

HOW YOUR CLIENT ASSETS ARE PROTECTED AT FIRST STATE TRUST COMPANY

At First State Trust Company (“FSTC”), we believe it is important for our clients to know that their assets are safe with our organization. FSTC takes many precautions to ensure the assets our clients entrust to us are protected and secure. Some of the ways we protect your assets:

- Client assets are held by independent third party sub-custodians, including: Morgan Stanley, Citibank, Northern Trust, Matrix Financial, Depository Trust Company and NSCC.
- FSTC, as a fiduciary trust company, is audited annually and monitored by the Office of the State of Delaware Banking Commissioner.
- FSTC, like our sub-custodians, is subject to a SSAE-16 audit annually which is performed by an independent accounting firm.
- Assets maintained in FSTC custodial accounts are segregated from the assets and liabilities reflected on our balance sheet and are not subject to FSTC’s creditors.
- FSTC utilizes the industry leading trust accounting system, *TrustPortal*, to maintain detailed recordkeeping of our client accounts.
- FSTC provides back office and operations outsourcing for trust companies and banking institutions who have vetted FSTC and performed their own due diligence of our organization.
- FSTC is an independent trust company and does not offer proprietary investment products.

First and foremost, client assets are held and safeguarded by independent third party sub-custodians. FSTC has performed extensive due diligence on each of these partners and does on-going vendor management to ensure that the highest of standards are maintained. Conversely, each sub-custodian also reviews FSTC to ensure that we meet the expectations which they expect of partnering firms. Our sub-custodians employ comprehensive safeguards and controls in their daily operations, including an annual SSAE-16 examination. In addition to the safeguards used by our sub-custodians, FSTC, as a fiduciary trust company, is reviewed and monitored annually by the Office of the State of Delaware Banking Commissioner. A rigorous examination is performed to understand and rate FSTC’s internal controls, processes and reporting of client accounts. Like our sub-custodians, FSTC is also subject to a SSAE-16 audit annually, which is performed by an

independent public accounting firm, KPMG. The auditors review and reconcile our records of client accounts with the assets which FSTC holds at each of our sub-custodians.

It is important to understand that assets maintained in FSTC custodial accounts are segregated from the assets and liabilities reflected on the FSTC Balance Sheet and are not subject to the institution's creditors. Regulators require that dual controls be maintained over all client assets. Client funds cannot be commingled with the capital of the independent trust company. In addition all independent trust companies, including FSTC, must maintain insurance to protect clients from losses due to inappropriate actions of employees. Please refer to FSTC's Summary of Insurance.

FSTC utilizes the industry leading trust accounting system, *TrustPortal*, to maintain detailed recordkeeping of our client accounts. This system, owned by FSTC's affiliate, Fi-Tek, LLC, has its own comprehensive internal controls and reconciliations. An annual SSAE-16 audit is also performed on *TrustPortal* in order to address the security of client data and the overall functionality of the trust accounting system. Client accounts on *TrustPortal* are reconciled daily with sub-custodians to ensure accuracy. In March 2013 Fi-Tek was pleased to announce the results of a CEB TowerGroup report, the results of which named the *TrustPortal* platform "Best in Class" for Core Accounting.

The *TrustPortal* is licensed to over 100 banks and trust companies throughout the country. FSTC provides back-office operational outsourcing services to many organizations. These companies trust their valued client accounts to FSTC and also perform on-going due diligence of FSTC.

FSTC only works through partner wealth management firms, who provide their own separate performance reporting of the underlying client investments. Finally, FSTC does not offer proprietary investment products - so you can be assured that we are committed to meeting the actual needs of our clients and not structured to meet the goals of a parent corporation.