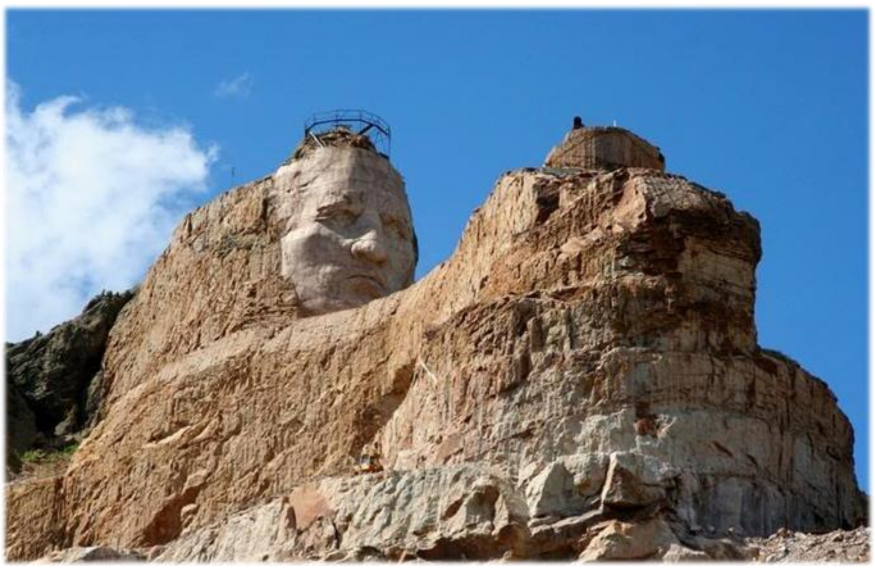
GENERAL INFORMATION



Crazy Horse Memorial, Black Hills, SD

SOUTH DAKOTA
TRUST COMPANY LLC

www.sdtrustco.com | *www.privatefamilytrustcompany.com* | *www.directedtrust.com*

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About: SDTC

South Dakota Trust Company (SDTC) serves affluent families and their advisors, both domestically and internationally, by offering tax favored trust situs, modern trust statutes, customized trust administration, state of the art technology, quality service, unique and creative advice, and reasonable fees. SDTC specializes in trust administration of both trusts established pursuant to South Dakota law, and trusts of other states moved to South Dakota (i.e., change of trust situs by naming/appointing SDTC as trustee). SDTC can generally serve as trustee of trusts from all 50 states and many countries. SDTC provides "full," "directed," and "delegated" trust administration services for both financial and non-financial assets. Additionally, SDTC works with non-SDTC investment professionals. All of the above listed advantages and services are available through SDTC without the necessity of either the trust grantor or the beneficiaries having to reside in South Dakota.

South Dakota Trust Company LLC

trust accounts representing more than **$19 billion** in assets under administration

250 combined years of experience

worked with more than **25%** of the ***Forbes* 400**

more than **25** types of trusts available

work with most types of **Non-Financial Assets**

several **Private Family Trust Company** relationships worth in excess of **$75 billion**

ranked annually one of the **top advisor friendly trust companies** by Bloomberg Magazine

rated the **Best Trust Jurisdiction** in the U.S. by *Trusts & Estates* magazine (1/04; 1/07; 1/10; 1/12; 1/14)

SDTC's founders each have twenty-eight plus years of trust experience, and the trust officers average more than nineteen years of experience. SDTC's trust officers are highly credentialed attorneys, accountants and trust professionals who are trained and experienced in the areas of South Dakota trust administration. The trust officer's goal is to supplement and facilitate communication with the client, the beneficiaries, and the client's other investment, financial planning, legal, insurance and tax advisors. The trust officer acts as a relationship manager, customizing trust services individually for each client. Trust accounts are supported by the Infovisa Trust Accounting System.

Most often custody of the financial assets is held at the money manager's custodian or master custodian. However, our default custodian is Fifth Third Bank, which can be used if the client desires.

