Trust Company
OF THE PACIFIC

Policy and Procedures Manual

TABLE OF CONTENTS

SECTION I GENERAL POLICIES

POLICY TITLE **CONFIDENTIALITY OF TRUST RECORDS** **POL. NO: 1.10**

A fiduciary relationship is confidential in nature, and it is the policy of the trust company to disclose trust records only under the following conditions:

A. The request for information is made by a party whose beneficial interest entitles him or her to such information under the law;
B. The request for information is made by court order or subpoena;
C. The request for information is made by federal or state banking authorities having an official interest in examination and supervision of the trust company;
D. It is determined by management that disclosure is in the best interests of the account.

POLICY TITLE COMMITMENT TO SERVICE POL. NO: 1.20

In the administration of its trust business, it is the policy of the trust company to strive at all times to render exemplary business and financial service, concomitant with equally good personal service to customers. It is also the policy of the trust company to enhance the personal relationship of the Trust Company with its customers by encouraging direct contact between customers, administrative, and investment officers.

POLICY TITLE IMPARTIALITY RE: BENEFICIARIES POL. NO: 1.30

In the absence of authority to the contrary in the governing instrument, a fiduciary account must be administered with impartiality among beneficiaries of the same class or between successive beneficiaries. While impartially administering an account and carrying out the wishes of the creator, it is important to maintain a sympathetic, tactful, and personal relationship with the immediate beneficiaries, but to also be aware of the interests of the ultimate beneficiaries.

The trust company, as fiduciary, must adhere to any standards provided in the governing instrument of an account as a reflection of the settlor's intent with regard to the allocation of benefits from the trust. In those accounts whose governing instruments contain no such standard and in which the trust company, as fiduciary, is authorized to use its discretion in allocating benefits from the trust, it is the policy of the trust company to consider the economic circumstances of the beneficiaries, the state's Principal and Income Act, and other relevant factors when making decisions concerning distributions or investments.

POLICY TITLE GIFTS and/or BEQUESTS POL. NO: 1.40

It is the policy of the trust company that no officer or employee may accept gifts from anyone with whom he or she does business or might do business. Bequests from customers must be discouraged. Such bequests may only be accepted with the approval of senior management.

POLICY TITLE **EMPLOYEES SERVING AS CO-FIDUCIARY** **POL. NO: 1.50**

It is the policy of the trust company that officers and employees avoid serving as a co-fiduciary with the trust company unless the appointment is first approved by senior management or involves a family member. Any compensation to be received by the officer or employee must have the prior approval of senior management.

POLICY TITLE **RESTITUTION TO INDIVIDUAL ACCOUNTS** **POL. NO: 1.60**

It is the policy of the trust company that restitution to any account under the administration of the trust company must have the prior approval of any of the following:

President

The chief financial officer shall be notified. If necessary, trust company counsel shall be consulted.

The restitution must be made from trust company funds (general account) and not from any accounts under the control of the trust company.

POLICY TITLE **USE OF INSIDER INFORMATION** **POL. NO: 1.70**

"Material Inside Information" is any information about a corporation which might, if generally known, have a significant and immediate impact upon the price of its stock. Where such information is received by a director, officer or employee of the trust company, it should not be used for that officer's benefit or for the benefit of his or her family, nor shall it be disclosed to others for their personal use.

Material inside information about other corporations may be received from time to time by various officers, directors or employees of the trust company. Such information must be restricted to those who need to know it, and it should not be disclosed to any other person. This prohibition applies to informal as well as formal communications.

Investment officers are prohibited from acting upon material inside information in either the purchase or sale of any security for any account over which they have investment discretion. Such information may not be acted upon until it has been fully disseminated to the investing public.

All employees who are aware of investment transactions involving clients of the Trust Company shall advise brokers with whom they have personal investment accounts to provide copies of monthly statements to the Compliance Officer. "Personal investment accounts"shall include accounts of family members, family trusts, IRAs, etc. over which the employee exercises control.

POLICY TITLE RESIGNATIONS AND DECLINATIONS POL. NO: 1.80

Any resignation from an existing account or declination to serve when named in a duly probated will or a duly executed trust agreement shall be approved by senior management.

Except in unusual circumstances, it is the policy of the trust company to decline to serve or to resign from an appointment in which there exists no need for the services of a corporate fiduciary or in which it appears that the trust company cannot negotiate or otherwise obtain compensation which will provide for its expenses and a reasonable profit.

POLICY TITLE (Reserved) POL. NO: 1.90

SECTION II CONFLICTS OF INTEREST

POLICY TITLE GENERAL POL. NO: 2.10

It is the policy of the trust company that officers, directors and employees should be free from any direct or indirect interest, activity or association that could possibly conflict with the interests of the trust company or its individual trust accounts. Underlying this policy are two

principles:

1. No officer, director or employee should have, or acquire, any direct or indirect interest, activity or association, which influences or interferes with, or which might or could be thought to interfere with or influence the independent exercise of his or her judgment in the best interest of the trust company or its individual trust accounts;

2. No officer, director or employee should personally profit, or seek to profit directly or indirectly, from opportunities or business information that are available to, or obtained by, that person as a result of his or her position with the trust company.

Direct or indirect interests include agency relationships, trusts, corporations, limited liability companies, partnerships and interests held by family members.

POLICY TITLE TRANSACTIONS WITH A TRUST **POL. NO: 2.20**

No officer, employee, or director of the trusty company will assume any personal interest, direct or indirect, in any assets, real or personal, held by a trust or estate administered by this trust company, unless they are properly authorized by the governing instrument, local law or court order to do so and are acting in the best interests of the account. NO transaction of this nature will be consummated without consultation with counsel and the prior approval of senior management.

Should doubt exist as to the propriety of a transaction, it is the policy of the trust company to consider the matter further to determine whether the transaction is connected to the interests of a direct, officer, employee, or other related party.

The fact that an officer or director of the trust company is on the board of directors or is affiliated in any way with one of the major companies shall in no way affect the purchase of this type of security provided it meets all of the other requirements of the trust company's investment policies and guidelines.

As a matter of general investment policy, the stock of a closely held corporation, on whose board of directors officers or directors of the trust company are represented, shall not be

purchased for fiduciary accounts unless it is quite clear that it is for the best interests of the trust account to do so. Investment by a self-directed direction of investment is acceptable.

POLICY TITLE **BEST INTERESTS OF THE ACCOUNT MUST GOVERN** **POL. NO: 2.30**

When the trust company administers an account which contains an investment in which directors, officers, employees, or other related parties have such an interest as might affect the best judgment of the trust company, it is the policy of the trust company to act in the best interests of the account when determining whether to:

A. Sell securities to outsiders, directors, officers, employees or other related parties in take-over bids which threaten such companies;
B. Risk accentuating a declining market in securities of such companies by selling them;
C. Support such companies in proxy contests; or
D. Approve securities of such companies for purchase.

If the action determined to be in the best interests of the account is beyond the power of the trust company as trustee or has the appearance of divided loyalty, the board of directors may determine that it is appropriate to seek court approval for the proposed action.

POLICY TITLE **IMPARTIALITY IN INVESTMENT ACTIONS** **POL. NO: 2.40**

It is the policy of the trust company that all investment responsibility accounts under its administration be treated with impartiality in the allocation of investment information, expertise, and timing of investment executions. No account will be give preferential treatment because of its size or relationship to the trust company; however, even though the trust company will initiate investment changes in all accounts concerned simultaneously, some transactions will be consummated more quickly than others because of the need to obtain co-fiduciary approvals and to confer with investment advisors in some accounts. It is the trust company's intention to complete all transactions as quickly as possible, but accounts over which the trust company exercises sole investment authority will not be required to wait until all of the accounts concerned are ready to complete the transaction.

POLICY TITLE **TRANSACTIONS BETWEEN TRUSTS** **POL. NO: 2.50**

It shall be the policy of the trust company that no trades, except where authorized and after fully considering the effects to both accounts, shall be made between unrelated accounts.

Further, a sale of a security to a broker and subsequent resale shall also be avoided where it is apparent that such activity is occurring.

POLICY TITLE LOANS TO TRUST ACCOUNTS POL. NO: 2.60

The trust company, as trustee, will not borrow money from itself unless the account contains sufficient assets, in excess of common trust fund units, to serve as adequate security for the loan. No loan from the trust company may be wholly or partially secured by units of participation in the trust company's common trust funds. Current rate of interest will be charged on all such loans.

POLICY TITLE DEALING WITH AFFILIATES POL. NO: 2.70

Buying or selling securities through or from any affiliate of the Trust Company is strictly prohibited unless directed in writing by the grantor or principal or there is a direction to do so in the governing document.

