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Graystone Consulting

Asset Allocation & Distribution Policy Study

May 2017

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Graystone Consulting

Institutional Consulting Services

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Morgan Stanley

Graystone Consulting
- 54 US Offices
- 124 Consultants
- 70 Client Portfolio Analysts
- 260 Client Operations Staff

Graystone Engagement Team
- Offices: Wichita / Providence
- Endowment/Foundation Focus
- 6 Consultants (3 Primary)
- 2 Client Portfolio Analysts
- 2 Client Support Staff

GIC (Global Investment Committee)
- 7 Member Committee
- 40+ supporting analysts
- Establishes macro economic themes and sets allocation policies

GIMA (Global Investment Manager Analysis)
- 110 Manager Research Analysts
  - 65 Traditional
  - 45 Alternative

AIP (Alternative Investments Group)
- 230 Professionals across Hedge Funds, Private Markets, and Portfolio Solutions
- 80 Investment Professionals
- 8 Operational Due Diligence

BUSINESS ACCOLADES[2]

- **#1 Nationally by number of non-profit clients**
- #1 Managed Account Platform by assets
- **#1 Nationally in Consultant Capability & Advice (Greenwich Associates)**
- Most Rigorous Investment Manager Due Diligence[3]

OVER $278BN[1] IN CONSULTING ASSETS ACROSS THE FOLLOWING SEGMENTS

- Taft-Hartley
- Public/Corporate Pension Plans
- Higher Education
- Social Service Organizations
- Health Care Plans
- 401k and 403B Plans

Consulting Assets Under Management $278 Billion[1]

100+ Years Consulting Experience

110 Manager Due Diligence Professionals

1,300+ Actively Analyzed Investment Products

250+ Onsite Manager Visits/Year

#1 Managed Accounts Program by Assets

$2Tn In Total Client Assets (MS)

1. As of December 31, 2016
2. Morgan Stanley Wealth Management. Unless otherwise noted, the source for these statistics is Plan Sponsor Magazine, 2012 Consultants Survey.
3. FundFire Survey, 2014.

Meet the Team

Graystone Consulting Service Team

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Lead Institutional Consultants

William G. Hendrix, CIMA®
Institutional Consulting Director
Sr. Investment Mgmt. Consultant

Gary J. Bartak, CIMA®
Institutional Consulting Director
Sr. Investment Mgmt. Consultant

Robert J. Morris
Institutional Consultant
Sr. Investment Mgmt. Consultant

Mark McAndrew
Senior Vice President
Financial Advisor

David McAndrew
Financial Advisor

Luke M. Bartak
Financial Advisor

Roles & Responsibilities

- Manage all aspects of the team and provide strategic directional oversight to reach goals
- Monitor team and client performance
- Provide portfolio modification recommendations – Deliver on total enterprise consulting
- Lead client discussions on investment objectives and risk tolerance

Operational Staff

Pamela Hatfield
Assistant Vice President
Institutional Consulting Associate

Kassidee Lank
Client Service Associate

Roles & Responsibilities

- Execute transactions
- Facilitate daily client needs
- Accounting operations
- Process journals, wires and new accounts
- Manage onboarding processes

Research & Analytical

Justin S. Dougan
Assistant Vice President
Institutional Consulting Analyst

Jason Bailey
Client Service Associate

Roles & Responsibilities

- Liaise with the GIC, GIMA & AIG to provide analytical support
- Monitor and reconcile performance data
- Macro-economic research
- Manager selection

National Graystone Support

Global Investment Committee (GIC)

Committee Members	7
Doctor of Philosophy (PhD):	2
Masters of Business Administration (MBA)	4
Chartered Financial Analyst (CFA)	1

Global Investment Manager Analysis (GIMA)

Traditional & Alternative Analysts	75+
Average Industry Experience	17 years
Chartered Financial Analyst (CFA)	11
Chartered Alternative Investment Analyst (CAIA)	4
Certified Investment Mgmt. Analyst (CIMA)	1

Alternative Investment Group (AIG)*

Analytical, Research, Operational	243+
Doctor of Philosophy (PhD)	2
Masters of Business Administration (MBA)	39
Juris Doctor (JD)	9
Master's Degree	17
Chartered Financial Analyst (CFA)	11
Chartered Alt. Investment Analyst (CAIA)	9

**Please see important Disclaimers page for important information about the risk of investing in alternative investments*

Our Process

A Client Focused Fiduciary Responsibility – Following UPMIFA

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Endowments and Foundations

Step 1: Organizational Assessment

- Organizational history and vision
- Total enterprise philosophy
- Investment objectives
- Asset/liability structure
- Liquidity requirements
- Time horizon and risk tolerance

Benefit: Comprehensive analysis informs decisions

Step 2: Investment Policy Statement

- Detailed asset liability analysis
- Criteria to select asset classes, styles
- Suitable risk/return benchmarks
- Procedures
- Process to upgrade / replace funds
- Duties and responsibilities

Benefit: Policy statement tailored to your criteria

Step 3: Asset Allocation Study

- Utilize resources of the firm for insights
- Policy adherence evaluation
- Dynamic portfolio construction recommendations
- Models based on historic analysis /projected future trends
- Capital Markets Sales/Trading informs decisions

Benefit: Customized allocation

Step 4: Manager Selection

- Manager evaluation tools used to make informed decisions
- Open architecture manager searches
- Leverage 100+ dedicated manager analysis professionals
- Work with your investment committee on manager recommendations
- Fee analysis and negotiation

Benefit: Unbiased and unparalleled analysis

Step 5: Reporting & Communication

- Performance measurement and risk analysis
- Educational presentations customized to Board expertise
- Access to the depth and breadth of our firm's research
- Technical center to produce customized reporting
- Sophisticated asset allocation studies & portfolio analytics

Benefit: Customized reports

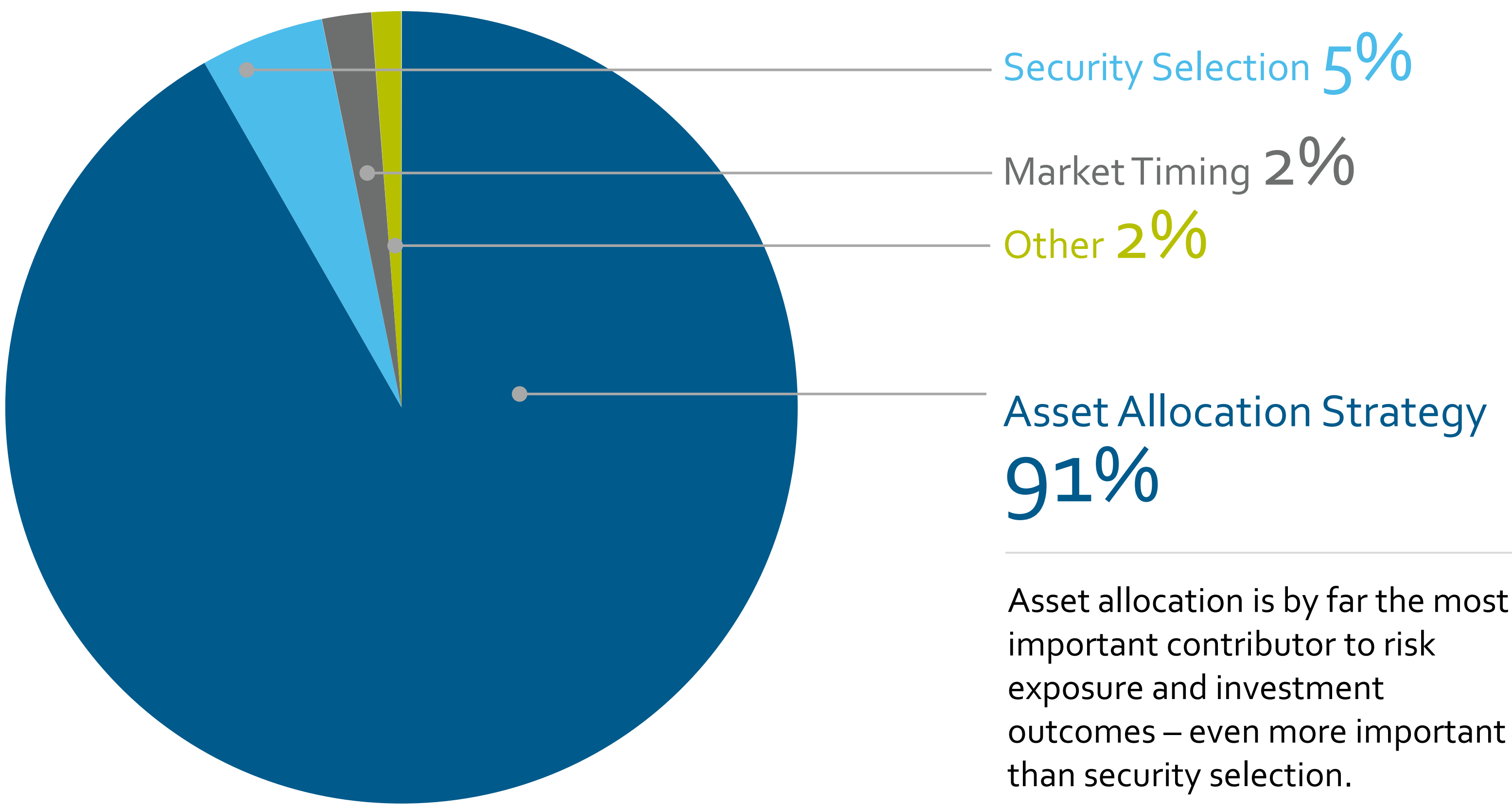
Step 6: Ongoing Review

- Present investment results at committee board meetings
- Regularly review investment and spending policy statements and investment selections
- Provide ongoing capital markets intelligence to committees and boards
- Ongoing educational events to meet your needs

Benefit: Reflects latest market analysis

For illustrative purposes only.

Asset Allocation: A Key Contributor to Performance



Asset allocation is by far the most important contributor to risk exposure and investment outcomes – even more important than security selection.

Source: Roger G. Ibbotson. *Does Asset Allocation Policy Explain 10, 90 or 100 Percent of Performance?* Financial Analyst Journal, January/February 2000; Brinson, Singer and Beebower. *Determination of Performance II: An Update*, Financial Analyst Journal, May/June 1991. Based on US pension-fund data from 1977 to 1987.