The unique integration of SDTC, Infovisa Systems and when chosen, Fifth Third Bank, combined with the ability to individualize the offering for each client make SDTC the trust company of choice for the wealthy and their advisors.

Our objective at SDTC is to provide "flexible, individualized, service-oriented, cost-effective trust administration." With this in mind, we seek to tailor our services to each family, allowing us to help in the following ways:

1. **With newly drafted South Dakota law trusts, SDTC can act as "directed" administrative trustee**, leaving the family and their advisors to serve as investment and distribution advisors, committees, trustees and/or trust protectors. This allows the family to continue to work with their existing investment and insurance advisors or those of their choice.

2. **SDTC can serve as successor trustee or co-trustee for trusts looking to move to South Dakota** for the trust, asset protection and tax benefits. SDTC can "delegate" investment responsibility to an outside investment manager. These trusts generally retain the trust laws of the states in which they were created, but are administered under South Dakota law. Additionally, it is easy and inexpensive to reform a "delegated" South Dakota trust to a "directed" trust.

3. **SDTC can serve as both corporate and/or trustee agent** by assisting a family with the formation and operation of a Private Family Trust Company (PFTC) in South Dakota by providing the family with the necessary office space, office services (i.e., answer the phone, collect and forward mail, etc.) and local board membership, as well as assistance with regulator/compliance issues, trust administration, trust accounting and/or custody services. The PFTC can then work with the non-South Dakota family office in servicing the family, typically through a servicing agreement. No one needs to move to South Dakota if SDTC is involved.

4. **SDTC serves international families worldwide with the following types of trusts:**
   - Non-Resident Alien (NRA) Dynasty Trusts;
   - Pre-Immigration Planning;
   - Standby-Dynasty Trusts (receptacle for Pour-Over from a foreign trust);
   - Foreign Grantor Trusts;
   - Foreign Law Trusts.

5. **SDTC administers all types of insurance trusts and LLCs** as a result of its favorable trust and insurance laws as well as the lowest state premium tax in the U.S. (8 basis points or 8/100ths of 1% compared to the national average of 200 basis points: Delaware and New York - 200 basis points (2%), California - 235 (2.35%), Nevada - 350 (3.5%), Florida - 175 (1.75%)).

Primarily we serve as purely an administrative trustee, providing clients and their advisors from across the country and the world with the advantages of South Dakota trust situs (i.e., excellent trust laws, no state income tax, low premium tax, unlimited trust duration, excellent asset protection, etc.) without having to visit, reside in or even fly over South Dakota. We work exclusively with outside investment managers, who are appointed by trust advisors and/or family committees who, in turn, direct how the trust is to be invested. Our trust systems tie into Advent, etc. so that investment managers can handle the investments within the trusts from anywhere in the world, and we provide secure internet access to family members and advisors worldwide. In addition, SDTC charges reasonable fees for its services. Due to the individualized nature of its trust services, most fees are customized according to the individual client relationship. We have many other services, products and trust strategies (many of which are described on this brochure).

- **Ranks 1st** in **Total Bank Assets**: **$2.7 Trillion** – Federal Deposit Insurance Corp. (FDIC) 2013
- **#1 Ranked Dynasty Trust Jurisdiction**
- **Highest Number** of **Regulated Private Trust Companies (PTC)** and **#1 Ranked Regulated PFTC Jurisdiction**
- **Highest Ranked Trust Jurisdiction in the U.S.**: #1 in all categories by *Trusts & Estates* magazine (January 2014)
- **Powerful Trust Legislative Committee**
  - Proactive regarding trust, asset protection and other related legislation
- Extremely **Supportive Governor**, **Legislature**, **Division of Banking** and **Judiciary**
- **Forbes.com** named **Sioux Falls** the **#1 Best Small Place** For **Business and Careers** in 2005, 2006, 2007, 2008, 2009, 2012

For more information about South Dakota Trust Company, please visit our websites:

www.sdtrustco.com
www.privatefamilytrustcompany.com
www.directedtrust.com

Why South Dakota?