SECTION III OPERATIONS

POLICY TITLE MANAGEMENT EVALUATION POL. NO: 3.10

It is the trust company's policy that its senior management through personnel or others, review trust operations and administrative procedures to evaluate their effectiveness in promoting the safety of handling assets, reliability of accounting records, proper documentation of accounts, deposit of assets, and compliance with governing instruments, laws, regulations, and sound fiduciary principles.

POLICY TITLE ASSET CONTROL - IN HOUSE POL. NO: 3.20

It is the policy of the trust company to maintain control of the assets under administration through a dual custody arrangement when such an arrangement is feasible. Trust assets held in safekeeping by the trust company at other financial institutions require the signatures of two trust personnel for release. These signatures need not be on the same document.

Assets received by the trust company shall be placed under this dual control as soon as practicable.

POLICY TITLE **ASSET CONTROL - OUTSIDE DEPOSITORIES** **POL. NO: 3.21**

When account assets are held by outside depositories or pledged as collateral on loans, it is the policy of the trust company to require acknowledgments of receipt from such depository indicating trust ownership and showing where the assets are held. The trust company will also require regular statements of the assets held by the depository; these statements shall be reconciled, on a regular basis, to the trust company's records.

Account assets held by outside depositories shall be subject to the joint custody requirements of the trust company.

POLICY TITLE **ASSET CONTROL - DECEDENT'S RESIDENCE** **POL. NO: 3.22**

The initial inventory and inspection of the home of a decedent who has named the trust company in some fiduciary capacity can be a most delicate and important period in the development of the relationship between the trust company and the decedent's relatives and heirs. Trust personnel should be amiable and helpful to the family. If there is any indication of disputations among the heirs, the trust company will usually obtain appointment as special administrator, before it takes any action.

If there are members of the family available, the initial visit to the decedent's home, when possible, should usually be made in their presence. In any case, two representatives from the trust company, if feasible, shall conduct the initial inventory and inspection. Particular attention should be paid to the wishes of the heirs at this time trust personnel should endeavor to avoid making any decisions concerning the disposition of any personal property, which is contrary to the desires of the heirs, especially if the trust company has not yet qualified.

In making the initial inventory and inspection, it may be appropriate to take pictures of the contents of the decedent's home and its exterior. Jewelry and other personal property which may be of substantial value, should be removed and put in safekeeping or left with an appraiser; it may be necessary to place any cars, which the decedent may have owned, in storage. The proper authorities should be alerted to give the residence addition surveillance. Insurance policies on the residence should be check for non-occupancy clauses and, if necessary, additional insurance should be purchased.

POLICY TITLE GUARANTEES **POL. NO: 3.23**

It is the policy of the trust company to avoid even the appearance of making a guarantee concerning investment quality or investment performance of trust assets. This prohibition shall apply to discussions with beneficiaries, or prospective customers, as well as trust advertising. For self-directed IRAs no guaranty shall be made with respect to any investment. The IRA owner shall be responsible completely for the investment decision.

POLICY TITLE SERVICE AGREEMENTS - AGENCIES WITH OTHER INSTITUTIONS **POL. NO: 3.40**

If it has been deemed advisable for the trust company to employ another financial institution as an agent in fulfilling the trust company's fiduciary responsibilities, the terms of the agreement shall retain all discretionary responsibilities and shall periodically review the work of the agent.

POLICY TITLE SERVICE AGREEMENTS -TRUST SUPPORT SERVICES **POL. NO: 3.41**

If it has been deemed advisable for the trust company to contract for trust support services, such as data processing or custody of securities, to accomplish its fiduciary responsibilities, these services must be rendered on a timely, reliable, and confidential basis, and shall be evaluated periodically by the trust company. The agency agreement must provide that the agent is subject to examination by the office of the Comptroller of the Currency or other appropriate regulatory authority and the agent should file a letter with the office of the Comptroller of the Currency acknowledging this obligation.

POLICY TITLE LEGAL - THREATENED OR PENDING LITIGATION **POL. NO: 3.60**

It is the policy of the trust company that trust personnel report any threatened or pending litigation against the trust company as fiduciary or as a corporate entity to the management committee. When litigation is started or it is evident that a suit will probably be filed the personnel responsible for the account shall provide senior management, the following:

A. Names of all plaintiffs and defendants;
B. Date of Summons;
C. Nature of complaint including damages asked;
D. Trust company's defense and opinion of counsel as to the merits of the case;

E. Settlements, waivers, or other compromise to avoid possible legal action;
F. Adequacy of insurance coverage.

POLICY TITLE LEGAL - UTILIZATION OF COUNSEL POL. NO: 3.61

If an officer of the trust company encounters a question concerning pending or threatened litigation, interpretation of legal documents, possible conflicts of interest questionable distributions of income or principal, restricted securities, or other matters of law, the question should be referred to counsel. The determination to refer a matter to outside counsel shall be made by a senior officer of the Trust Company.

POLICY TITLE OVERDRAFTS POL. NO: 3.70

Overdrafts are an informal extension of credit and should not be allowed except in special circumstances. In any case, overdrafts should not be allowed unless it can reasonably be anticipated that the overdraft will be covered by the receipt of income, the sale of assets or in some other manner in a relatively short period of time. If it is necessary for the overdraft condition to exist for an extended period of time, a formal loan should be considered for the account.

POLICY TITLE TERMINATION OF ACCOUNTS POL. NO: 3.80

It is the policy of the Trust Company to report termination information monthly on the account opened and closing report. The contents of this report shall indicate the value of the account being closed, the reason for termination, and any special information as requested from time-to-time by the senior management of the trust company.

POLICY TITLE NOMINEE REGISTRATION POL. NO: 3.90

Unless there are overriding considerations, it is the policy of the Trust Company to use nominee registration for all securities held in a fiduciary capacity.

SECTION IV AUDITS

POLICY TITLE AUDIT OF THE TRUST POL. NO: 4.10

COMPANY

It is the policy of the trust company to ensure that an audit of the company is made at least once each calendar year audit in accordance with the trust company's obligations to the State of Nevada Financial Institutions Division.

After reviewing the report of the audit of the trust company and in conjunction with its own observations, senior management shall determine whether the trust company is being operated in compliance with Nevada law and sound fiduciary principles. This determination shall be reported to the members of the trust company in writing.

POLICY TITLE STANDARDS POL. NO: 4.20

It is the policy of the trust company that audits of the trust company must comply with accepted accounting procedures.

SECTION V BUSINESS DEVELOPMENT

POLICY TITLE ADVERTISING POL. NO: 5.10

Advertisements related to the trust department:

A. Should be dignified;
B. Should not imply that legal services will be rendered;
C. Should not overstate or over emphasize the qualifications of the trust department;
D. Should be helpful to the trust industry as a whole;
E. Should not be misleading in any way;
F. Should not state or imply any guarantee of future performance or any representation that past performance is an indication of future performance.

POLICY TITLE MAINTENANCE OF WILL FILE POL. NO: 5.20

The trust company will provide safekeeping services for wills in which it is named in a fiduciary capacity; however, the trust company will assume no responsibility for reminding the testator to update his or her will.

The safekeeping of wills is a function which the trust company performs as a service for its customers and the community, and should not be interpreted as acceptance of an appointment.

POLICY TITLE ATTORNEY RELATIONSHIPS - POL. NO: 5.30

REFERRALS

If a customer requests referral to an attorney, it is the policy of the trust company to name three to five persons or firms, engaged in the practice of law, and believed by the trust company to be capable and responsible attorneys. The trust company should update the referral list regularly to insure high quality referrals.

POLICY TITLE **ATTORNEY RELATIONSHIPS - EMPLOYMENT** **POL. NO: 5.31**

Unless requested to do otherwise by the grantor or the co-fiduciary(ies) or for other substantial reasons such as an obvious conflict of interest, it is the policy of the trust company to retain the attorney who drafted the instrument for all legal services connected with the settlement of an estate or the administration of a trust.

Normally, the trust company will abide by the written instructions of the grantor, on his or her preference in attorneys.

POLICY TITLE **ATTORNEY RELATIONSHIPS - LEGAL FEES** **POL. NO: 5.32**

At the inception of the account, it is the policy of the trust company to establish a clear understanding with the attorney and the customer concerning the basis for the attorney's fee. It may be useful to hold a meeting with the customer and the customer's attorney to achieve this purpose.

POLICY TITLE **ATTORNEY RELATIONSHIPS - DRAFTING DOCUMENTS** **POL. NO: 5.33**

No officer or employee of the Trust Company shall give legal advice. However, trust company personnel may consult with customers, or prospective customers, concerning business, financial and personal, as distinguished from purely legal, questions concerning a trust or estate. To the extent that trust company personnel or officers are attorneys, they may render legal advice, however, that advice shall be given in the context of the attorney’s private practice and not with respect to the trust company.