We Think About Asset Allocation on Three Levels

Secular Forecasts	20-year time horizon based on long-term mean reversion
Strategic Forecasts	7-year time horizon based on current macro regime (business cycle, relative valuations, volatility and correlation trends)
Tactical Outlook	1-year outlook based on marginal changes in economic, geo-political, fundamental, technical and near-term risk indicators

Source: Morgan Stanley Wealth Management GIC

GIC Forecasts of Capital Market Returns

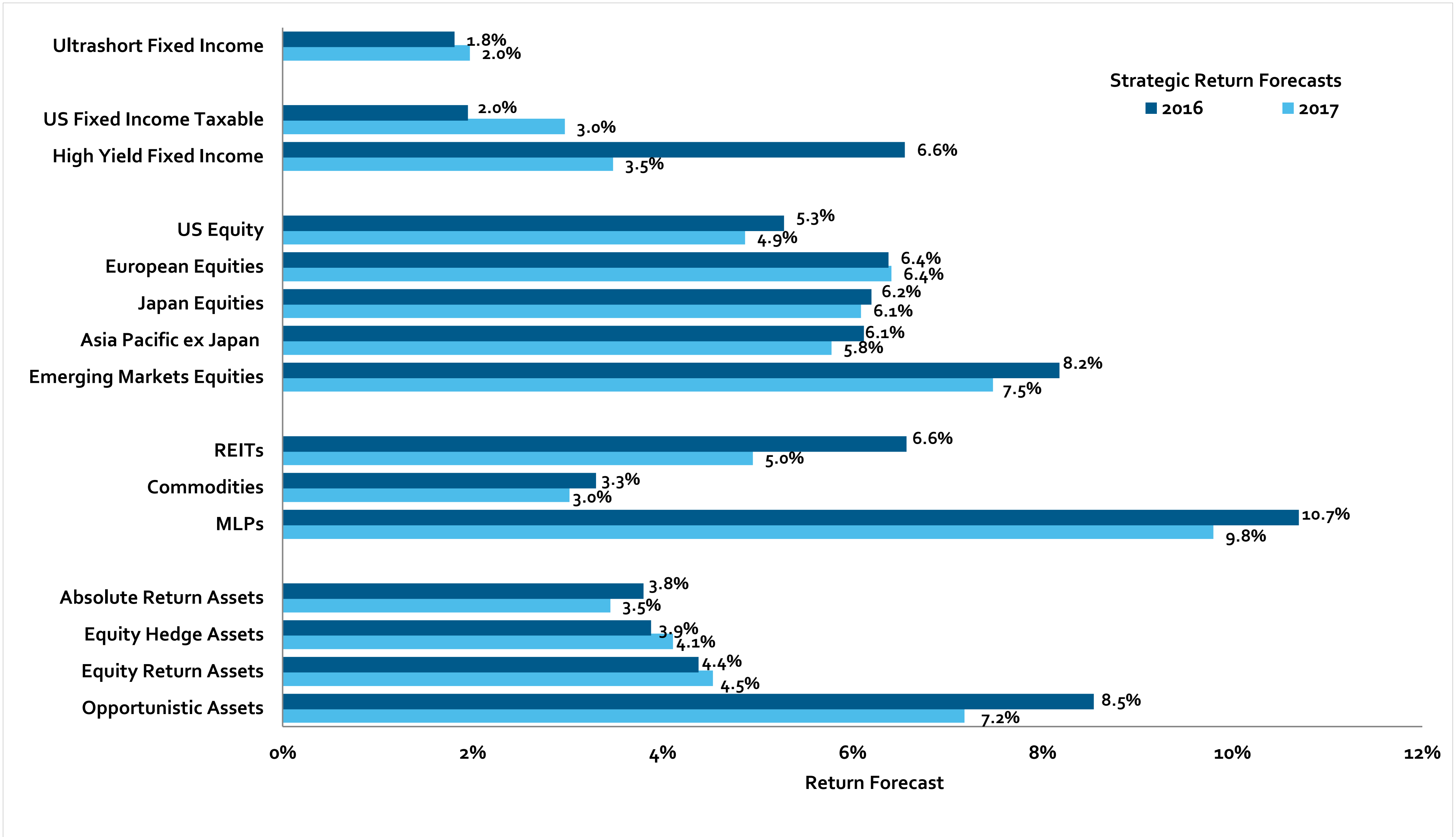
As of March 30, 2017

- Annually, the GIC updates its estimates of annual expected returns, correlations, and volatility for asset classes over two time horizons (20-year and 7-year).
- These forecasts are integrated into scenario-based planning tools, asset-liability studies and used to drive our asset allocation models.
- The seven-year strategic forecasts are only modestly changed from last year, as much of the improvement is already reflected in current asset prices. The notable changes are a slight reduction in our US equity forecast and a decline in our Emerging Markets return forecasts.
- Given the recent rise in rates and the improving long-term outlook for continued interest rate normalization from recent lows, both our broad fixed income forecast and our ultrashort fixed income forecast have risen.

Source: Morgan Stanley Wealth Management GIC

2016 versus 2017 (7-Year) Strategic Return Forecasts

As of March 30, 2017

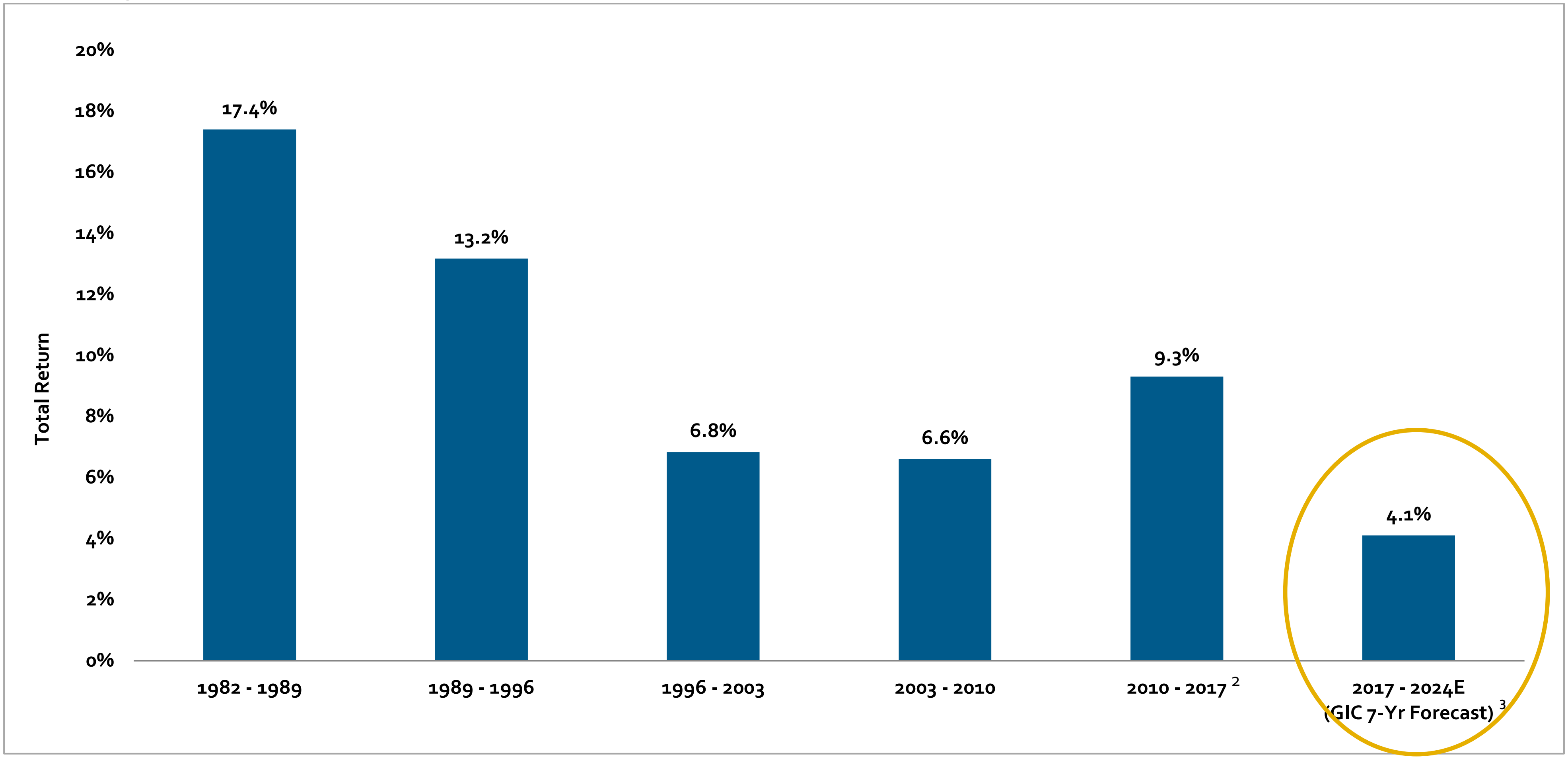


Source: Morgan Stanley Wealth Management GIC. Data as of March 10, 2017 Ultrashort Fixed Income represented by 90-day T-bills, US Fixed Income Taxable by Bloomberg Barclays US Aggregate Index, High Yield Fixed Income by Barclays US Corporate High Yield Index. All other others are based on proprietary models.

Our Seven-Year Estimates Also Suggest a 4.1% Return in a 60% Stock / 40% Bond Portfolio

Annualized Total Return for 60% US Stock / 40% US Bond Portfolio[1]

As of March 30, 2017



Source: Bloomberg, Morgan Stanley Wealth Management GIC. (1) US stocks represented by the Russell 1000 Index and US bonds represented by the Barclays US Aggregate Index. (2)Through March 30, 2017. (3) Forecasts are based on capital market assumptions as published in the GIC's *Inputs for GIC Asset Allocation: Annual Update of Capital Market Assumptions*, March 31, 2017. 2017E begins with January 2017 data.