South Dakota is a popular jurisdiction for many wealthy families because of the state's advantageous trust and tax laws. South Dakota was one of the first states (1983) to allow a trust to endure perpetually, essentially jumping outside the onerous federal transfer tax system (gift, estate and generation-skipping) theoretically forever. Currently, twenty-eight states and Washington D.C. have joined the ranks of offering a long-term trust. Twenty-one of these states and Washington D.C., including South Dakota, allow for a trust to go on in perpetuity.

South Dakota can be distinguished from the other dynasty trust states by its modern trust laws and that it does not impose any form of state taxation on the assets within the trust (no state income, capital gains, dividend/interest or intangible tax). Additionally, South Dakota has the lowest insurance premium tax of any state (8 basis points or 8/100ths of 1%) and offers other very favorable insurance legislation. South Dakota also has excellent self-settled trust and third-party discretionary trust statutes, allowing for excellent domestic asset protection planning.

Rated the **Best Trust Jurisdiction in the U.S.** by *Trusts & Estates* magazine,

1/04-1/06; 1/07-1/09;

1/10; 1/12; 1/14.

South Dakota was the first in the U.S. with a discretionary trust statute for asset protection, which states that a discretionary interest in third-party trust, limited power of appointment, and remainder interest are not considered property interests. This statute is important for asset protection trusts set up to benefit one's family. South Dakota also has some of the top rated asset protection statutes for LLCs and LPs based upon a powerful "sole remedy charging order statute."

Most of the unique and creative trust strategies for the wealthy involve trust administration in South Dakota without the necessity of the family residing in the state. One of SDTC's founders, Pierce McDowell, has taken a very prominent role on the state's trust legislative committee for more than sixteen years so that SDTC and the state of South Dakota may best serve the family and their advisors.

Unique South Dakota Law:

South Dakota has been a boutique dynasty trust jurisdiction without state income taxes since 1983 (prior to the modern generation-skipping transfer tax of 1986) versus Delaware (1995) and Alaska (1997). As previously mentioned, South Dakota is a pure no trust income tax state, as is Alaska. Delaware requires informational reporting and taxes residents. Additionally, South Dakota has the best privacy statute for trusts in the U.S. (total seal); Delaware is typically only sealed for three years. Most other states, including Alaska, are generally open to the public.

South Dakota Advantages:

- Modern Trust Laws
- No State Income, Capital Gains, Dividend, Interest or Intangible Taxes
- Lowest Insurance Premium Tax
- Unlimited Trust Duration
- Asset Protection

In addition to having the lowest state insurance premium tax, as previously mentioned, South Dakota's retaliatory premium tax protection may be stronger than Alaska's, as it is by state statute. South Dakota also has one of the better insurable interest definitions and great lending statutes.

South Dakota's decanting, modification and reformation statutes are some of the best in the U.S., and the process for these procedures is both cost and time effective in South Dakota.

Most states have a Rule Against Perpetuity (RAP) statute, typically requiring that trusts end in 90 to 110 years. There are several states that have modified or abrogated their RAP statute to allow for either unlimited or extended durations. Many advisors claim most of these states have not modified their RAP statute in accordance with the 1979 *Murphy* case, in which the IRS acquiesced to unlimited trust duration. South Dakota is one of only a few unlimited duration trust states that follow the *Murphy* case. Both Delaware and Alaska have amended their statutes attempting to follow the *Murphy* case, but many advisors feel they have not gone far enough and may have issues when a limited power of appointment are utilized.

Additionally, Delaware has an exception for real estate, which is limited to 110 years, unlike South Dakota which is unlimited. However, Delaware statutes further provide that if the real estate is in an LLC or partnership it is considered an intangible asset and thus is not subject to the 110-year limitation. Many clients are concerned that if the LLC or partnership ends at some point (for instance, if a filing or fee is ever missed), the entire trust could be tainted.