SECTION VI ADMINISTRATION

POLICY TITLE **DISCRETIONARY DISTRIBUTIONS** **POL. NO: 6.10**

A discretionary power of distribution is the right to distribute principal or income as authorized in the trust, in accordance with the trustee's interpretation of the settlor's intention and its judgment as to what is in the best interests of the beneficiary.

Except where an emergency exists, a request must be made by the beneficiary in writing if the beneficiary is capable of doing so. Any oral request for a discretionary distribution must be confirmed in writing if the beneficiary is capable of doing so. Any oral request for a discretionary distribution must be confirmed in writing if the beneficiary is capable of doing so. The trust company should receive full information as to the reason for the request and the amount of the beneficiary's financial resources where the governing instrument requires that they be considered. In addition to the above information, the administrator should consider the scope of the power provided in the governing instrument and the size of the trust.

After the account administrator has accumulated all the pertinent information the administrator shall prepare a written record of these considerations with a recommended course of action. The administrator's recommended course of action shall be approved by a majority of the officer's administrative committee.

Request up to $5,000 in a 12-month period may be approved by the administrative officer in conjunction with a senior officer of the Company. All discretionary requests shall be reflected in the minutes of the Trust Administration Committee. Evidence of the Administration Committee's actions and all supporting documents shall be filed in the appropriate account's document file.

It is the policy of the trust company in appropriate cases to recommend the inclusion in trust instruments of clearly defined discretionary powers to use principal and income. It is also the trust company's policy to exercise these posers in cooperation with co-fiduciaries and without the delegation of our decision to other persons who are not authorized by the instrument to make such decisions.

POLICY TITLE CO-FIDUCIARY APPROVALS **POL. NO: 6.20**

The powers of co-fiduciaries are held jointly and not severally unless otherwise stated in the governing instrument. Consequently, unless the governing instrument provides otherwise, in those accounts in which the trust company serves as a co-fiduciary it is the policy or the trust company to obtain the approval of the co-fiduciary to make the actions of the trust company authoritative.

It is the policy of the trust company, except under unusual circumstances, to consult with and obtain the approval of the co-fiduciary before taking any action. However, under extreme circumstances, it may be necessary for the trust company to take unilateral action and to see the approval of the co-fiduciary on an after-the-fact basis. This latter course should be pursued only with extreme caution and in an emergency situation.

It is the trust company's policy to maintain a written record of co-fiduciary approvals and authorizations.

POLICY TITLE JUDGMENTS FOR FIDUCIARY ACCOUNTS **POL. NO: 6.30**

If any judgments are obtained for an account during its administration by the trust company and are not satisfied, the trust company, as fiduciary, shall:

A. Properly record the judgment;
B. Keep a copy of the judgment in the files of an account;
C. Keep the judgment current during the trust company's administration of the account as long as a reasonable expectation of satisfaction exists and the amount of the judgment is sufficient to justify the expense necessary to keep it current.

POLICY TITLE EARLY DISTRIBUTIONS FROM ESTATES **POL. NO: 6.40**

It is the trust company's policy to administer those estates in which it has been named personal representative, or administrator in a competent and expeditious manner. The administration shall include the timely approximation of taxes and expenses and the identification of the most appropriate means of raising the funds necessary to pay them.

Where the assets of the estate are sufficient to afford the trust company a suitable margin of safety in the payment of taxes and expenses, distribution of specific bequests will be made as soon as practicable.

If the estate must be held open for an unusually long period of time, it is the trust company's policy to distribute as much of the assets as can reasonably be distributed consistent with needs and wishes of beneficiaries and the protection of the trust company as executor.

POLICY TITLE DELIVERY OF CASH TO BENEFICIARIES **POL. NO: 6.50**

Cash may be delivered to a beneficiary only under extreme circumstances and with the authorization of the regional manager. If cash is delivered to a beneficiary, a receipt must be obtained from the beneficiary and retained in the files of the account. A check drawn on the customer's account payable to the officer delivering the cash is to be authorized by the regional manager.

SECTION VII ACCEPTANCE OF NEW BUSINESS

POLICY TITLE GENERAL **POL. NO: 7.10**

It is the policy of the trust company to consider the following aspects of a proposed fiduciary relationship in determining whether to accept the account:

A. The reputation and legal capacity of the parties - the trust company does not want its name and reputation used to lend credibility to an otherwise questionable situation;

B. The purpose of the account - if the trust company cannot perform a service for the parties involved, acceptance of the account should be declined;

C. The character of the property to be administered:

1. Do the nature and location of the property permit proper administration by the trust company?
2. Is the retention clause in the governing instrument sufficient authority for the retention of the property to be administered?
3. Are the administrative powers and directions in the governing instrument sufficient for the proper administration of real estate or any other asset which represents a major part of the estate or is it in poor condition?
4. Are the powers in the governing instrument adequate for the retention of the securities of the trust company or any affiliated entities which might come under administration?
5. Are the investment objectives of the account compatible with the investment policies of the trust company and sound fiduciary principles?
6. Are there any unusual request which might prohibit efficient management, such as excessive or complex remittance instructions, or non-standard security procedures?

D. The potential conflicts of interest presented by the account;

E. The adequacy of the fee for the time and effort necessary for proper administration;

F. The moral or social obligations or relationships with other accounts. Although a trust institution is not under obligation to accept all accounts offered it has a greater moral responsibility to accept appointments under will where the testator, having consulted it during his lifetime, died believing it would act, than to accept appointments as to which it has not been so consulted.

POLICY TITLE ENVIRONMENTAL ISSUES - INSPECTION POL. NO: 7.15

Any real property, either owned outright or securing mortgages, and business properties must be inspected by a real estate specialist prior to acceptance. If such inspection indicates the possible presence of hazardous substances or waste, the real estate specialist may, at his discretion, order an environmental audit by a competent analyst. This requirement is waived if the real property will be held by a self-directed IRA.

POLICY TITLE ENVIRONMENTAL ISSUES-DRAFTING POL. NO: 7.16

All wills, trusts and other documents under which the trust company is asked to serve

which include real estate, mortgages or business interests must include language which:

1. Indemnifies the trust company against environmental liablity;
2. Authorizes the payment of all costs of inspection and monitoring such properties;
3. Releases the trust company from liability for complying with environmental reporting requirements, and
4. Authorizes cleanup of trust property upon notice to the grantor or other appropriate party.

POLICY TITLE ACCEPTANCE - IRREVOCABLE TRUSTS POL. NO: 7.20

It is the policy of the Trust Company to have an officer confer with the grantor and his or her attorney to ascertain whether the grantor completely understands the nature of the irrevocable trust. If there is any doubt that the grantor understands the nature of the agreement, the account should not be accepted. A senior officer must review and approve the irrevocable trust prior to acceptance.

POLICY TITLE ACCEPTANCE - INSURANCE TRUSTS POL. NO: 7.21

Except under unusual circumstances, the trust company will not accept insurance trusts which place any responsibility for the payment of premiums on the trust company. If the company does accept the responsibility, a provision should be included for adequate compensation. However, with respect to life settlements or viaticals for which Trust Company of the Pacific is the custodian, premium payments can be processed for these accounts if paid by the owner of the policy.

REVOCABLE - The trust company will ordinarily not accept revocable insurance trusts which place any responsibility for payment of premiums on the trust company. If the trust company does not accept the responsibility for premium payment, a provision must be included for adequate compensation.

IRREVOCABLE - The trustee does have responsibility for premium payments in most irrevocable life insurance trusts. The document should clearly indemnify the trustee for nonpayment of premiums where the funds have not been transferred to it in sufficient time to notify beneficiaries of their withdrawal rights prior to transmitting funds to the insurance company.

Irrevocable life insurance trusts often require the Trustee to apply for insurance on the life of the grantor or some other party. The insurance company to which the application is being made must be approved by the Chief Fiduciary Officer.

POLICY TITLE ACCEPTANCE - SUCCESSOR APPOINTMENTS POL. NO: 7.22

The trust company, acting as successor fiduciary, can incur a substantial liability for failure to correct the wrongful acts of its predecessor. Consequently, it is extremely important for the trust company to make a comprehensive investigation of the actions of the predecessor fiduciary before accepting an appointment as a successor fiduciary.

A court accounting should be requested as a prerequisite for the acceptance of a successor appointment if it is at all possible to do so. If a court accounting is not available, the following may serve as a guideline for the compilation of the minimum, necessary information:

A. Statement of assets, liabilities, and corpus - (1) at inception of prior administration, and (2) at date of succession;
B. Reconcilement of corpus, as shown in (1) and (2) above;
C. Statement of income, expenses, and net income, showing payor and payee;
D. Statement of cash receipts and disbursements, showing payor and payee.

If there has not been a court accounting, in addition to obtaining the information outlined above, the trust company should also obtain waivers from all the interested parties and, if possible, require exculpatory language in the governing instrument.