Capital Markets Assumptions

Various Firms

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Industry- Wide Forecasted Returns

5-10 Year Forecasts (Arithmetic)

	Morgan Stanley	JPMorgan	Blackrock	UBS	BNY	Mercer	Expected Return Average	25 Year Historical
US Equity	4.9%	7.3%	5.4%	7.1%	7.2%	5.8%	6.3%	9.8%
Developed International Equity	6.3%	8.0%	7.3%	9.4%	6.9%	7.6%	7.6%	6.0%
Emerging Markets Equity	7.5%	11.5%	8.4%	8.8%	8.9%	8.9%	9.0%	8.6%
US Core Fixed Income (BBC Agg.)	3.0%	3.1%	2.8%	2.8%	2.5%	3.0%	2.9%	6.2%
High Yield Fixed Income	3.5%	6.1%	3.4%	4.8%	5.9%	4.8%	4.8%	9.0%
Private Equity	7.6%	9.9%	7.8%	12.0%	9.1%	9.9%	9.4%	NA
Hedge Funds	4.5%	5.0%	3.0%	5.5%			4.5%	NA
60 / 40 Traditional Portfolio (US)	**4.1%**	**5.6%**	**4.4%**	**5.4%**	**5.3%**	**4.7%**	**4.9%**	**8.4%**
Inflation	2.0%	2.3%	2.4%	2.0%	2.5%	2.0%	2.2%	2.0%
Real Return	**2.1%**	**3.3%**	**2.0%**	**3.4%**	**2.8%**	**2.7%**	**2.7%**	**6.4%**
Forecast Range (Years)	7	10	5	10	10	10		
Forecast Date	Mar-17	Jan-17	Jan-17	Feb-17	2016	Jan-16		

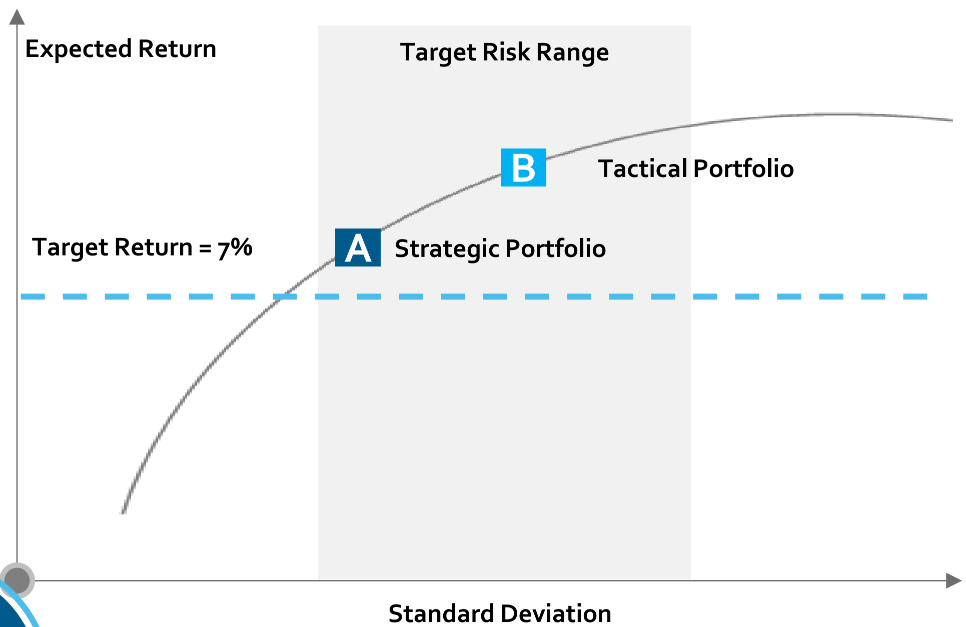
Source: Morgan Stanley: CIE, JPMorgan, UBS, BNY, Blackrock, Mercer

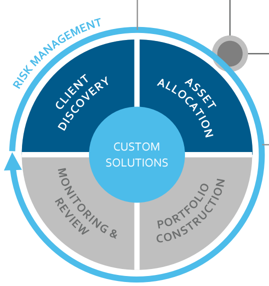
Asset Allocation: Customized to Your Objectives

Work to Enhance Expected Return While Managing Risk

ESTABLISH YOUR RETURN AND RISK TARGETS

- Based on Capital Market Assumptions developed by the GIC
- Determine risk tolerance bands and benchmarks
- Assign active risk and return targets



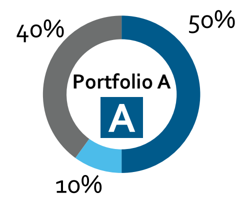


DEFINE CONSTRAINTS

Min	Max
10%	20%
5%	10%
12%	22%
20%	30%

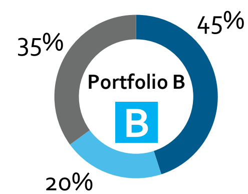
- Establish desired asset classes
- Monitor for market drift
- Rebalance and adjust portfolio to target

OPTIMIZE STRATEGIC ALLOCATION



Forecasted Statistics	
Blended Return	7.1%
Volatility	11.6%
Sharpe Ratio	0.30

APPLY TACTICAL OVERLAY



Forecasted Statistics	
Blended Return	7.6%
Volatility	10.8%
Sharpe Ratio	0.37

For Illustrative Purposes Only

Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

Probability of "Success" at Various Spending Levels

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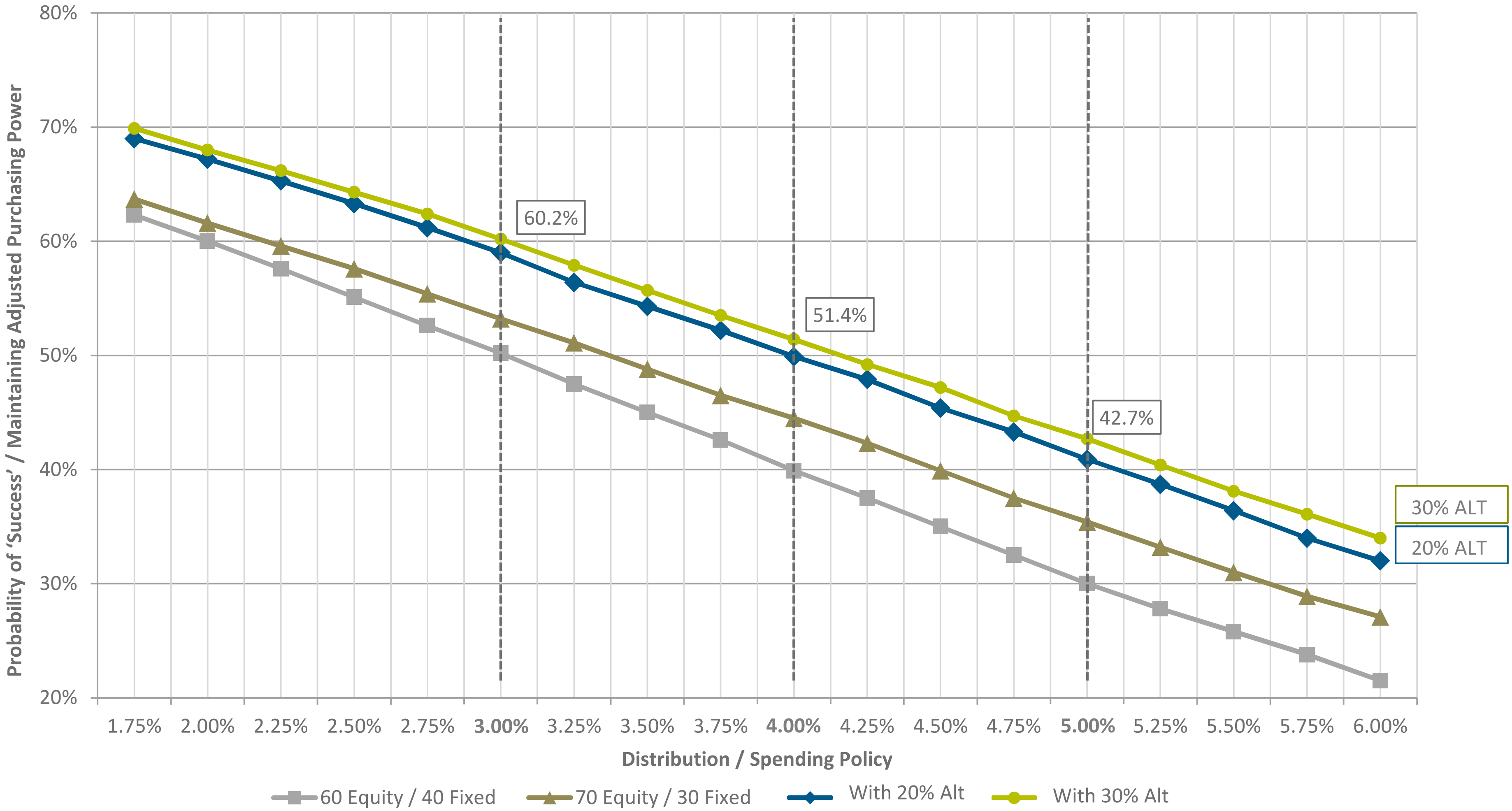
- Reduced capital markets expectations place distribution policies under pressure…



IMPORTANT: Assumed inflation rate of 2.00%. Please see the Appendix for important disclosures about this presentation.

STATISTICAL COMPARISON - HYPOTHETICAL EFFICIENCY ANALYSIS*

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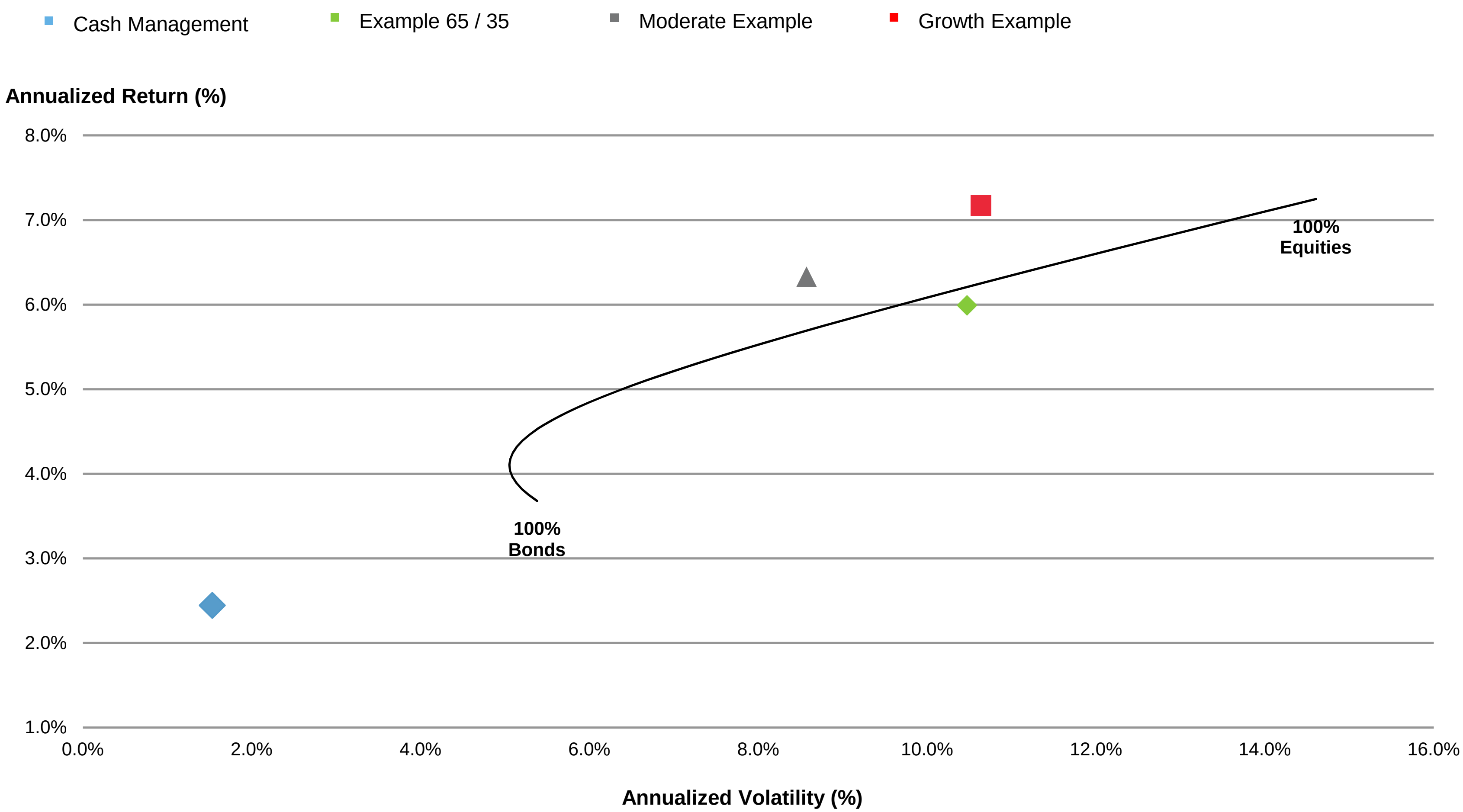
EFFICIENCY RELATIVE TO THE EQUITY-BOND FRONTIER



Notes: The 'Equity-Bond Frontier', plotted here for comparison, represents the efficiency of a full spectrum of bond and equity portfolios that vary by their proportion of each from 100% bonds to 100% equities. *All figures based on assumptions of risk and return detailed on pages 4-6 of the Appendix. Please see the Glossary in the Appendix for definitions of certain terms used above.

