part of an agreement between the Board and its licensees. Part of the debate surrounding the standards focused on the potential that the CFP Board would be dictating the particulars of legal engagements between licensees and their clients. This has never been the case. Licensees and their clients are free to establish their engagement upon whatever standards they mutually agree. If, however, a complaint is lodged against the CFP® certificant, or the certificant otherwise comes under scrutiny of the CFP Board's professional review, the certificant's right to continue use of the marks is determined based on compliance with the published Standards of Professional Conduct, not necessarily on compliance with the standard of care articulated in the engagement agreement or contract.

A standing criticism of the existing Standards of Professional Conduct has been that the required standard of care in a client engagement has been ill-defined and sometimes easily sidestepped.

The latest revision to the Standards is a significant improvement over the prior articulation. The most significant improvements in this release are:

- The term "fiduciary" has been clearly defined as for purposes of use of the marks. The release defines fiduciary as "One who acts in utmost good faith, in a manner he or she reasonably believes to be in the best interests of the client."
- Use of the term "fee only" has been clarified to be limited to use by certificants only if all of his or her compensation comes exclusively from clients in the form of fees.
- The definition of a "financial planning engagement" is modified to close potential loophole in the current rules when certificants do not have written agreements with clients when providing financial planning services.
- The revised standards are not only aspirational but also binding as to the behavior of certificants.
- The revised standards require that certificants must always place the interest of the client ahead of his or her own; that the fiduciary standard of care applies to all financial planning engagements, and to engagements that include material elements of the financial planning process.

These new standards are a major step forward in the evolution of professional standards for the financial advisory profession.

The Securities Exchange Commission

In a controversial decision in 2004, the SEC issued a rule establishing an exemption from the fiduciary duties of the Investment Advisers Act of 1940 for certain broker-dealers. In 2004, the Financial Planning Association (FPA) (in a likewise controversial action) filed suit against the SEC seeking to reverse the rule.

On March 30, 2007, in an unexpected ruling, the United State Court of Appeals for the District of Columbia rejected the SEC's position on the broker dealer exemption. Several pieces of the language of the decision were worthy of note.

- The ruling clearly lays out the background of the enactment of the Investment Advisers Act of 1940 (IAA). *"The overall statutory scheme of the IAA addresses the problems identified to Congress in two principal ways: First, by establishing a federal fiduciary standard to govern the conduct of investment advisers, broadly defined… and second, by requiring full disclosure of all conflicts of interest."*
- Further, the court recited the fundamental philosophy of the regulatory scheme. *"A fundamental purpose, common to these statutes, was to substitute a philosophy of full disclosure for*

the philosophy of caveat emptor, and thus achieve a high standard of business ethics in the securities industry… The IAA arose from a consensus between the industry and the SEC that investment advisers could not completely perform their basic function--furnishing to clients on a personal basis competent, unbiased and continuous advice regarding the sound management of their investments--unless all conflicts of interest between the investment counsel and the client were removed." "The IAA's essential purpose was to protect the public from the frauds and misrepresentations of unscrupulous tipsters and touts, and to safeguard the honest investment adviser from the stigma of the activities of these individuals by making fraudulent practices by investment advisers unlawful."

As of this date, it is unclear whether the SEC will appeal this ruling to the US Supreme Court.

Depending on how the CFP Board's Standards of Professional Conduct find their way into practice, and depending on the actions of the SEC and the various securities industry lobbying groups in response to this ruling, March 30, 2007 may be recorded as a day when the interests of consumers were well served. Higher standards of conduct. Better disclosure of conflicts of interest.

Market Review

Returns were positive for every asset class, with the lone exception of large-cap growth, during the most recent quarter. The table below shows the returns through March 31st, 2007 for selected basic investment asset classes. In most cases, the results below are appropriate benchmarks for the related mutual funds in your investment portfolio. As comfortable as the past several quarters have been, we must remember how unpredictable the markets really are.

Asset Class Performance

Asset Class	Index or Proxy[1]	Last 3 Months	Last 12 Months	Peer Group Mstar Category or Average[2]	Last 3 Months	Last 12 Months
Ultrashort Bonds – Corp.	Citigroup 6-Month T-Bill	1.25	5.01	Cat: Ultrashort Bond	1.20	5.01
Short Term Bonds - Municipal	LB 3-Yr Municipal	0.97	3.93	Cat: Muni National Short	0.73	3.38
Short Term Bonds – Gov't.	Citigroup 1-5 Yr Treasury	1.47	5.26	Cat: Short Government	1.30	4.88
Short Term Bonds – Corp.	Citigroup 1-3 Yr Corporate	1.53	5.86	Cat: Short-Term Bond	1.32	5.04
Interm. Term Bonds – Colo Muni.	Thomson CO Municipal MF	0.72	4.60	Cat: Muni Single State Interm	0.60	4.36
Intermediate Term Muni. Bonds	LB 7-Yr Municipal	0.91	5.07	Cat: Muni National Interm	0.64	4.32
Intermediate Term Bonds – Gov't	LB U. S. IT Govt	1.52	5.73	Cat: Interm. Government	1.33	5.48
Intermediate Term Bonds – Corp.	LB IT Gvt/Credit	1.59	6.14	Cat: Interm-Term Bond	1.45	6.17
	Citigroup 3-7 Yr Corp	1.80	7.12			
Global Bonds	Citigroup World Govt Bond	1.15	7.78	Cat: World Bond	1.31	6.77
Domestic Large Cap Core	S&P 500 TR	0.64	11.83	Cat: Large Blend	1.07	10.25
Domestic Large Cap Growth	S&P 500/Citigroup Growth	-0.09	8.08	Cat: Large Growth	1.30	4.46
Domestic Large Cap Value	S&P 500/Citigroup Value	1.34	15.63	Cat: Large Value	1.14	13.95
Domestic Small Cap Core	S&P 600 TR	3.21	5.29	Cat: Small Blend	2.89	5.78
	Russell 2000	1.95	5.91			
Domestic Small Cap Growth	S&P 600/Citigroup Growth	4.33	3.58	Cat: Small Growth	3.03	1.14
Domestic Small Cap Value	S&P 600/Citigroup Value	2.17	6.90	Cat: Small Value	2.49	7.69
Real Estate Investment Trusts	FTSE NAREIT-Equity	3.46	21.77	Cat: Specialty Real Estate	3.56	21.56
Int'l Large Cap Core	MSCI EAFE	4.15	20.68	Cat: Foreign Large Blend	3.45	17.61
	MSCI World ex U.S.	4.09	20.09			
Int'l Large Cap Value	MSCI EAFE Value	3.28	23.21	Cat: Foreign Large Value	3.40	18.71
Int'l Small Cap Core	MSCI EAFE Small Cap	7.19	15.91	Avg: Foreign Small Blend	8.02	17.87
Int'l Small Cap Value	DFA Int'l Small Cap Value	9.06	24.27	Avg: Foreign Small Value	8.46	22.19
Emerging Markets	MSCI Emerging Markets	2.35	21.03	Cat: Divers. Emerging Mkts	2.36	20.61

[1] In some cases, where published indices are not readily available, the performance of an appropriate passively managed mutual fund is used as a proxy.
[2] In cases where Morningstar does not provide meaningful category data, we extract averages from the fund database to use for performance tracking and comparison.

April 16, 2007