Alaska limits the duration of trusts to 1,000 years if a limited power of appointment is utilized. Colorado, Utah and Wyoming also have 1,000-year RAP statutes. Additionally, Florida, (360 years), Nevada (365 years), Tennessee (360 years) and Washington (150 years) all extend their statutory RAP period beyond 90 years to an arbitrarily longer term of years. Many advisors claim that federal rules permit the common law rule or 90-year term approach, but mere modification of that rule to extend the trust term beyond the 90 years may not work. There is no authority to do this under the GST tax regulations or case law. Additionally, these term-of-year states only deal with the "timing" issues associated with the RAP and not the "vesting" issues as outlined in *Murphy*. South Dakota does not have these issues and closely follows the method outlined in the *Murphy* case.

Summary of Unique South Dakota Law:

- Rated the Best Trust Jurisdiction in the U.S. by *Trusts & Estates* Magazine, (1/04; 1/07; 1/10; 1/12; 1/14)
- Best Rule Against Perpetuity State (Pre 1986) - 1983
- Unlimited Duration
- IRS Acquiesced Method - *Murphy* case
- One of the Best Directed and Delegated Trust Statutes
  - ✓ www.directedtrust.com
- Oldest Domestic Trust Protector Statute (1997)
- Utilization of Unregulated Special Purpose Entities as Trust Protector, Investment and/or Distribution Committees
- Excellent Modification, Reformation, Decanting and Virtual Representation Statutes and Process
- Pure No Income Tax State
- Best Privacy Statutes in the U.S.
- Great Insurance Statutes
- Self-Settled Trust/Domestic Asset Protection Statute
  - ✓ 2 Year Fraudulent Conveyance Statute
- Best Asset Protection for Discretionary Trusts
- Top Rated LLC/LP Asset Protection Statutes – Sole Remedy Charging Order
- Best Private Family Trust Company Statutes
  - ✓ www.privatefamilytrustcompany.com
- Excellent Statutes for Working with International Families
- Proactive Legislature

Unlimited Trust Duration:

Many advisors and clients struggle with the idea of creating a generation-skipping trust with an unlimited duration (i.e., a dynasty trust) as a result of their unawareness of the advantages of creating such a trust and the amount of flexibility afforded with these trusts. Once the flexibility and advantages are understood, many clients frequently ask the question, "Why wouldn't I want an unlimited duration Dynasty Trust?"

A Trusts Maximum Duration Varies by State:

- **Most states limit a trust's duration** (e.g., the maximum in New York and many other states is "lives in being" plus 21 years).
- **Trusts can be perpetual in 21 states and Washington D.C.**; South Dakota can be distinguished from these states as pointed out in the January 2014 *Trusts & Estates* magazine article by Dan Worthington & Mark Merric entitled "*Which Trust Situs is Best in 2014?*" Mr. Worthington goes into greater detail in the December 2004 *Trusts & Estates* article, "*The Problems and Promise of Perpetual Trust Laws*" and the January 2007 *Trusts & Estates* article entitled, "*Perpetual Trust States – The Latest Rankings*."
- **The RAP Rules are typically based on where the trust is administered.**
- **Client does not have to live where the trust is administered.**
- The only reported case involving IRC § 2041(a)(3) is ***Estate of Murphy v. Commissioner,*** in which the Tax Court held that the exercise of a limited power of appointment to create another limited power of appointment **did not spring the Delaware tax trap** because, under applicable Wisconsin law, the exercise of a limited power of appointment did not commence a new perpetuities period due to the fact that Wisconsin abrogated their common law rule against perpetuity and had a statute expressed in terms of a rule against the suspension of power of alienation. In this case **the IRS acquiesced**. The *Murphy* case was relied upon by South Dakota in the creation of its RAP laws prior to 1986 and the imposition of the modern GST tax.