IMPORTANT: The projections or other information generated by the Asset Allocation Center, the investment analysis tool used to compile this report, regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect any actual investment results, and are not guarantees of future results. Results generated using this simulation analysis will vary with each use and over time. Please see the Appendix for important disclosures about this presentation.

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STATISTICAL COMPARISON - HYPOTHETICAL RANGE OF RETURNS AT 3 HORIZONS

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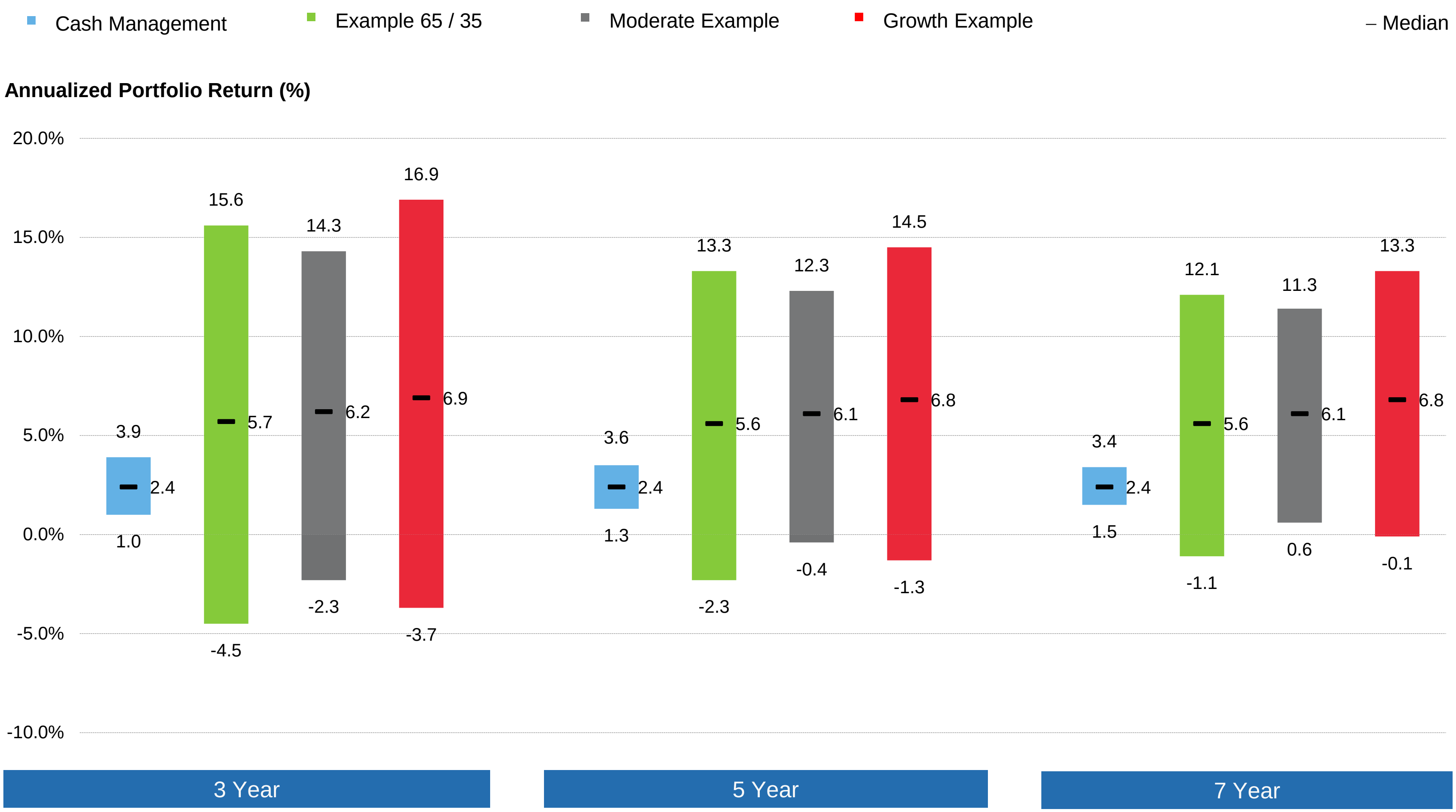
RANGE OF RETURNS



Source: Global Investment Committee

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Distribution Policy Analyis

5.0% Annual Spending
CPI = 2.0%
Example $150,000,000 Portfolio

SIMULATION ANALYSIS - PORTFOLIO VALUE: CASH MANAGEMENT

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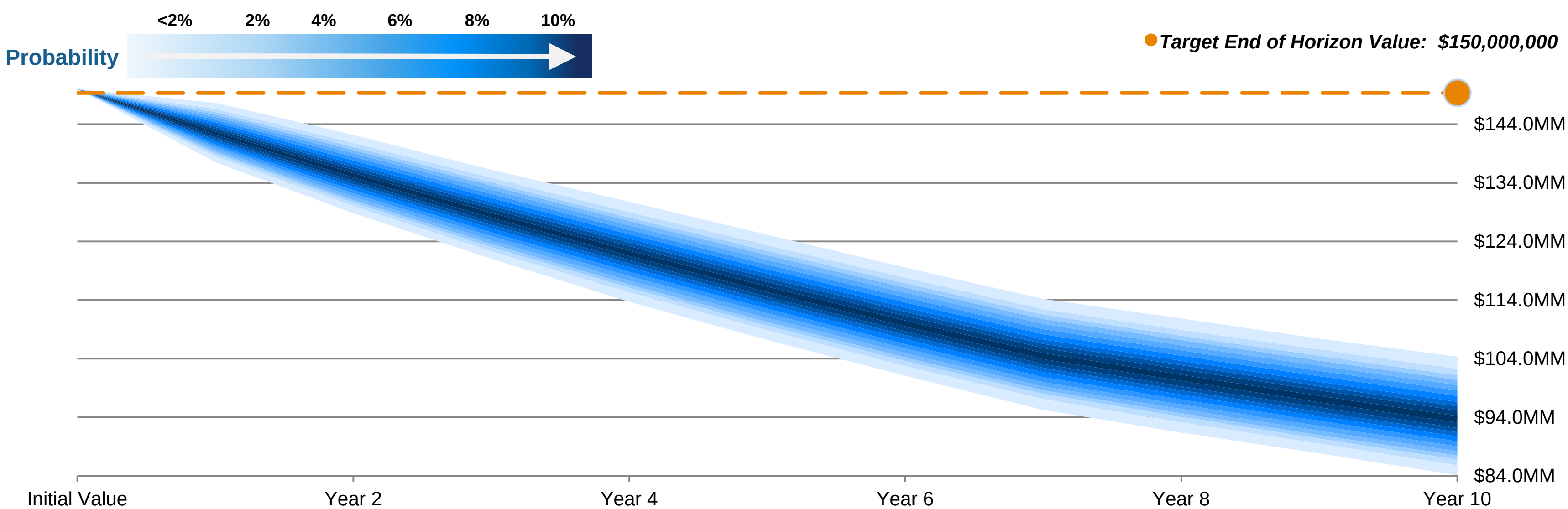
END OF HORIZON VALUE	
95th Percentile	$101,140,603
Median	$93,668,370
5th Percentile	$86,799,997
Probability>Target*	0.0%

REBALANCING & DISTRIBUTION POLICY	
Rebalancing Policy	▪ Annual Rebalancing to Target.
Planned Distributions & Contributions	▪ 5.0% of Portfolio Value per annum. It is assumed that Distributions are taken from the portfolio at the end of each year.

HYPOTHETICAL RANGE OF PORTFOLIO VALUES BY YEAR ($MM)



Source: Global Investment Committee

Values Adjusted for assumed inflation

Graphic depicts the hypothetically plausible range of the Current Portfolio's value over the course of the investment horizon based on assumptions of risk and return detailed on pages 4-6 of the Appendix and assumptions as per the "Simulation Analysis; Assumptions" slide. More darkly shaded areas imply a greater likelihood that the portfolio's value will lie in that range at that point in the horizon than more lightly shaded ones. Please see the Glossary in the Appendix for definitions of certain terms used above.

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SIMULATION ANALYSIS - PORTFOLIO VALUE: EXAMPLE 65 / 35

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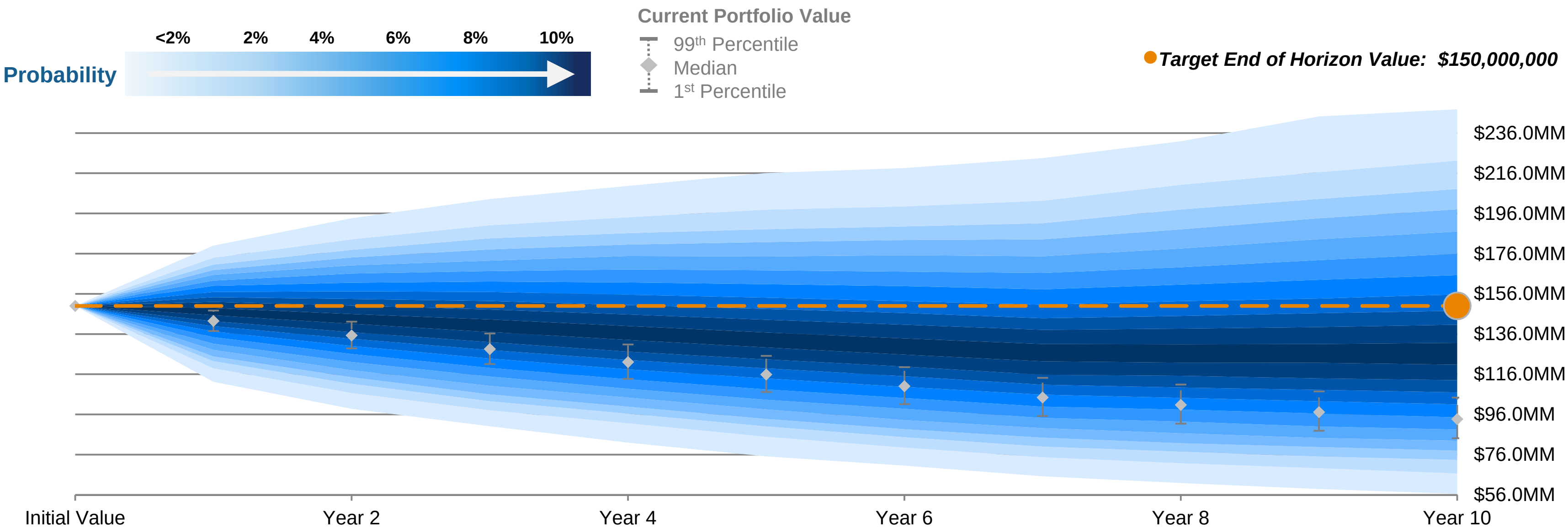
END OF HORIZON VALUE	
95th Percentile	$208,154,633
Median	$126,196,329
5th Percentile	$73,349,900
Probability>Target*	29.1%

REBALANCING & DISTRIBUTION POLICY	
Rebalancing Policy	▪ Annual Rebalancing to Target.
Planned Distributions & Contributions	▪ 5.0% of Portfolio Value per annum. It is assumed that Distributions are taken from the portfolio at the end of each year.