POLICY TITLE **ACCEPTANCE - CORPORATE TRUSTEESHIPS** **POL. NO: 7.23**

Before accepting an appointment as a trustee of a debt issue, it is the policy of the trust company to review the obligor's history, to evaluate the management of the obligor, to evaluate the ability of the obligor to repay the obligations covered by the indenture, and to thoroughly review the duties and obligations which the trust company will assume upon acceptance of the account.

The trust company also recognizes that a potential conflict of interest may exist should the trust company or an affiliate find itself a creditor of the obligor corporation while concurrently serving as the trustee of a defaulted debt issue of the obligor corporation, and claiming the assets of the obligor corporation in both capacities. It is the policy of the trust company to avoid such a conflict by a thorough evaluation of the financial status of the obligor corporation and clearly defining the duties and obligations of the trustee in the governing instrument.

POLICY TITLE **ACCEPTANCE - GUARDIANSHIPS** **POL. NO: 7.24**

The trust company does not actively solicit appointments as the guardian of the estate of a minor or incompetent; however, the trust company is aware of its social responsibilities and will, in most cases where a real need exists and no responsible individual is available, accept such appointments when they are offered.

The trust company will not accept an appointment as guardian of the person of a minor or incompetent.

POLICY TITLE DIRECTED TRUSTS POL. NO: 7.30

Under some wills and trust agreements, the control of investment for the account is placed, to a greater or lesser extent, in some party other than the trustee. Generally, if the power of investment direction exists for the *exclusive* benefit of the power holder, the trustee is protected in following the terms of the trust concerning approval, consent, or direction of investments by the power holder. But, if the power of investment direction exists for the benefit of some party other than the power holder, the trustee will not be protected in following the instructions of the power holder when the proposed investment is patently imprudent or otherwise a breach of the fiduciary duty of the power holder.

Before accepting a "direction trust," it shall be the policy of the trust company to determine the capacity in which the power of investment direction is held. If it is determined that the power of direction is not held for the *exclusive* benefit of the power holder, the trust company shall apprise all of the interested parties concerning the trust company's responsibility to monitor investment directions and the possibility that it may be necessary for the trust company to refuse to follow those directions.

It is the policy of the trust company that all self-directed retirement accounts administered by the trust company are held for the exclusive benefit of the power holder.

POLICY TITLE ACCEPTANCE - TRUSTS DIRECTED BY OUTSIDE ADVISERS POL. NO: 7.31

Generally speaking, the Trust Company will accept accounts managed by outside investment advisers. Such investment advisers must be known to the Trust Company as competent money managers. Governing documents must adequately exculpate and indemnify the Trust Company from any responsibility for actions of the investment manager.

Consideration should be given to establishing limits on the types of investments that may be directed in order to avoid investments which might be difficult to handle administratively.

Orders to purchase or sell investments must be consistent with the Trust Company's operational procedures. In most instances, the Trust Company will place the orders.

POLICY TITLE CO-FIDUCIARIES - GENERAL POL. NO: 7.40

Although the trust company prefers to serve as the sole fiduciary, appointments as co-trustee or co-executor will be accepted. However, when the trust company does serve as co-fiduciary, it does expect to maintain physical custody of the securities, documents and records. The co-fiduciary will have access to the records and every opportunity to inspect them at all reasonable hours.

The instrument creating the co-fiduciary relationship should clearly delineate the duties of each fiduciary and provide a method for reaching decisions when there is no consensus.

POLICY TITLE **CO-FIDUCIARIES - DIVIDED COMPENSATION** **POL. NO: 7.41**

Except under unusual circumstances, it is the policy of the trust company to request the same allowance or make the same charge for serving as co-fiduciary as for sole fiduciary. This policy is based on experiences with co-fiduciary appointments which have revealed that work and responsibility do not diminish with the addition of a co-fiduciary.

POLICY TITLE **COMPENSATION - GENERAL** **POL. NO: 7.50**

When not determined by applicable law or court approval, compensation should be determined on the basis of the cost of the services rendered and the responsibilities assumed.

Minimum fees for trust services, except in extraordinary cases, should be applied uniformly and impartially to all customers alike.

The Trust Company has established published fee schedules which may be changed from time to time. These schedules were developed to be competitive with other local institutions while providing for a reasonable profit.

POLICY TITLE **PRIOR APPROVAL FOR ACCEPTANCE** **POL. NO: 7.60**

Fiduciary accounts may be accepted, as set forth in the trust company's policy for new business acceptance. Typically, new accounts must be authorized by a senior trust officer.

All officers of the trust company are authorized to execute, on behalf of the trust company, all agency and trust agreements.

POLICY TITLE **KNOW YOUR CUSTOMER** **POL. NO: 7.70**

It is the policy of the Trust Company to know enough about its prospective customers to feel comfortable in entering into a business arrangement. The following due diligence guidelines

are designed to provide reasonable assurance that a prospective customer is reputable and a reasonable candidate for the Trust Company's services.

Client Identification: Prospective clients, unless introduced by a reliable source know to the Trust Company, should be positively identified prior to entering into any business relationship. Documents which may be relied upon for this purpose are passports, official I.D. cards, drivers licenses, etc.

Details of the introductory meeting should be documented in the file and include such things as the date and place of the meeting, the participants, and the subjects discussed.

Client Background Verification: The prospective client's name, address, telephone number, and taxpayer I.D. number should be determined as early in the relationship as possible. It is also desirable to know the client's occupation (or former occupation), the source of the client's wealth, the purpose of the relationship, etc. Where the prospective client is not the result of an introduction from a reliable source, the Trust Company should attempt to verify as much of this information as possible.

If the prospective client is a business, it is advisable to obtain copies of the Articles of Incorporation or Partnership agreement, corporate resolutions, if applicable, other principals, and a description of the nature of the business.

The trust company shall comply with OFAC requirements and new accounts shall have the results of the search of the OFAC data base in the file.

SECTION VIII EMPLOYEE BENEFIT ACCOUNTS

POLICY TITLE **GENERAL RESPONSIBILITIES** **POL. NO: 8.01**

When the Trust Company serves as trustee or investment manager for a plan covered by ERISA, it may become a fiduciary, for certain activities under ERISA Section 3(21)(A) and under regulations imposed by the Department of Labor (DOL). The Trust Company and certain of its affiliates may also be considered "parties in interest" with respect to the plan.

POLICY TITLE **LIMITING LIABILITY FOR THE ACTIONS OF A CO-FIDUCIARY** **POL. NO: 8.10**

Certain federal law should be consulted in this regard, however, generally the trust company could be liable if it:

A. Knowingly participates in or undertakes to conceal a breach by a co-fiduciary;
B. Has enabled a co-fiduciary to commit a breach by its failure to perform is specific responsibilities; or
C. Has not made reasonable efforts to remedy a breach of which it had knowledge.

It shall be the Trust Company's policy to limit its potential liability for actions of another fiduciary by refusing to accept any appointment as a co-trustee or as a "Named Fiduciary" under ERISA Section 402, other than as investment manager with acceptable management duties.

POLICY TITLE **REVIEW OF GOVERNING INSTRUMENTS** **POL. NO: 8.20**

It is the policy of the trust company to review the governing instruments of all employee benefit accounts under administration to determine their compliance with the applicable law then in effect. The records of this review are retained with the other documentation of the account.

POLICY TITLE **EMPLOYEE STOCK OWNERSHIP TRUST (ESOTs)** **POL. NO: 8.21**

As a general rule, the Trust company will not accept appointment as Trustee of an ESOT. Exceptions to this policy require the approval of senior management.

POLICY TITLE **PLAN ADMINISTRATON** **POL. NO: 8.22**

It is the policy of the Trust Company not to accept responsibility for the administration of the Plan. Whenever the Trust Company accepts an appointment as an ERISA fiduciary, the plan documents should clearly indicate that the Trust company has no responsibility for administration of the Plan.

POLICY TITLE **PARTIES IN INTEREST** **POL. NO: 8.30**

In those employee benefit accounts for which the trust company acts as fiduciary, it is the policy of the trust company to review all transactions between accounts and parties in interest to determine whether any transaction is a direct or indirect:

A. Sale, exchange or lease of property to;
B. Lending of money or other extension of credit to;
C. Furnishing of goods, services of facilities to; or
D. Transfer of assets to or use of assets by or for the benefit of a party in interest and is prohibited by the Employee Retirement Income Security Act of 1974.

POLICY TITLE **REPORT TO PLAN ADMINISTRATOR** **POL. NO: 8.40**

It is the policy of the trust company to provide the plan administrator/sponsor with the annual statement for all employee benefit accounts within a period of 120 days. This is to enable

the plan administrator to publish or make the annual report information available to the participants/beneficiaries, in accordance with the requirements of the law.