Why an Unlimited Trust Duration? Preserving Family Values:

1. Promotion of Fiscal Responsibility:

- **Incentive Clauses** (for instance, $2 of trust income for each $1 of W-2 income) – with exceptions, for example, disability;
- **Distribution audit** to determine suitability of future distributions – Cap distributions based upon beneficiaries' net worth indexed for inflation;
- Assumption **$7.5MM enough to live well**, but have to protect it (*Financial Counsel*);
- Supplemental income for **socially responsible profession**; for instance, artist, musician, teacher, etc;
- Monthly stipend for **stay-at-home parent**, also **adult child to care for elderly relative**;
- **Education costs** for family in perpetuity;
- Lump sum received at **college graduation** and/or advanced degree(s) (depending upon quality, academic rigor and college reputation);
    - If stipulate 3.0 GPA, may choose easier courses;
- Monthly payments for **academic excellence**;
- **Medical costs** for family in perpetuity;
- **Real Estate** – "Use Factor": buy real estate for children, grandchildren within the trust and they "use" it tax free (operates as Family Time Share);
- Clause to **encourage descendants to stay in marriage** while the children are minors – "vest" extra in trust;
- Clause to **encourage descendants to get married** (wait until certain age, marry right person, etc.);
- **Divorce protection**;
- **Floating Spouse Clause** (in-laws): define in-law spouses as "spouse I am married to and living with";
- Deny trust payments unless beneficiary has a **prenuptial agreement**;
- **Beneficiary conflict clause** – if beneficiary sues, they get nothing;
- Denial of distributions if beneficiary fails a **drug test** or **psychological treatment**;
- **Family Bank:** Loan to beneficiary (term insurance purchased to provide repayment);

  Denial of distributions if beneficiary does not **participate in family meetings** about charitable giving, family investments, estate planning and trusts.

2. Promotion of Social Responsibility:

- **Prepare written document or transcribed videotape** illustrating charitable desires, goals, values and purpose (i.e., mission statement);
    - As part of trust or as letter of wishes;

  - Get buy in from family, advisors and distribution committee;
  - Education – develop a family learning plan, family/distribution committee meetings, site visits to charities, and advice from other philanthropists;
- **Charitable donations** by family in perpetuity once dynasty trust attains a certain fair market value:
  - The family distribution committee makes donations from the trust directly to a charity, thus actively involving the family with charities and thus promoting the family values and mission statement;
- **If beneficiary fails to meet trust performance standards**, then funds divert to charity;
- **Child works for charity**, family foundation, or volunteers – Supplement Income;
- **Conservation Easement** on family residence and/or vacation home;
- Limited powers of **separate shares**/appointment (charitable giving option);
- **Cryogenics**;
- **Charity gift over**;
- **Governance** – distribution committee (possibly hire outside advisor consultants).

Economics: Dynasty Trust vs. Outright Gift:

[Assumptions - $1 million; trust lasts 120 years; 50% transfer tax every 30 years]

After Tax Growth	Value of Dynasty Trust After 120 Years	Value of Property if No Trust
6.00%	$1,088,187,748	$68,011,734
7.00%	$3,357,788,383	$209,861,774
8.00%	$10,252,992,943	$640,812,059
9.00%	$30,987,015,749	$1,936,688,484
10.00%	$92,709,068,818	$5,794,316,801

State Income Tax Savings:

South Dakota is a pure no income/capital gains tax state for trusts:

- However, if income from trust is distributed, beneficiary is taxed at his/her personal rate in his/her tax residence jurisdiction.
- For income not distributed, it is generally taxed to the trust at the trust rate based on the trust's situs (none in South Dakota) – there are certain exceptions with certain partnership and business interests.
- Maximum Federal tax rate: 35% (Please note: If insurance is utilized it may allow for federal and state tax savings on growth as well as distributions):

  - ✓ **No State Income or Capital Gains Tax**
  - ✓ **Lowest State Insurance Premium Tax**
  - ✓ **No Intangibles Tax**
  - ✓ **No Dividends & Interest Tax**
  - ✓ **No State LLC Tax**
  - ✓ **No State LLP Tax**
  - ✓ **No State Ad Valorem Tax**
  - ✓ **No City or Local Tax**
  - ✓ **No State Inheritance Tax**
  - ✓ **No State Gift Tax**
  - ✓ **No State Generation-Skipping Transfer (GST) Tax**
  - ✓ **No State Coupon Tax**
  - ✓ **No State Personal Property Tax**

State Premium Tax Savings:

Competitive state premium taxes, excellent asset protection, and modern domestic trust laws, as well as improved domestic regulatory costs and state consumer laws for insurance policies have resulted in much larger life insurance contracts being issued onshore in South Dakota versus the traditional route of offshore or domestically in another state.