HYPOTHETICAL RANGE OF PORTFOLIO VALUES BY YEAR ($MM)



Source: Global Investment Committee

Values Adjusted for assumed inflation

Graphic depicts the hypothetically plausible range of the Example 65 / 35's value over the course of the investment horizon based on assumptions of risk and return detailed on pages 4-6 of the Appendix and assumptions as per the "Simulation Analysis; Assumptions" slide. More darkly shaded areas imply a greater likelihood that the portfolio's value will lie in that range at that point in the horizon than more lightly shaded ones. Please see the Glossary in the Appendix for definitions of certain terms used above.

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SIMULATION ANALYSIS - PORTFOLIO VALUE: MODERATE EXAMPLE

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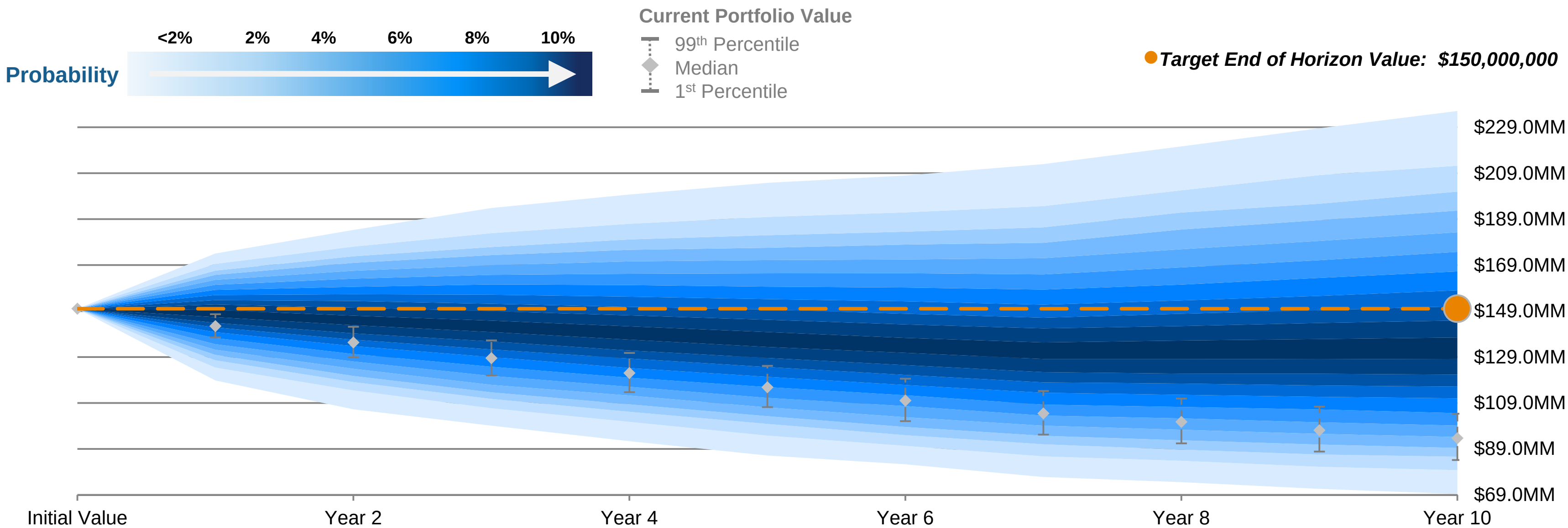
END OF HORIZON VALUE	
95th Percentile	$200,982,672
Median	$132,793,515
5th Percentile	$85,599,834
Probability>Target*	31.9%

REBALANCING & DISTRIBUTION POLICY	
Rebalancing Policy	▪ Annual Rebalancing to Target.
Planned Distributions & Contributions	▪ 5.0% of Portfolio Value per annum. It is assumed that Distributions are taken from the portfolio at the end of each year.

HYPOTHETICAL RANGE OF PORTFOLIO VALUES BY YEAR ($MM)



Source: Global Investment Committee

Values Adjusted for assumed inflation

Graphic depicts the hypothetically plausible range of the Mod's value over the course of the investment horizon based on assumptions of risk and return detailed on pages 4-6 of the Appendix and assumptions as per the "Simulation Analysis; Assumptions" slide. More darkly shaded areas imply a greater likelihood that the portfolio's value will lie in that range at that point in the horizon than more lightly shaded ones. Please see the Glossary in the Appendix for definitions of certain terms used above.

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SIMULATION ANALYSIS - PORTFOLIO VALUE: GROWTH EXAMPLE

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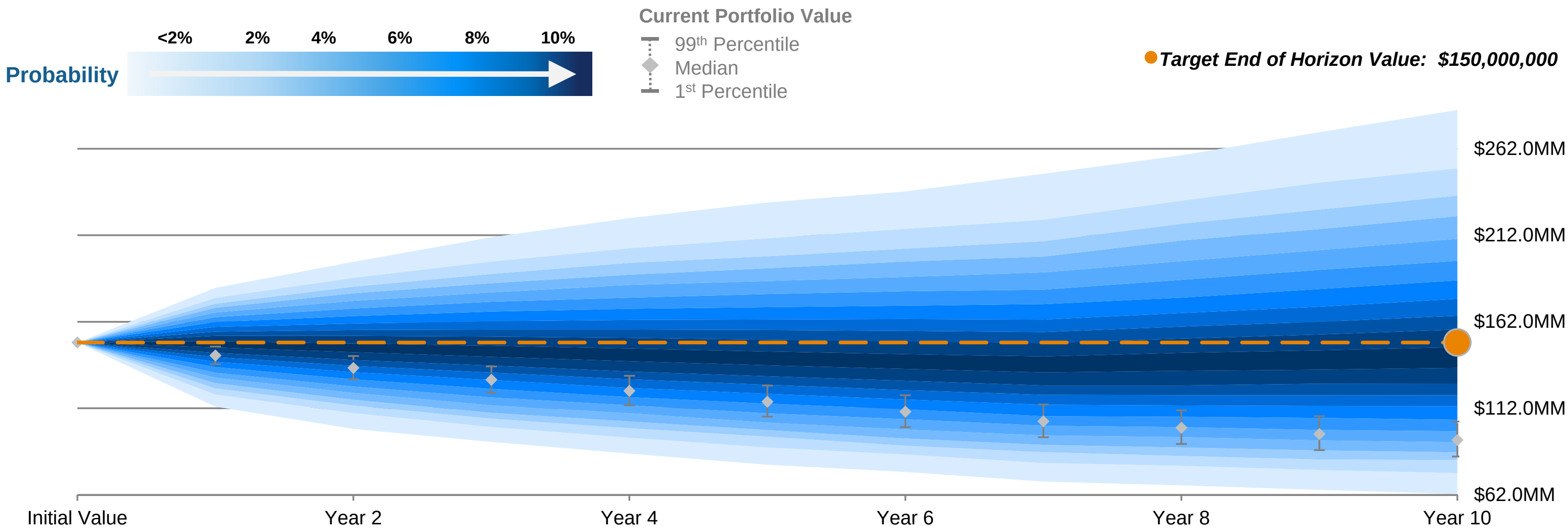
END OF HORIZON VALUE	
95th Percentile	$234,942,258
Median	$141,284,967
5th Percentile	$82,067,206
Probability>Target*	42.7%

REBALANCING & DISTRIBUTION POLICY	
Rebalancing Policy	▪ Annual Rebalancing to Target.
Planned Distributions & Contributions	▪ 5.0% of Portfolio Value per annum. It is assumed that Distributions are taken from the portfolio at the end of each year.

HYPOTHETICAL RANGE OF PORTFOLIO VALUES BY YEAR ($MM)



Source: Global Investment Committee

Values Adjusted for assumed inflation

Graphic depicts the hypothetically plausible range of the Growth's value over the course of the investment horizon based on assumptions of risk and return detailed on pages 4-6 of the Appendix and assumptions as per the "Simulation Analysis; Assumptions" slide. More darkly shaded areas imply a greater likelihood that the portfolio's value will lie in that range at that point in the horizon than more lightly shaded ones. Please see the Glossary in the Appendix for definitions of certain terms used above.

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SIMULATION ANALYSIS - SUMMARY

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END OF HORIZON VALUE				
	Cash Management	**Example 65 / 35**	**Moderate Example**	**Growth Example**
95th Percentile	$101,140,603	$208,154,633	$200,982,672	$234,942,258
Median	$93,668,370	$126,196,329	$132,793,515	$141,284,967
5th Percentile	$86,799,997	$73,349,900	$85,599,834	$82,067,206
Probability>Target*	0.0%	29.1%	31.9%	42.7%

* Target End of Horizon Value = $150,000,000

AVERAGE ANNUAL DISTRIBUTIONS				
	Cash Management	**Example 65 / 35**	**Moderate Example**	**Growth Example**
95th Percentile	$6,337,015	$9,595,720	$9,351,307	$10,309,490
Median	$6,053,305	$7,060,677	$7,248,152	$7,501,478
5th Percentile	$5,782,477	$5,122,736	$5,564,443	$5,402,018

AVERAGE RETURN				
	Cash Management	**Example 65 / 35**	**Moderate Example**	**Growth Example**
95th Percentile	3.2%	10.9%	10.6%	12.3%
Median	2.4%	5.5%	6.1%	6.7%
5th Percentile	1.7%	-0.0%	1.5%	1.1%

Return Calculated on a Time-Weighted basis.