POLICY TITLE **INVESTMENTS - DIRECTIONS** **POL. NO: 8.50**

In employee benefit plans which it serves as trustee, it is the trust company's policy to monitor all transactions to avoid an improper investment or a prohibited transaction, unless an "investment manager" as defined in Section 3(38) of ERISA has been appointed to direct investments

In cases where the Named Fiduciary has investment responsibility, the Trust company shall follow "proper directions" under ERISA Section 403, unless it is clear on their face that they violate the rules of ERISA or the terms of the trust agreement.

When receiving investment directions, the trust company shall not object to such directions simply because they do not fit the trust company's guidelines for accounts in which it has investment responsibility. Objections should only be made with the approval of the Chief Fiduciary Officer.

There are five general standards that govern the trust company's conduct when it is an ERISA fiduciary:

A. The Trust Company must discharge its duties solely in the interests of participants and beneficiaries of the plan.
B. The Trust Company must discharge its duties for the exclusive purpose of providing benefits to the participants and their beneficiaries.
C. The Trust Company must exercise that standard of prudence set forth in ERISA's Prudent Investor Rule. The Department of Labor's regulations list the following factors in determining prudence:
    1. Whether an investment is reasonably designed to further the purposes of the Plan, taking into consideration the risk of loss and the opportunity for gain. The regulation allows a "total portfolio" approach, under which the prudence of any investment is to be judged with regard to the role it plays in the entire portfolio.
    2. The diversification of the portfolio.
    3. The liquidity and current return of the portfolio in relation to the plan's funding objectives.
    4. The projected return of the portfolio in relation to the plan's anticipated cash requirements.

D. The Trust Company must diversify the investments of the plan so as to minimize uncompensated risk of loss.
E. The Trust Company must discharge its duties in accordance with the Plan

documents, insofar as those documents are consistent with the requirements of ERISA.

POLICY TITLE **ERISA PRUDENT INVESTOR RULE** **POL. NO: 8.51**

Because employee benefit plans have unique needs and elements no in the common law of trusts, ERISA Section 404 supersedes state and local law. It is the policy of the Trust Company to develop its policies and procedures accordingly.

POLICY TITLE **INVESTMENTS - QUALIFIED EMPLOYER SECURITIES AND** REAL **ESTATE** **POL. NO: 8.52**

When considering the retention or purchase of qualifying employer securities or qualifying employer real estate for an employee benefit account, it is the policy of the trust company to ascertain that:

A. The investment is prudent and for the exclusive benefit of the participants and the beneficiaries;
B. The aggregate of such holdings will not exceed ten percent of the fair market value of the fund;
C. If the aggregate of such holdings exceeds ten percent of the fair market value of an eligible individual account plan, as defined in Section 407(d)(3)(A), the governing instrument specifies the percentage of the fund which may be invested in qualified employer securities and qualified employer real estate;
D. If the aggregate holding of qualified employer securites and qualified employer real estate exceeds ten percent of the fair market value of an employee benefit account, other than an eligible individual account whose plan specifies the percentage of the fund which may be so invested, and the investment was so held on January 1,1975, divestiture will be made to reduce the percentage of the fund so invested to ten percent or less before January 1,1985, with fifty percent of the divestiture accomplised before January 1,1980.

POLICY TITLE **PROXIES AND ERISA ACCOUNTS** **POL. NO: 8.53**

It is the general policy of the Trust Company to have proxies for ERISA accounts voted by the party responsible for investments under the governing document. Where the Trust Company is responsible for investment decisions, POL. NO. 9.80 shall provide the basis for making proxy decisions.

POLICY TITLE **INVESTMENT - TIME DEPOSITS AND COLLECTIVE INVESTMENT FUNDS OF THE TRUST COMPANY** **POL. NO: 8.54**

The funds of employee benefit accounts which are under the administration of the trust company shall be invested in a collective investment fun administered by the trust company or, on a long term basis, in time deposits of the trust company only if the governing instrument of the account specifically authorizes such an investment or it has been authoritatively directed.

Before funds of an employee benefit account are placed in one of the collective investment funds of the trust company, it should be ascertained that the plan has received a letter of approval from the Internal Revenue Service. The investment of funds of an unapproved employee benefit plan in a collective investment fund could result in the collective investment fund losing its exempt status.

POLICY TITLE **PROHIBITED TRANSACTIONS** **POL. NO: 8.55**

Section 406(a) of ERISA lists certain "prohibited transactions" between a plan and a "party-in-interest." Parties in interest include the sponsor, the trustee, the investment manager and their affiliates.

Self Dealing - Self dealing is also a prohibited transaction. Section 406(b) identifies the following as self dealing:

A. Dealing with the assets of the plan in the interests of or for the account of a fiduciary.

B. Receiving consideration for the Trust Company's own account from any party dealing with the plan or connected with a transaction involving plan assets.

SECTION IX INVESTMENTS-GENERAL

POLICY TITLE RESPONSIBILITY FOR TRUST INVESTMENTS POL. NO: 9.10

Primary responsibility for determining general investment policy rests with the trust company's senior management.

POLICY TITLE GENERAL POL. NO: 9.20

The Trust Company of the Pacific has promulgated trust investment policies which meet standards of prudence, the terms of governing instruments, other applicable statutes and the rules of the eighth Judicial District Court. Said policies are established by the Trust Investment personnel and senior management and communicated to trust personnel by means of e-mail or memoranda.

POLICY TITLE THE PRUDENT INVESTOR RULE POL. NO: 9.22

As a general rule, no investment will be considered improper, per se. Each portfolio will be invested in a manner which reflects risk and return objectives suitable to that particular account. Performance will be measured based on the entire portfolio and not on the performance of individual investments within that portfolio. Generally speaking, the Trust Company takes the position that publicly traded securities will enable it to meet the objectives of most accounts. There are, however, situations in which it will be warranted to assume greater risks. In those situations, the Trust Company will explore alternative forms of investment.

POLICY TITLE DELEGATION POL. NO: 9.23

Where the Trust Company deems a particular form of investment suitable for use in certain trust accounts, but does not have the expertise available internally, it may employ the services of a specialist. Reasonable care must be used in selecting the specialist. IN addition, it is the trust company's responsibility to establish objectives and parameters for the specialist and closely monitor the specialist's performance.

POLICY TITLE DIVERSIFICATION POL. NO: 9.24

It is a well-accepted tenet that diversification minimizes risk. Inasmuch as preservation and enhancement of capital are goals of most trust portfolios, the Trust Company has developed diversification standards for its various trust accounts.

From time to time, a trust is accepted in which one asset represents a major portion of that trust. The duty of diversification will be examined in relation to that particular trust and no action will be taken without the concurrence of the trust beneficiaries. If the Trust Company

believes that the asset should be sold and the beneficiaries disagree, the Trust Company will seek instructions from the Court.

POLICY TITLE DIVERSIFICATION - ERISA POL. NO: 9.24.1

ERISA Section 404 requires diversification in order to minimize the risk of "large losses," unless under the circumstances it is clearly prudent not to do so. As a result, the Trust Company has developed diversification models for its standard trust accounts where it has investment responsibility. The written account investment objectives discussed in POL. NO. 10.20 shall provide the primary basis for diversification decisions.

POLICY TITLE INVESTMENT PROCESS POL. NO: 9.25

General

The senior management of the Trust Company of the Pacific shall periodically (at least annually) examine the universe of investment options that are available and select those that it believes would be appropriate for use in trust accounts. If any of those options require expertise not currently available in the Company, a decision must be made as to whether to employ as in-house specialist or delegate this responsibility to an independent specialist. If a decision is made to engage an independent advisor, the Committee shall develop a selection process that will assure a responsible selection.

The Committee shall be responsible for providing Portfolio Managers with the following:

A. A Guidance List that reflects investments it deems acceptable for use in Trust Company portfolios;
B. Equity and Fixed Income Sector Allocation Guidelines for each category of investment objectives;
C. Formal Investment Objectives for various types of accounts;
D. A Performance Measurement System capable of monitoring each account's performance against its stated objectives.

Account Specific

Administrators and portfolio managers shall develop profiles for each account identifying any restrictions imposed by the governing instrument, the law, or the account principals. IN addition, the administrator shall develop profiles of all beneficiaries, grantors, and principals reflecting their personal objectives, outside investments, taxability preferences and so forth.

All accounts will be reviewed on a regular basis. A major aspect of this review will be to monitor the performance of each account in relation to established objectives and conformance to stated sector allocations.

All of the above will be carefully documented in the appropriate files.

POLICY TITLE IMPARTIALITY IN SELLING SECURITIES **POL. NO: 9.30**

Where it is appropriate to do so, it is the policy of the trust company to sell a particular security issue out of all of its investment responsibility accounts at the same time. However, since the needs of each account may vary, it may be appropriate to sell a particular issue out of one account while retaining the same issue in one or more accounts. When this situation arises, the minutes of the officers investment committee or the officers account review committee should reflect the recommendation of the investment division concerning the issue and the basis for the particular decision to retain the issue in one or more accounts.