Generally, state premium taxes are imposed on life insurance premiums paid to the state in which the applicant for the insurance policy is a resident, domiciled or sitused. The insured's resident state does not generally levy a premium tax on the premium paid for the life insurance policy purchased by a South Dakota trust (either revocable, with a separate tax ID number, or irrevocable) or a South Dakota LLC. The premium tax is generally paid in the state of the trust or LLC situs (i.e., South Dakota). South Dakota has the lowest state premium tax (8/100ths of 1% or 8 basis points) in the United States for premium payments in excess of $100,000. Additionally, South Dakota has very favorable trust, lending and insurance statutes that may be useful in life insurance planning. The majority of the other states' premium taxes average about 1.75% - 2.5%. Please see the chart below:

Selected State Premium Taxes:

Alaska	10 bpts.	**Nevada**	350 bpts.
Arizona	200 bpts.	**New Hampshire**	125 bpts.
California	235 bpts.	**New Jersey**	210 bpts.
Colorado	200 bpts.	**New York**	200 bpts.
Connecticut	175 bpts.	**Ohio**	140 bpts.
Delaware	200 bpts.	**Pennsylvania**	200 bpts.
Florida	175 bpts.	**South Dakota**	8 bpts.
Georgia	225 bpts.	**Texas**	175 bpts.
Illinois	50 bpts.	**Washington**	200 bpts.
Massachusetts	200 bpts.	**Wyoming**	75 bpts.
Minnesota	200bpts.		

Source: Al W. King III and Pierce H. McDowell III, "State Premium Tax Planning," *Trusts & Estates* (June 2011) at p. 26

Asset Protection Planning:

Trusts generally provide excellent asset protection. A self-settled trust is one of the more frequently used types of domestic asset protection trust (DAPT). It is generally an irrevocable trust where the grantor or settlor is a permissible beneficiary. If properly structured, creditors cannot reach the assets in a self-settled trust to satisfy the settlor's legal obligations. A self-settled trust can be drafted to keep trust assets within the settlor's estate (or remove them), which allows a wealthy individual to establish a self-settled trust even though that individual's gift tax exemption has been fully utilized.

Generally, the Self Settled Trust Statutes require:

- The trust be irrevocable and utilize South Dakota law;
- The settlor to be a discretionary beneficiary;
- At least part of the trust property should be located in South Dakota;
- All or some of the trust administration should be performed in South Dakota;
- At least one trustee must be a resident or institution in South Dakota;
- The transfer not be a fraudulent conveyance (South Dakota has a 2-year statute of limitations).

Unique Advantages of the South Dakota DAPT:

- **Self-Settled Trust statute** (2-year fraudulent conveyance);
- **Sole remedy charging order** LLC/LP statute to hold trust property;
- **Discretionary interest** and **power of appointment** are **not property interests** by statute (unique);
- **Special Purpose Entity** statute to house investment and distribution advisors as well as trust protector (unique);
- **Total seal privacy** in perpetuity for court matters (unique).

Key Factors to Asset Protection/Self-Settled Trust Situs:

1. **Governing law in trust document?**
   - Self-Settled Trust Jurisdiction (South Dakota)
2. **Location of trustee/where is trust administered?**
   - Same as governing law of trust (South Dakota)
   - Location of Trust Protector, Distribution Committee, Investment Committee?
     > Best if not in resident state of grantor.
     > South Dakota Special Purpose Entity LLC?
   - Delegated vs. Directed?
3. **Where are the assets?**
   - In addition to the trust, the trust property is held in a SD LLC.
   - South Dakota LLC and/or LP (Sole Remedy Charging Order Protection)
4. **Location of Beneficiaries?**
5. **Location of Grantor?**

Spendthrift Trusts:

Only a few trust jurisdictions, including South Dakota, have self-settled domestic asset protection statutes. However, most jurisdictions, also including South Dakota, offer some asset protection through incorporation of spendthrift provisions into a trust. A spendthrift clause prevents all but exception creditors from attaching a trust. A beneficiary, however, may still have an enforceable right to a distribution, which could remain unprotected by the spendthrift clause. South Dakota has uniquely addressed these potential issues by enacting a discretionary support statute (please see below), which is a codification of the Restatement (Second) of Trusts and the common law.