* Targets reflect client stated goals, rather than GIC investment criteria

Results adjusted for assumed inflation. For assumptions underlying these projections, please refer to the “Simulation Analysis; Purpose and Methodology” and “Simulation Analysis; Assumptions” slides, and pages 4-6 of the Appendix.

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Distribution Policy Analysis

4% Annual Spending
CPI = 2.0%
Example $150,000,000 Portfolio

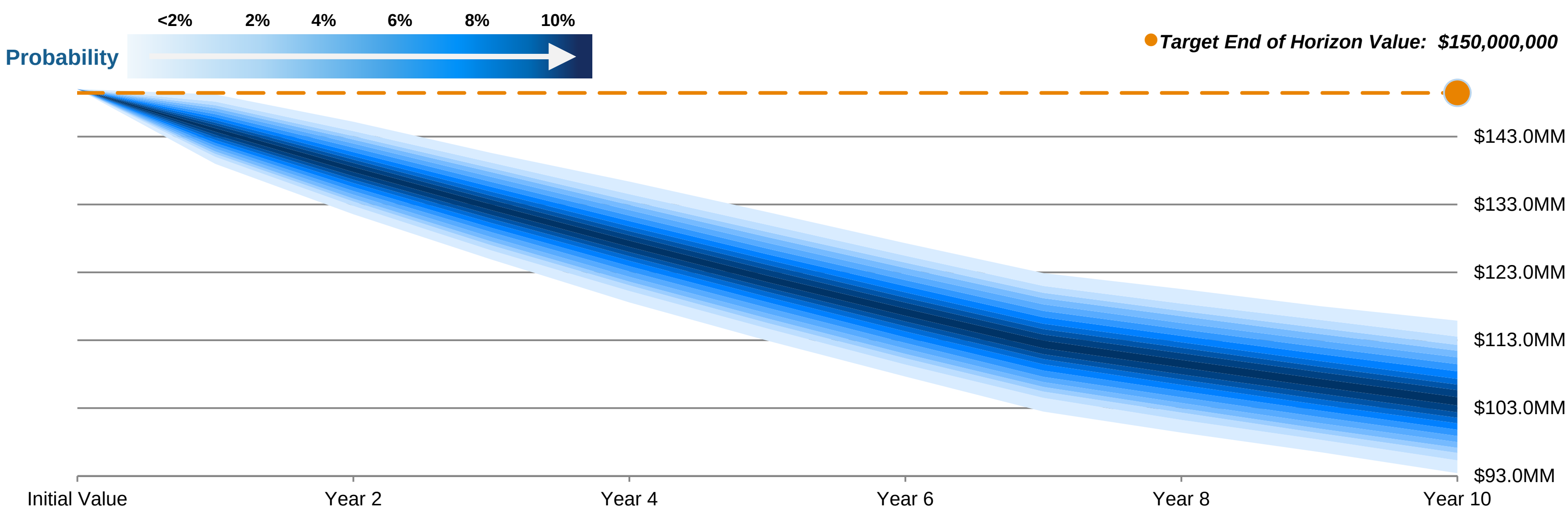
SIMULATION ANALYSIS - PORTFOLIO VALUE: CASH MANAGEMENT

Report Prepared for San Bernardino

END OF HORIZON VALUE	
95th Percentile	$112,305,705
Median	$104,008,597
5th Percentile	$96,382,012
Probability>Target*	0.0%

REBALANCING & DISTRIBUTION POLICY	
Rebalancing Policy	▪ Annual Rebalancing to Target.
Planned Distributions & Contributions	▪ 4.0% of Portfolio Value per annum. It is assumed that Distributions are taken from the portfolio at the end of each year.

HYPOTHETICAL RANGE OF PORTFOLIO VALUES BY YEAR ($MM)



Source: Global Investment Committee

Values Adjusted for assumed inflation

Graphic depicts the hypothetically plausible range of the Current Portfolio's value over the course of the investment horizon based on assumptions of risk and return detailed on pages 4-6 of the Appendix and assumptions as per the "Simulation Analysis; Assumptions" slide. More darkly shaded areas imply a greater likelihood that the portfolio's value will lie in that range at that point in the horizon than more lightly shaded ones. Please see the Glossary in the Appendix for definitions of certain terms used above.

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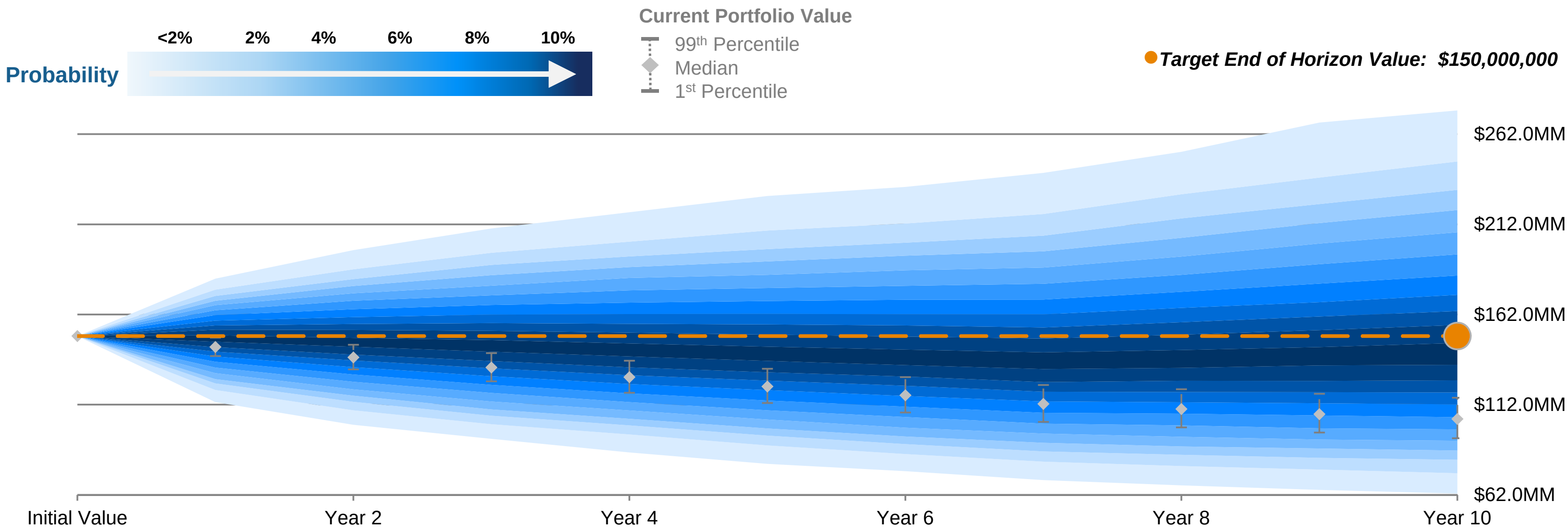
SIMULATION ANALYSIS - PORTFOLIO VALUE: EXAMPLE 65 / 35

Report Prepared for San Bernardino

END OF HORIZON VALUE	
95th Percentile	$231,133,214
Median	$140,127,379
5th Percentile	$81,447,133
Probability>Target*	41.9%

REBALANCING & DISTRIBUTION POLICY	
Rebalancing Policy	▪ Annual Rebalancing to Target.
Planned Distributions & Contributions	▪ 4.0% of Portfolio Value per annum. It is assumed that Distributions are taken from the portfolio at the end of each year.

HYPOTHETICAL RANGE OF PORTFOLIO VALUES BY YEAR ($MM)



Source: Global Investment Committee

Values Adjusted for assumed inflation

Graphic depicts the hypothetically plausible range of the Example 65 / 35's value over the course of the investment horizon based on assumptions of risk and return detailed on pages 4-6 of the Appendix and assumptions as per the "Simulation Analysis; Assumptions" slide. More darkly shaded areas imply a greater likelihood that the portfolio's value will lie in that range at that point in the horizon than more lightly shaded ones. Please see the Glossary in the Appendix for definitions of certain terms used above.

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SIMULATION ANALYSIS - PORTFOLIO VALUE: MODERATE EXAMPLE

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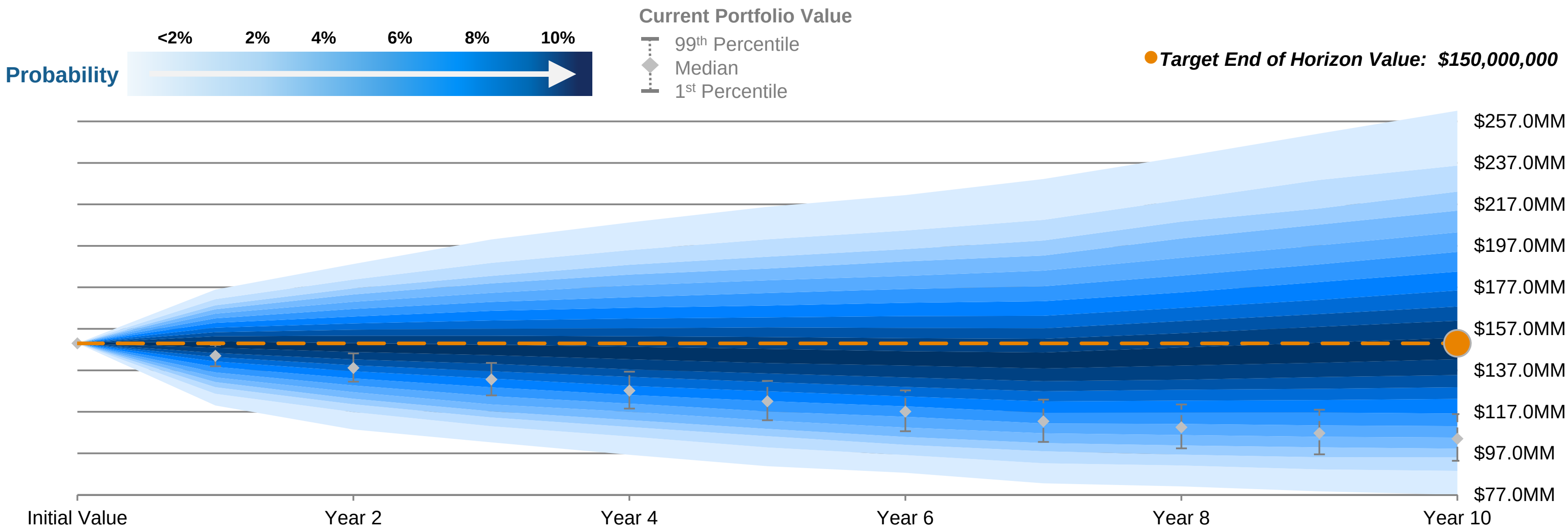
END OF HORIZON VALUE	
95th Percentile	$223,169,528
Median	$147,452,841
5th Percentile	$95,049,360
Probability>Target*	47.5%

REBALANCING & DISTRIBUTION POLICY	
Rebalancing Policy	▪ Annual Rebalancing to Target.
Planned Distributions & Contributions	▪ 4.0% of Portfolio Value per annum. It is assumed that Distributions are taken from the portfolio at the end of each year.