POLICY TITLE INVESTMENT STANDARDS **POL. NO: 9.40**

It is the policy of the trust company to use securities of good quality determined by careful analysis and investigation. Factors to be considered include relative price, yield, earnings, dividends, assets, ratings, and ability to repay debts. Characteristics of selected securities will include good management, products or services, vital, growing industries strongly financed, conservatively capitalized and demonstrated satisfactory records of earnings and dividends.

The investment objectives of the trust company, as fiduciary, are long term rather than short term. It shall however, be perfectly willing to sell a security which seems relatively over valued to reinvest in another security which in its judgment offers a more attractive potential for capital appreciation and income. Tax aspects of investment changes will be given appropriate consideration, but unless they are very substantial, should not be controlling.

The trust company may retain companies in the business of branding and promoting branded securities for the benefit of the trust company's account holders.

POLICY TITLE RETENTION OF UNSUITABLE ASSETS **POL. NO: 9.50**

Most trust instruments authorize the retention of securities which the testator or settlor owned. Such a provision does not remove the trustee from its pursuit of prudent investment standards, however. Therefore, if further retention would be imprudent, it is the policy of the trust company to dispose of unsuitable assets within a reasonable time.

The determination of a reasonable time may depend upon a variety of factors, including the following:

A. The nature of the property;
B. The risk involved in its retention;
C. The amount which it would be received on an immediate sale as compared to the full value of the property;
D. The original value of the trust estate;
E. The amount which the trustee would receive on an immediate sale as

compared with the value of the property at the time it became a part of the trust estate;

F. The general state of the market;
G. The available opportunities for reinvestment;
H. The question of tax liabilities; and
I. The purpose of the trust.

If the terms of the governing instrument *direct* the retention of an investment which is unsuitable, it may be necessary to consult the trust company's counsel concerning the duty of disposition incumbent on the trustee.

POLICY TITLE UNUSUAL INVESTMENTS POL. NO: 9.60

In making investments, it is the policy of the trust company to comply with the governing instrument of each account, local law, regulations, court orders, rulings and some fiduciary principles. Each investment must be appropriate for the account and must satisfy the standards of the "prudent man" rule. In addition to satisfying the above requirements, it is the trust company's policy to make certain types of investments only where they are authorized by the governing instrument, local law, or the effective consent of beneficiaries. These types of investments include, but are not limited to, letter stock, control stock, precious metals, life settlements, viaticals, options on stock, and limited partnership interests which are a significant portion of the account.

POLICY TITLE DERIVATIVES POL. NO: 9.65

Derivatives are commonly defined as financial instruments whose performance is derived, at least in part, from the performance of underlying assets. These instruments include, but are not limited to, futures, options, forward contracts, swap agreements, and structured notes.

There is nothing inherently prudent or imprudent in the use of derivatives for trust and investment management accounts. They are used for hedging risks in particular securities, as substitutes for traditional securities, or as investments in their own rights. If a particular derivative instrument is approved by the Trust Investment Committee, it is the portfolio manager's responsibility to determine if it is permitted for a specific account and if it is consistent with that account's objectives and policies.

POLICY TITLE CO-TRUSTEES AND POWERS OF DIRECTION POL. NO: 9.70

In general, the trust company, as trustee, will follow the investment directions of a party properly authorized to give such directions; however, should the proposed investment appear to be imprudent or in violation of the terms of the governing instrument, the trust company may consider the relationship of the power holder to the beneficiary or beneficiaries of the account. If the power holder holds the power to direct investments for the *exclusive* benefit of the power holder, the investment direction will not be followed. However, if the power holder does *not*

hold the power to direct investments for the exclusive benefit of the power holder, the trust company, as trustee, is under a duty not to comply with the investment direction should the trust company determine that the proposed investment is patently imprudent or a violation of the terms of the governing instrument.

If the trust company is unable to monitor the transactions in such an account, it will periodically review the investments in the account in an effort to note any illegal, nonconforming, substandard or otherwise unsuitable investments, and will take appropriate action toward disposition of the unsuitable investment.

In the absence of any provisions to the contrary in the governing instrument, the powers of co-trustees are generally held jointly and not severally and should be exercised jointly. It is the policy of the trust company to obtain the approval of its co-trustees before it makes an investment if at all possible. Should an emergency require the trust company to act without the consent of its co-trustees, the trust company will seek their approval as soon after the fact as possible.

As a courtesy, the trust company may consult with parties who are not authorized to direct investments; however, all investment decisions in such an account will be made by the trust company.

POLICY TITLE PROXIES POL. NO: 9.80

The voting or non-voting of proxies shall be the responsibility of the investment division. The following policies are guidelines in voting the proxies:

A. Generally, proxies will be voted along management's guidelines as indicated on the proxy. Any non-routine matters (e.g., proxy fights) will be referred to the proxy committee;
B. Each item to be voted on should be voted separately and individually - not voted in blank;
C. The proxy must be dated and signed by a partner of the appropriate nominee if it is in nominee name; otherwise, the trust company's name and the capacity in which it serves should be on the proxy plus the voting officer's name and title;
D. If the proxy contains issues of social significance for a corporation in which the voting officer knows that the department maintains a continuing interest, such questions of social interest and how they will be voted should be brought to the attention of the proxy committee;
E. For those corporations in which the department holds a significant interest, the proxy should be brought to the attention of the Investment Policy Committee, for the consideration of sending a representative to the stockholder's meeting;
F. 12 U.S.C. 61(2) provides, "In the election of directors, shares of its own stock held by a national bank as sole trustee, whether registered in its own name as such trustee or in the name of its nominee, shall not be voted by

the registered owner unless under the terms of he trust the manner in which such shares shall be voted may be determined by a donor or a beneficiary of the trust and unless such donor or beneficiary actually directs how such shares shall be voted." Subsection (3) provides, "shares of its own stock held by a national band and one or more persons as trustees may be voted by such other person or persons as trustees in the same manner as if he or they were the sole trustee."

Where the trust company's common or preferred stock is held, the shares will be voted as instructed by the principal, co-fiduciary or other person having such power, by the terms of the governing instrument or otherwise, or by the donor of a revocable trust. Where the trust company has sole power to vote and none of the cases above apply, the shares will not be voted.

POLICY TITLE SECURITIES OF TRUST COMPANY & AFFILIATES POL. NO: 9.90

The trust company will not recommend the purchase of such securities in any account. However, Trust Company of the Pacific, branded mutual funds administered by third party entities may be recommended to current account holders.

Where the trust company shares investment responsibility on an account, it will recommend the sale of such securities without expressing an opinion on the investment merits of the security. If such sale is refused, the situation will be reviewed periodically and the position of the co-fiduciary or other responsible party confirmed in writing.

Where the trust company is solely responsible, the securities will be sold, consistent with individual account constraints and considerations.

SECTION X INVESTMENTS - PORTFOLIO MANAGEMENT

POLICY TITLE GENERAL POL. NO: 10.10

It is the policy of the trust company to analyze the individual investment needs of each investment responsibility account under administration, and to fill those needs with investments which have been selected through a process of careful research and analysis.

It is the policy of the trust company to strive to establish diversification within each portfolio, while meeting its specific investment needs. Depending on the circumstances surrounding the account, diversification may mean the use of different types of investments (e.g., stocks, bonds, real estate, mortgages) as well as diversification of industries and geographical locations.

POLICY TITLE ACCOUNT INVESTMENT OBJECTIVES POL. NO: 10.20

It is recognized that each account, over which the trust company exercises investment

responsibility, will have somewhat different assets and objectives. These objectives should be defined as soon as possible. In all cases, these objectives must be defined prior to submitting the account for formal review. The objectives should be reviewed from time-to-time so as to insure proper compliance with the fiduciary obligations inherent in meeting the needs of both income beneficiaries and remaindermen. These objectives should be considered when establishing a long-term investment program for each account.

Circumstances of beneficiaries are in a constant state of change. The above policy should be interpreted flexibly, taking into consideration the beneficiary's need for income, income tax bracket, the settlor's objectives and the terms of the trust.

POLICY TITLE DIVERSIFICATION POL. NO: 10.30

Generally it is the duty of the trustee to diversify the investments of an account, considering the original investments and the new investments as together constituting the trust estate, so as to distribute the risk of loss. This means diversification, not only as among stocks, bonds, mortgages and real property, but also diversification of investments in any one security, in any one class of securities, in any one industry or in any one locality.

Except under extraordinary circumstances or under the express terms of the trust, it is the policy of the trust company to adopt a sound program of diversification so as to distribute the risk of loss. In implementing this policy the trust company will also consider:

A. The terms of the governing instrument;
B. The size of the account;
C. The ability to obtain a fair price on the sale of assets;
D. Availability of appropriate alternate investments;
E. The purpose of the trust; and
F. The tax consequences.