Discretionary Support Statute:

South Dakota was the first state in the U.S. with a "discretionary support statute." According to many advisors, the Restatement (Third) of Trusts may have blurred the line, potentially allowing for a fully discretionary trust to be attached by a beneficiary's creditors as a property interest. South Dakota was the first state to codify the common law and Restatement (Second), which defines the types of interest a beneficiary has in a trust and therefore the rights of a beneficiary's creditors. Consequently, a discretionary interest in a trust is not a property interest in South Dakota. Additionally, limited powers of appointment and remainder interests are also not property interests. This can be advantageous in regard to asset protection. While Nevada and Delaware have more limited versions of this statute, none of the other self-settled states have this type of statute. Please see: "*Which Trust Situs is Best in 2014?*" by Dan Worthington & Mark Merric, *Trusts & Estates*, Jan. 2014; "*Where Should You Situs Your Trust? A Look at South Dakota's New Third Party Discretionary – Support Statute*" by Mark Merric, *Steve Leimberg's Asset Protection Planning Newsletter*, May 2007.

LLC and LP Statutes:

As previously mentioned, the location of trust property is important from an asset protection standpoint. Consequently, many individuals title assets located in other states to a South Dakota LLC or LP, which in turn is titled to a DAPT. Choosing South Dakota's LLC/LP statutes further ties the trust property to the DAPT jurisdiction, allowing for increased asset protection. The asset protection afforded by LLC and LP statutes varies by state; however, South Dakota is one of the leading jurisdictions. It has "sole remedy charging order" protection which is generally considered the most desirable. A charging order only gives a creditor the rights of a partnership or LLC interest, and it does not give a creditor any voting rights. A charging order is simply a right to a distribution, if and when one is ever made, and it leaves a creditor without any means to force a distribution. This results in a waiting game between the client and the creditor, which usually forces the creditor to settle for significantly less than the original judgment amount.

Many states have judicial foreclosure sale statutes, which allow a creditor to obtain a charging order but no voting rights. A creditor will then typically complain to the court that no distributions have been made from the partnership or LLC. As an additional remedy, the court may then order a judicial foreclosure sale of the limited partnership or LLC interest, which may or may not completely pay off the judgment debt. These statutes generally do not provide great asset protection. For more information on sole remedy charging orders and judicial foreclosure, please see: "*Charging Order: What does Sole or Exclusive Remedy Mean?*" by Mark Merric, Bill Comer & Daniel G. Worthington, *Trusts & Estates*, Apr. 2010; "*Which Trust Situs is Best in 2014?*" by Dan Worthington & Mark Merric, *Trusts & Estates*, Jan. 2014; "*Forum Shopping for Favorable FLP and LLC Legislation*," by Mark Merric, www.internationalcounselor.com.

Privacy:

Privacy is a high priority for clients and important for asset protection planning. South Dakota has the most comprehensive privacy statute in the U.S. for trust matters (total seal forever). No other state has this type of privacy protection. Delaware will seal trust information for three years in select cases, then open it to the public. Most of the other states will keep trust matters public with few exceptions. Further discussion on South Dakota's privacy advantage is detailed below.

Miscellaneous:

South Dakota's DAPT statute also has a provision stating that South Dakota courts have exclusive jurisdiction over DAPT actions. Additionally, if an action is not brought within South Dakota, the statute provides for the automatic removal of any non-South Dakota trustee, if the foreign court does not follow South Dakota's DAPT laws. A successor trustee will then be appointed under the DAPT statute. South Dakota law also protects advisors who create the DAPT. These laws in addition to those previously discussed create major hurdles for creditors.