HYPOTHETICAL RANGE OF PORTFOLIO VALUES BY YEAR ($MM)



Source: Global Investment Committee

Values Adjusted for assumed inflation

Graphic depicts the hypothetically plausible range of the Mod's value over the course of the investment horizon based on assumptions of risk and return detailed on pages 4-6 of the Appendix and assumptions as per the "Simulation Analysis; Assumptions" slide. More darkly shaded areas imply a greater likelihood that the portfolio's value will lie in that range at that point in the horizon than more lightly shaded ones. Please see the Glossary in the Appendix for definitions of certain terms used above.

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SIMULATION ANALYSIS - PORTFOLIO VALUE: GROWTH EXAMPLE

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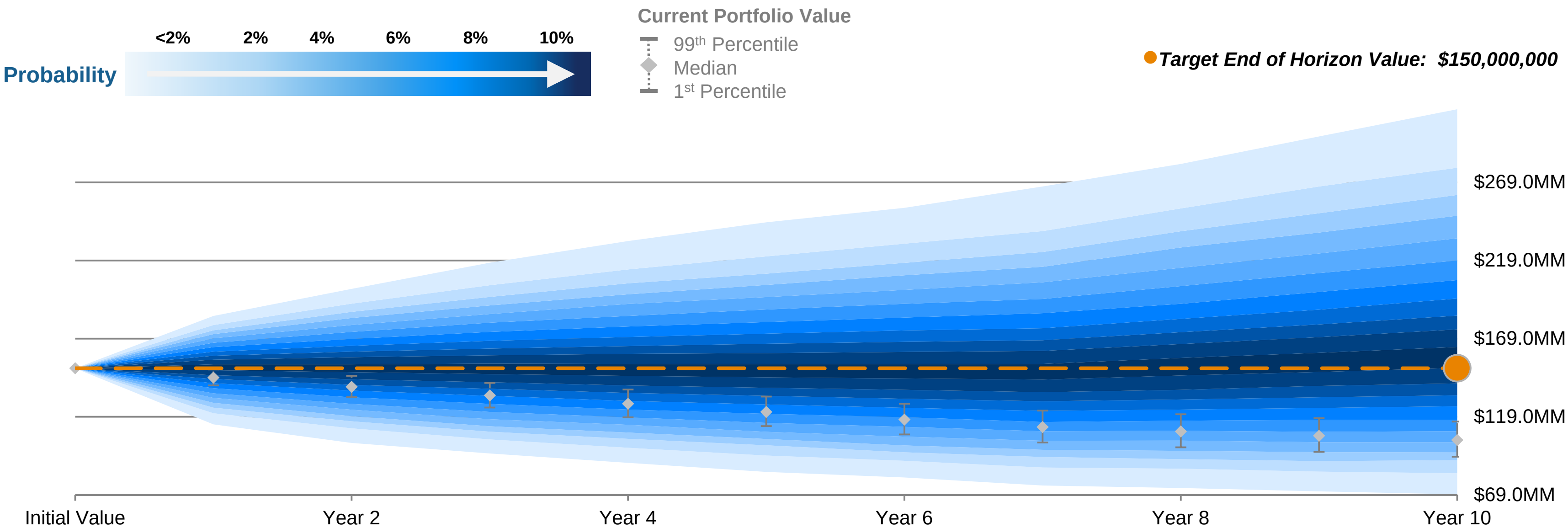
END OF HORIZON VALUE	
95th Percentile	$260,877,976
Median	$156,881,680
5th Percentile	$91,126,759
Probability>Target*	55.2%

REBALANCING & DISTRIBUTION POLICY	
Rebalancing Policy	▪ Annual Rebalancing to Target.
Planned Distributions & Contributions	▪ 4.0% of Portfolio Value per annum. It is assumed that Distributions are taken from the portfolio at the end of each year.

HYPOTHETICAL RANGE OF PORTFOLIO VALUES BY YEAR ($MM)



Source: Global Investment Committee

Values Adjusted for assumed inflation

Graphic depicts the hypothetically plausible range of the Growth's value over the course of the investment horizon based on assumptions of risk and return detailed on pages 4-6 of the Appendix and assumptions as per the "Simulation Analysis; Assumptions" slide. More darkly shaded areas imply a greater likelihood that the portfolio's value will lie in that range at that point in the horizon than more lightly shaded ones. Please see the Glossary in the Appendix for definitions of certain terms used above.

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SIMULATION ANALYSIS - SUMMARY

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END OF HORIZON VALUE				
	Cash Management	**Example 65 / 35**	**Moderate Example**	**Growth Example**
95th Percentile	$112,305,705	$231,133,214	$223,169,528	$260,877,976
Median	$104,008,597	$140,127,379	$147,452,841	$156,881,680
5th Percentile	$96,382,012	$81,447,133	$95,049,360	$91,126,759
Probability>Target*	0.0%	41.9%	47.5%	55.2%

* Target End of Horizon Value = $150,000,000

AVERAGE ANNUAL DISTRIBUTIONS				
	Cash Management	**Example 65 / 35**	**Moderate Example**	**Growth Example**
95th Percentile	$5,297,890	$8,072,298	$7,863,248	$8,678,555
Median	$5,057,961	$5,914,655	$6,074,112	$6,292,013
5th Percentile	$4,829,410	$4,278,305	$4,649,518	$4,513,165

AVERAGE RETURN				
	Cash Management	**Example 65 / 35**	**Moderate Example**	**Growth Example**
95th Percentile	3.2%	10.9%	10.6%	12.3%
Median	2.4%	5.5%	6.1%	6.7%
5th Percentile	1.7%	-0.0%	1.5%	1.1%

Return Calculated on a Time-Weighted basis.

* Targets reflect client stated goals, rather than GIC investment criteria

Results adjusted for assumed inflation. For assumptions underlying these projections, please refer to the “Simulation Analysis; Purpose and Methodology” and “Simulation Analysis; Assumptions” slides, and pages 4-6 of the Appendix.

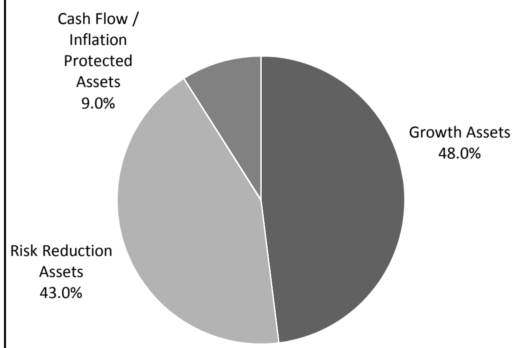
IMPORTANT: The projections or other information generated by the Asset Allocation Center, the investment analysis tool used to compile this report, regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect any actual investment results, and are not guarantees of future results. Results generated using this simulation analysis will vary with each use and over time. Please see the Appendix for important disclosures about this presentation.

FOR EXAMPLE

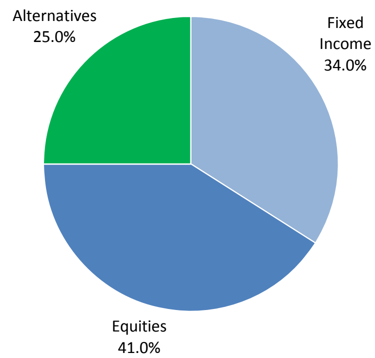
ASSET ALLOCATION ANALYSIS

San Bernardino - Moderate Allocation

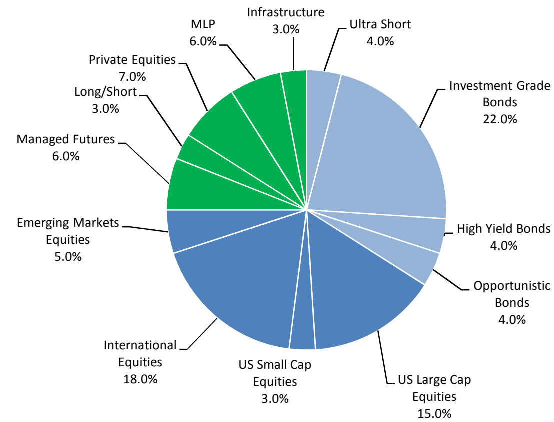
Allocation By Investment Objective



Major Asset Class Asset Allocation



Recommended Allocation by Strategy

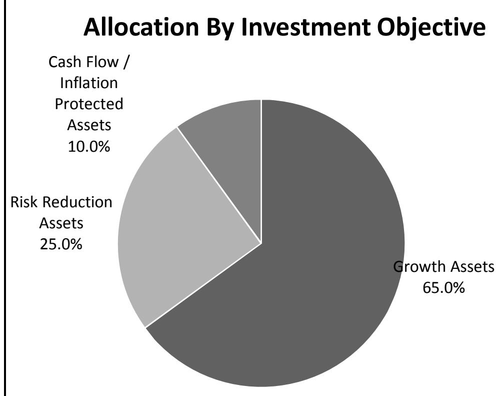


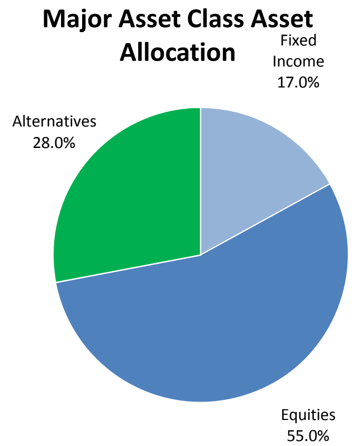
	Example Investment Vehicle	Strategy Objective	Example Policy Parameters	Example Allocation (%)	Recommended Allocation Investment Management Cost
Cash & Cash Equivalents			***0% - 10%***	**4.0**	**0.00%**
Cash & Cash Equivalents	Ultra Short	Risk Reduction		4.0	0.00%
Fixed Income			***10% - 40%***	**30.0**	**0.28%**
Investment Grade Bonds	SMA	Risk Reduction		22.0	0.14%
High Yield Bonds	Mutual Fund	Risk Reduction		4.0	0.76%
Opportunistic Bonds	Mutual Fund	Risk Reduction		4.0	0.60%
Equities			***40% - 80%***	**41.0**	**0.16%**
US Large Cap Equities	ETF	Growth Assets		15.0	0.04%
US Small Cap Equities	SMA	Growth Assets		3.0	0.47%
International Equities	ETF	Growth Assets		18.0	0.12%
Emerging Markets Equities	SMA	Growth Assets		5.0	0.47%
Alternatives			***0% - 20%***	**25.0**	**0.81%**
Managed Futures	Private Placement	Risk Reduction		6.0	0.75%
Long/Short	Mutual Fund	Risk Reduction		3.0	1.11%
Private Equities	Private Placement	Cash Flow/Growth		7.0	0.60%
MLP	ETF	Cash Flow		6.0	0.85%
Infrastructure	Mutual Fund	Cash Flow		3.0	1.00%
TOTAL ALLOCATION				**100.0**	**0.35%**