POLICY TITLE TEMPORARY INVESTMENT OF TRUST CASH POL. NO: 10.40

Recognizing its duty to make account assets productive of income, it is the policy of the trust company to invest cash-pending permanent investment or distribution, to the extent practicable, in trust quality, interest bearing cash equivalent instruments or insured bank accounts. To this end the trust company has established a branded money market account which is competitive. This account is available for account holders who have directed their money to be invested in such an account pending final investment.

POLICY TITLE ACCOUNT REVIEWS POL. NO: 10.50

It is the policy of the trust company to review the assets of all investment responsibility accounts within six months of the acceptance of the account, to determine the advisability of retaining or disposing of the assets. After the initial review, the assets of each investment responsibility account will be reviewed at least once each calendar year and within fifteen months of the previous review.

During each review, the trust company will consider synoptic and historical data, as well as the following investment information:

A. Amount and description of investments;
B. Categories of investments such as bonds, stocks, etc.;
C. Cost basis of the investments;
D. Market value of the investments;
E. Annual income from each investment;
F. Yield at market of each investment.

SECTION XI CLOSELY HELD BUSINESSES

POLICY TITLE **ACCEPTING A BUSINESS INTEREST** **POL. NO: 11.01**

Before accepting appointment in an account that has a business as an asset, it is the policy of the Trust Company to evaluate the financial condition, future prospects, and management of the company. If the business is financially troubled or has management upon which the Trust Company cannot rely, the account should not be accepted unless it is understood that the Trust company will dispose of the business through a sale or distribution to the beneficiaries.

POLICY TITLE **CONTINUING A BUSINESS INTEREST** **POL. NO: 11.10**

It is the policy of the trust company to carry on a business in a trust or estate only in those accounts in which the trust company, as fiduciary, has been given sufficient authority to administer the business properly. IF the governing instrument of the account is the source of the authority to carry on a business, the instrument should contain authority for the trust company, as fiduciary, to retain and continue the business, to delegate duties, to raise capital, to borrow

money, to incorporate the business, to sell the business, to liquidate the business, and to change the nature of the business. Where the governing instrument does not specifically authorize continuation of the business, it may not be continued unless specifically authorized by the appropriate court.

POLICY TITLE **REPRESENTATION ON THE BOARD AND AT SHAREHOLDERS' MEETINGS** **POL. NO: 11.20**

It is the policy of the trust company to have representation at the stock holders' meetings of all companies in which it owns a substantial percentage of the stock in trust. If the trust company holds a majority interest in trust, it will exercise appropriate control over the management of the company. If the trust company holds a substantial minority interest in trust, it may seek to exercise joint control of the management of the company with other interests.

In those situations in which it is exercising control over the management of a company, the trust company will generally place a representative on the board of directors. The representative will be indemnified by the trust company against any liability which may be incurred as a result of serving on the board of directors. Any fees received by the representative for serving on the board, will be paid to the account. In any case n which it is proposed that an officer of the trust company serve as a director of a company, whose securities are held in trust accounts, the prior approval of the president and the chairman of the board shall be obtained.

Any officer of the trust company serving as a director shall vote for compliance with all applicable environmental laws. He or she shall resign from the board if the balance of the board, or management, causes the business to fail to comply with environmental laws. If the officer becomes aware of any illegal actions, he will immediately report them to the appropriate authorities. It will be the officer's responsibility to ensure that accurate minutes or other appropriate records are maintained which accurately reflect all decisions and that by-laws and articles provide for indemnification by law.

POLICY TITLE **TRANSACTIONS WITH CLOSELY - HELD COMPANIES** **POL. NO: 11.30**

The trust company is aware that the appearance of a conflict of interest may arise from transactions between the trust company and a company over which the trust company exercises control through trust holdings. To avoid this appearance of divided loyalty, it shall be the policy of the trust company to closely watch the amount of un-invested cash which the company has on deposit with the trust company and to restrict all transactions between the trust company, its affiliates, and the company to an arms length basis.

POLICY TITLE **ANNUAL INSTPECTIONS** **POL. NO: 11.35**

A real estate specialist shall inspect business properties annually. He will look specifically for conditions which indicate the presence of hazardous materials, underground storage tanks and exposed or friable asbestos. If the real estate specialist has reason to believe there may be a problem, an environmental audit by a competent professional will be required. The trust company shall also obtain an opinion of legal counsel competent in the field of environmental law relative to the liabilities of the trust account and of the trust company.

SECTION XII REAL ESTATE AND MORTGAGES

POLICY TITLE ENVIRONMENTAL ISSUES **POL. NO: 12.05**

The Federal government and most states have imposed strict environmental protection laws. Under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) as amended by the Superfund Amendments and Re-authorization Act of 1986 (SARA), liability is imposed on "potentially responsible parties" (PRPs). These PRPs include current and former owners as well as operators of any businesses conducted on the property.

Inasmuch as trustees have been treated as PRPs in sever jurisdictions and held "personally liable" under certain circumstances, the Trust Company has implemented policies for performing environmental investigations prior to accepting real property or businesses in trust accounts. In addition, it has developed policies for the monitoring of existing trust properties.

Appropriate due diligence starts with an inspection by the property manager who should determine if there is any evidence of possible contamination. If that inspection indicates that the property is not likely to present environmental problems, the inspection report should be presented to the Trust Administration Committee which will decide if additional investigation is necessary.

If further inspection is warranted, a search of the records should be performed to determine if any prior occupant may have been involved in potentially dangerous activities. A search should also be made for any contamination reports to the various agencies. This process is known as Phase I. If the Phase I indicates that there is little likelihood of contamination, the property may be accepted in the account.

If there is a possibility of contamination, a Phase II is required. This requires the employment of a firm that performs soil and water s as well as studying the site's hydrology. If no contamination is found, the property can be accepted. If there is contamination, the property should either be cleaned up prior to acceptance, and a determination made that the account has sufficient assets to, and are willing to indemnify the Trust Company. It is the policy of the Trust Company to obtain the consent of interested parties prior to ordering a Phase II. If a Phase II is deemed advisable for existing trust properties and the beneficiaries object to the examination, it is the policy of the Trust Company to petition the Court for instructions.

If the Trust Company knows in advance that it will be asked to serve in a trust or estate

containing real property or business interest, the testator or grantor should agree to:

A. Indemnify the trust company against environmental liability;
B. Warrant and represent, to the best of his or her knowledge, that environmental laws have been complied with;
C. Agree that all costs of inspections and monitoring shall be borne by the account;
D. Exonerate the Trust Company, its officers and its employees from liability arising from the environmental condition of the property;
E. Release the Trust Company from the liability of complying with environmental reporting requirements;
F. Grant authority to clean up, abandon, demolish and alter real property upon notice to interested parties;
G. The right to resign as personal representative or Trustee without cause.

POLICY TITLE MORTGAGE CRITERIA POL. NO: 12.10

Although the trust company, as fiduciary, does not seek opportunities to make investments in real estate mortgages, the trust company will make such investments where it is appropriate because of special circumstances of an account and the borrower is a prime credit risk.

The amount loaned should not exceed 80% of the market value of the property securing the loan as determined by an independent appraisal.

The property securing the loan shall be appraised before the loan is made and before any further extension of credit; the condition of the property should be determined annually.

POLICY TITLE MORTGAGE DOCUMENTATION POL. NO: 12.20

It is the policy of the trust company that the account file on each mortgage or deed of trust note contain the following records:

A. A copy of the note and mortgage or deed of trust securing the note;
B. An appraisal of the property;
C. A title insurance policy covering the property;
D. Adequate insurance coverage such as fire & extended coverage and liability. All policies should contain a mortgage clause which will protect the mortgagee's interest in case of fire or other mishap;
E. A loan amortization schedule of principal and income repayment, where applicable;
F. Copies of current real estate tax bills; and
G. Correspondence relating to the property and the loan.

POLICY TITLE REAL ESTATE APPRAISALS **POL. NO: 12.30**

It is the policy of the trust company to have real estate thoroughly inspected and appraised by qualified persons before the investment is made. After the investment is made, the property shall be appraised every three years and a record of the appraisal shall be retained.

Any economic change which might significantly affect the value of a parcel will cause a reassessment of the property. The trust company will also obtain an appraisal on a parcel of real estate before that parcel is sold.

POLICY TITLE ANNUAL INSPECTIONS **POL. NO: 12.32**

A real estate specialist shall inspect all real property, either owned outright or securing mortgages, annually. He will look specifically for conditions which indicate the presence of hazardous materials, underground storage tanks and exposed or friable asbestos. If the real estate specialist has reason to believe there may be a problem, an environmental audit by a competent professional will be required. The trust company shall also obtain an opinion of legal counsel competent in the field of environmental law relative to the liabilities of the trust account and tof the trust company.