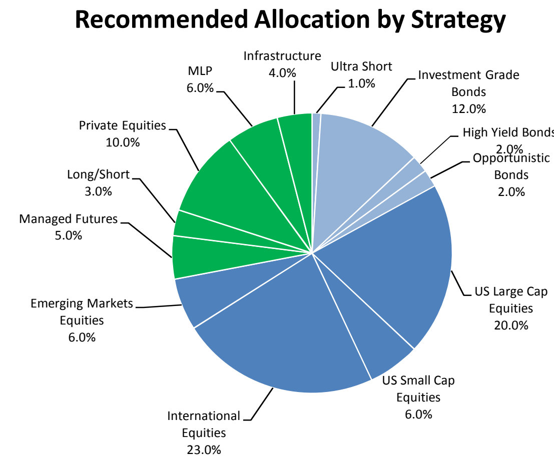
FOR EXAMPLE

ASSET ALLOCATION ANALYSIS

San Bernardino - Growth Allocation







	Example Investment Vehicle	Strategy Objective	Example Policy Parameters	Example Allocation (%)	Recommended Allocation Investment Management Cost
Cash & Cash Equivalents			***0% - 10%***	**1.0**	**0.00%**
Cash & Cash Equivalents	Ultra Short	Risk Reduction		1.0	0.00%
Fixed Income			***10% - 40%***	**16.0**	**0.28%**
Investment Grade Bonds	SMA	Risk Reduction		12.0	0.14%
High Yield Bonds	Mutual Fund	Risk Reduction		2.0	0.76%
Opportunistic Bonds	Mutual Fund	Risk Reduction		2.0	0.60%
Equities			***40% - 80%***	**55.0**	**0.17%**
US Large Cap Equities	ETF	Growth Assets		20.0	0.04%
US Small Cap Equities	SMA	Growth Assets		6.0	0.47%
International Equities	ETF	Growth Assets		23.0	0.12%
Emerging Markets Equities	SMA	Growth Assets		6.0	0.47%
Alternatives			***0% - 20%***	**28.0**	**0.79%**
Managed Futures	Private Placement	Risk Reduction		5.0	0.75%
Long/Short	Mutual Fund	Risk Reduction		3.0	1.11%
Private Equities	Private Placement	Cash Flow/Growth		10.0	0.60%
MLP	ETF	Cash Flow		6.0	0.85%
Infrastructure	Mutual Fund	Cash Flow		4.0	1.00%
TOTAL ALLOCATION				**100.0**	**0.36%**

SIMULATION ANALYSIS - PURPOSE AND METHODOLOGY

Report Prepared for San Bernardino

The Global Investment Committee forecasts long-term asset class returns and volatilities, as well as the asymmetries and extreme events that characterize their return profiles[1]. Estimates of the risk and return of asset classes are not, however, sufficient to estimate the tradeoff between competing strategies. The purpose of Simulation Analysis is to provide such a basis for comparison. Simulation analysis generates thousands of potential evolutions of future capital market outcomes based on risk and return forecasts. These will tend *on average* to adhere to the forecasts of return, but will also depict divergences from the average both up and down with a frequency and to a degree consistent with the chosen model and forecasts of market risk.

Simulation analysis evaluates what happens to the portfolio across this projected range of future capital market scenarios taking into account planned withdrawals/contributions and rebalancing policy[2]. As cash flows and allocation drift can magnify the impact of market risk, (due to the former's tendency to reduce the effective length of the investment horizon, and the latter's tendency to increase the allocation to risk assets), this step is critical to a deeper understanding of how market risk can affect outcomes.

The results can be used to address[3] questions such as: What post-distribution, net-of-expenses outcomes am I *likely* to experience? What are the upside potential and downside risks to that outcome for a given level of confidence, (i.e. what are the most extreme up- and downside outcomes we would consider materially plausible)? How viable is a given spending policy (do the most frequently observed portfolio values arc downward over the horizon and, if so, how rapidly)? What is the portfolio's sensitivity to changes in the allocation or rebalancing approach?

NOTES ON THE TERMINOLOGY IN THIS SIMULATION ANALYSIS SECTION:Portfolio Value refers to the portfolio/trust value during the simulation. *Median End of Horizon Portfolio Value/Remainder Value* lies in the middle of the two halves of simulated values and thus represents the 'most likely' given the analysis assumptions. *95th Percentile End of Horizon Portfolio Value/Remainder Value* represents the 'upside' potential of a given proposal at 95% confidence (i.e., an end-horizon value better than 95% of outcomes), while *5th Percentile End of Horizon Portfolio Value/Remainder Value* represents the 'downside' risk to the proposal at 95% confidence (i.e., an end-horizon value better than 5% of outcomes). *Probability > Target* is the probability that the end-horizon portfolio value/remainder value will be greater than the investor's target portfolio/remainder value. Information about the trajectory of the portfolio over the course of the investment horizon is summarized on the final **Hypothetical Range of Portfolio Value** charts, with darkly shaded areas depicting the most likely path of portfolio value and lightly shaded areas less-likely extreme divergences to the up- and downside.

The following terms are associated with optional reports that may or may not apply to your case: The "Current Portfolio Value Overlay" depicts the range of Current Portfolio Values, and the median Current Portfolio value over the simulated range of the respective Proposed Portfolio Values. Its purpose is to provide a basis of comparison between the Current and Proposed Portfolios. **Distributions** depicts both the amount distributed from a portfolio over the horizon *on average* in the Median, 95th, and 5th percentile of simulated outcomes, as well as the *range* of distributions at the beginning, middle and end of the investment horizon, in the median, 95th, 75th, 25th and 5th percentiles of simulated outcomes. **Hypothetical Average Return** depicts the portfolio's time- or dollar-weighted return on average over the horizon in the Median, 95th, and 5th percentile of simulated outcomes. *Probability > Target/7520* is the probability that the portfolio return will exceed the investor's target value or the trust's 7520 rate.

[1]The methodology used in this analysis entails a more sophisticated modeling of downside or 'event' risk than is commonly applied to simulation analysis in the industry, including the specification of 'fat-tailed' non-normal return distributions. [2] Rebalancing does not assure a profit or protect against a loss in declining financial markets. There may be a potential tax implication with a rebalancing strategy. Investors should consult with their tax advisor before implementing such a strategy. [3] The pertinence of the foregoing analysis to these questions depends significantly on the accuracy of the risk, return, tax and other assumptions detailed on the next slide and on pages 4-6of the Appendix. It also depends on the degree to which the returns to selected securities are different from the returns to a portfolio of similarly allocated asset classes. This source of return differences can be very substantial and is not taken into account in either the preceding or the foregoing analysis.

SIMULATION ANALYSIS - ASSUMPTION

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SIMULATION SUMMARY

The following analysis of the four portfolios outlined on page 4, is based on 10,000 simulations and the following additional assumptions:

Initial Portfolio Value	▪ $150,000,000
Target Value/Return	▪ Target End of Horizon Value: $150,000,000.
Investment Horizon	▪ Ten (10) year horizon
Inflation Assumptions	▪ Results adjusted for assumed inflation. Assumed inflation rate: 2.0%
Assumed Rebalancing Policy[1]	▪ Annual Rebalancing to Target.
Planned Distributions & Contributions	▪ 4.0% of Portfolio Value per annum. It is assumed that Distributions are taken from the portfolio at the end of each year.

[1] Rebalancing does not assure a profit or protect against a loss in declining financial markets. There may be a potential tax implication with a rebalancing strategy. Investors should consult with their tax advisor before implementing such a strategy. Morgan Stanley, its affiliates, and its Financial Advisors and Private Wealth Advisors do not provide legal or tax advice. Please see the Appendix for important disclosures about this presentation.

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Cerulli Associates, 4Q 2013 Summary Report. Cerulli Associates' data are based on data submitted by firms participating in Cerulli's survey. Morgan Stanley Wealth Management was ranked No. 1 in terms of assets under management out of the firms listed in the industry for the quarter with respect to Top Managed Account Program Sponsors Across All Industry Segments. This category includes separate account consultant programs, mutual fund advisory programs, ETF advisory programs, rep as portfolio manager programs, rep as advisor programs and unified managed account programs. Separate account consultant programs are programs in which asset managers manage investors' assets in discretionary separate accounts. Mutual fund advisory programs and ETF advisory programs are discretionary and nondiscretionary programs designed to systematically allocate investors' assets across a wide range of mutual funds or ETFs. Rep as portfolio manager programs are discretionary programs in which advice is an essential element; planning is undertaken or advice is treated as a separate service from brokerage. Rep as advisor programs are nondiscretionary programs where the advisor has not been given discretion by the client and must obtain approval each time a change is made to the account or its investments. Unified managed accounts are vehicle-neutral platforms that simplify the delivery of multiple investment vehicles, such as separate accounts, mutual funds, exchange-traded funds and individual securities through their integration within a single environment. Rankings are subject to change. Some historical figures may be revised due to newly identified programs, firm restatements, etc.

FundFire Survey, February 2011. This survey by FundFire included responses from more than 40 managed account managers who work with various separately managed account (SMA) program sponsors. Managers were asked to rate a number of SMA sponsors on the thoroughness of their manager review process on a scale of one (weakest) to five (toughest).

Plan Sponsor, September 2011. Includes both Graystone Consulting and Morgan Stanley Consulting Group. Plan Sponsor magazine submitted questionnaires to 150 retirement plan consulting firms in July 2011. A total of 86 retirement plan consulting firms completed the questionnaire. The top ten consultants are listed by various criteria as reported in the survey. For more information, go to www.plansponsor.com. For the purposes of this survey, "institutional" is defined as any type of retirement plan, including foundations and endowments and other nonprofits. The ranking is not indicative of a firm's future performance. Neither Morgan Stanley Smith Barney LLC nor its affiliated Financial Advisors pay a fee to Plan Sponsor in exchange for this report.

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- loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices;
- lack of liquidity in that there may be no secondary market for the fund and none is expected to develop;
- volatility of returns;
- restrictions on transferring interests in a fund;
- potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized;
- absence of information regarding valuations and pricing;
- complex tax structures and delays in tax reporting;
- less regulation and higher fees than mutual funds;
- fund of funds often have a higher fee structure than single manager funds as a result of an additional layer of fees; and risks associated with the operations, personnel and processes of the manager

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For more information on the Focus List, Approved List, Tactical Opportunities List and Watch processes, please see the applicable Form ADV Disclosure Document for Morgan Stanley Wealth Management. Your Financial Advisor or Private Wealth Advisor can also provide upon request a copy of a publication entitled "Manager Selection Process."

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