POLICY TITLE RETENTION OF REAL ESTATE **POL. NO: 12.40**

It is the policy of the trust company to retain investment quality real estate if it is appropriate for the account. However, should the yield on the property fall significantly below other investment returns and the potential for appreciation be diminished, the trust company will consider selling the real estate and reinvesting the proceeds.

The trust company will attempt to sell real estate of poor quality if it can be accomplished advantageously for the account.

POLICY TITLE MANAGEMENT OF REAL ESTATE **POL. NO: 12.50**

In providing qualified management for a parcel of real estate, the trust company may use any one of several alternatives. Most of the real estate held in trust will be managed by the trust company; however, in some cases, due to the location or the nature of the property, the trust company may employ a manager for a particular real estate investment. If the settlor, beneficiary or co-trustee to take the more active role in the management of the property. Due care must be exercised in the selection of the real estate manger, however; actions of the manager must be monitored since the responsibilities of a trustee for the management of property held in trust cannot be delegated to an agent.

SECTION XIII SECURITIES LAWS

POLICY TITLE GENERAL POL. NO: 13.01

The Trust Company shall comply with all securities laws. The policies set forth in this Section are designed to meet the specific requirements of the securities laws that are applicable to the Trust Company.

POLICY TITLE MISUSE OF PRIVILEGED INFORMATION POL. NO: 13.10

All officers, directors and employees of the Trust Company are subject to the Company's Code of Ethics and its Insider Training Compliance Program. The Trust Company's Compliance Officer shall be responsible for intermpretations regarding this policy. Any questions should be presented to Counsel after consultation with the Chief Fiduciary Officer.

Among the issues which the Compliance Officer may be called upon to resolve are:

A. Issues of whether information received by an officer, director or employee of the Trust Company is material and non-public;
B. When it has been determined that an officer, director or employee has material non-public information, the Compliance Officer shall implement measures to prevent dissemination of such information and, if necessary, restrict officers, directors and employees form trading in specific securities;
C. The ability of an officer, director or employee to trade in specified securities;
D. Review of the trading activities of each officer, director, and employee;
E. Review of trading activity in accounts managed by the bank where it is apparent that a party managing those accounts is in possession of material non-public information;
F. Upon learning of any possible instance of insider trading, the Compliance Officer shall report this information to the Chief Fiduciary Officer or other responsible party;

POLICY TITLE ALLOCATION OF BROKERAGE COMMISSIONS POL. NO: 13.15

Selection of brokers through whom to place orders shall be based on obtaining the most favorable result for the customer. Factors to be taken into account are the availability of the securities, commission costs, size and difficulty of the order, efficient execution, and the research information provided.

The Trust Company seeks substantial commission discounts; however, those commissions may not be the lowest available if the research services, etc. provided by the broker

are deemed beneficial to all customers of the Trust company. In addition, it may be necessary, or desirable, to place trades in certain thinly traded securities with firms that make a market in those securities.

The Trust Company may enter into arrangements to obtain research and brokerage services for "soft dollars." When it does so, it must determine, in good faith, that those services are beneficial to the Trust Company's customers. Such services do not include: marketing and advertising, bookkeeping and administration; legal or compliance services; or correction of trading errors.

POLICY TITLE DIRECTED COMMISSIONS **POL. NO: 13.16**

When a client is acting with regard to his or her own investments, the client may direct the Trust Company to use particular brokers or dealers. If the client is a fiduciary, his or her ability to direct is limited by any fiduciary obligation.

The Trust Company may accept directions from ERISA fiduciaries only if such directions are in writing (making reference to DOL Release 86-1), the fiduciary represents that any "soft dollars" will be used solely for the benefit of plan participants, the direction will not interfere with the Trust Company's ability to obtain the best execution, and there is no requirement to direct a minimum amount of commissions.

POLICY TITLE BENEFICIAL **POL. NO: 13.30**

OWNERSHIP – (reserved)

SECTION XIV COMMINGLED INVESTMENT FUNDS

POLICY TITLE GENERAL **POL. NO: 14.00**

It is the policy of the Trust Company to provide a means for smaller accounts to obtain

adequate diversification. This is accomplished through the use of common trust funds for personal trust accounts and collective investment funds for employee benefit accounts. Such funds may be proprietary to the Trust Company itself or those maintained by affiliates.

POLICY TITLE PARTICIPATION POL. NO: 14.10

As a general rule, any account of $200,000, or less, shall be invested in the common trust funds or collective investment funds. This does not mean that the Trust Company will not accept amounts less that $200,000 in which investments are made outside of the funds, nor does it preclude the investment of larger accounts in such funds.

Common Trust Funds

Common trust funds are described in 12 CFR 9.18(a)(1). Unless prohibited by the terms of the governing instruments, accounts for which the Trust Company serves as trustee, administrator, guardian, conservator, or custodian under a Uniform Transfers to Minors Act, may participate in common trust funds. Accounts in which the Trust Company serves solely as managing agent may not participate in common trust funds.

Collective Investment Funds

Collective investment funds are described in 12 CFR 9.18(a)(2). Where specifically permitted by the terms of the governing instrument, a qualified employee benefit pain or Keogh plan (in-state) may be invested in collective investment funds.

POLICY TITLE ADMINISTRATION POL. NO: 14.20

Neither the Trust Company nor any of its affiliates shall have an interest in any common trust fund or collective investment fund they administer other than as fiduciary. The Trust Company shall administer such funds in accordance with relevant law and facilitate compliance by ascertaining that

A. The governing instruments of accounts participating in common trust funds do not prohibit such investments;
B. The governing instruments of accounts investing in collective investments funds specifically permit such investments;
C. D. All such funds are valued at least quarterly;
Admittance to and withdrawal from a collective investment fund is based on a fund valuation on a specific valuation date and is accomplished as of
E. the valuation date;
No participant may be admitted to or withdrawn from a fund unless a prior written request for, or notice of intention of, such action has been approved by the portfolio manager for the account or such other person
F. authorized by the Chief Fiduciary Officer;
Distributions to withdrawing participants shall be made in cash or ratably

in kind, or partly in cash and partly in kind, provided that all distributions as of any valuation date shall be made on the same basis; G. Any overdrafts that occur are permitted by 12 CFR 9.18(b)(8) and are temporary in nature; H. Except in the case of the Trust Company purchasing a defaulted fixed income investment, as permitted under the law, the Trust Company does not purchase assets from nor sell assets to a common trust fund or collective investment fund;

I. No assets of any fund are invested in stock or obligations of the Trust Company or any of its affiliates unless funds are awaiting investment or distribution and are placed temporarily in deposits of depositary affiliates;

J. The funds do not borrow money from the Trust Company or any of its affiliates, and neither the Trust Company nor any of its affiliates make loans secured by fund participations; K. An adequate audit of each fund is performed by auditors responsible only to the Board at least once during each twelve month period; L. A financial report based on the audit is made available to each person to whom a regular periodic accounting would ordinarily be rendered.

POLICY TITLE ADVERTISEMENT POL. NO: 14.40

Common Trust Funds

The Trust Company shall not advertise nor publicize any common trust fund maintained by the Trust Company or its affiliates except that the availability of any fund's financial report may be publicized solely in connection with the promotion of fiduciary services and a copy of such report may be given to prospective customers.

No publication concerning a common trust fund shall make predictions or representations as to future results nor refer to the performance of funds other than those administered by the trust Company or its affiliates.

The Trust Company shall not solicit nor accept accounts which have been created solely for the purpose of investment in common trust funds.

Collective Investment Funds

The Trust Company may advertise its collective investment fund for employee benefit accounts as long as such advertisements conform to the standards of the SEC and NASD.

POLICY TITLE MANAGEMENT FEES POL. NO: 14.50

The Trust Company shall not charge any fees, directly or indirectly, to accounts participating in common trust funds or collective investment funds in excess of amounts it would charge if the accounts were not participating.

SECTION XV ORGANIZATION

POLICY TITLE COMMITTEES POL. NO: 15.10

The Trust Company may at any time have the following Committees, the member of which shall serve at the pleasure of and report to the Board of Directors:

The Trust Investment Committee (TIC) The Trust Administration Committee (TAC)

The TIC is responsible for the development of investment policy, selecting securities that it deems appropriate for investment in trust accounts, supervising portfolio management of the various accounts, periodic review of those accounts, determining brokers with whom to do business, allocating brokerage commissions among those brokers and voting and processing proxies.

These functions may be delegated to certain individuals and sub-committees which shall report their actions to the TIC. These sub-committees may include, but not be limited to:

Trust Investment Policy Committee
Securities Selection Committee
Portfolio Review Committee Proxy
Committee

The TAC is responsible for the acceptance of new accounts, approving requests for discretionary payments, determining fees, periodic administrative reviews, sales, leasing and or purchases of real estate and determining the disposition of unique assets.