Conclusion:

South Dakota's laws make it one of the top domestic asset protection jurisdictions. Please note, the January 2014 issue of *Trusts & Estates* magazine ranks South Dakota #1 in all categories including asset protection. It is the only state that ranks #1 across all categories (tax, trust laws, private trust companies, and asset protection). South Dakota is the only state that has all of the following asset protection laws:

1. Self-settled trust statute with two-year fraudulent conveyance period;

2. Statute codifying that a discretionary interest in a trust is not a property right;
3. Sole remedy charging order protection for LLCs and LPs;
4. Total seal privacy for all trust matters.

The combination of these laws is unparalleled and powerful. These favorable laws combined with SDTC's experience make South Dakota the jurisdiction of choice for many wealthy clients.

Privacy Statutes:

As briefly mentioned above, South Dakota is rated the top privacy state in the U.S. for trusts. The issue of privacy of court documents is important to many families as potential court cases may involve family disputes, wealth or other issues that the family does not want made available to the public. This is not only important with disputes, but also with modifications, reformations or decants of a trust.

As a general rule, both federal and state court records are available to the public. Although some states do have exceptions for sealing records, these generally do not apply to trusts. By statute South Dakota seals trust records in perpetuity, thus avoiding these issues and protecting the privacy of families who have established either a court supervised or non-court supervised trust with regard to any court proceeding concerning the administration of a trust.

Please note that generally a trustee is required to notify the qualified beneficiaries of the trust's existence and of the right of the beneficiary to request a copy of the trust instrument pertaining to the beneficiary's interest in the trust. South Dakota statutes allow the grantor to direct the trustee not to provide the notice to qualified beneficiaries, if this is desired. This provides flexibility for the client in regard to privacy.

Reformation, Modification and Decanting:

In many cases, it may be helpful to reform, modify and thus modernize many existing irrevocable trusts. Alternatively, it may be beneficial to decant from one existing trust to a newly drafted trust, provided the trustee has the power to distribute assets. Modifications, reformations and decanting of a trust have gained popularity as a result of modernized trust laws, and are often utilized by a client because of changes in family circumstances and/or a desire to change trust administration. South Dakota's decanting, modification and reformation statutes are some of the best in the U.S., and the South Dakota reformation/modification process is both cost and time effective. Please see: "*Trust Remodeling*" by Rashad Wareh, *Trusts & Estates* magazine, August 2007.

Reformation and Modification of an Existing Trust:

The ability to modify/reform a trust can generally be inserted into a trust document at its creation. Reformations/modifications can also take place without language in the trust document, if state law permits and there is a petition to court by trustee or majority of beneficiaries.

Reformations and modifications are generally easiest when both the grantor and the beneficiaries are alive and all agree with the reformation/modification. Further, unborn beneficiaries can be represented pursuant to South Dakota's virtual representation statutes.

South Dakota statutes also permit a trustee or beneficiary to petition the court to modify or reform the administrative or dispositive terms of the trust. This can be done if circumstances, which were not anticipated by the grantor, have arisen and if the modification of the trust would substantially further the trust or the purpose for creating the trust. Additionally, the reformation can generally be accomplished in order to conform the terms due to a mistake of fact or law and the grantor's intent can be established. Further, in order to achieve the grantor's tax objectives, the terms of a trust instrument may be construed or modified in a manner which will not violate the grantor's probable intention.

Trustees or beneficiaries might wish to modify an irrevocable trust in order to:

- Improve the trust's governance structure;
- Change the governing law applicable to the trust;
- Add flexibility regarding appointment of trustees;
- Change the administrative terms of the trust to add directed trust structure with investment and distribution committees/ advisors;
- Add trust protector;
- Improve tax provisions;
- Modernize an outdated trust agreement;
- Save state income taxes.

As previously mentioned, reformations/modifications in South Dakota are quick (2-14 days) and inexpensive ($2,500), as well as private. However, South Dakota trust situs is necessary to utilize South Dakota's laws and courts for a trust reformation/modification. Consequently, it is important to review the trust document to see if SDTC can be appointed as trustee. Once appointed as an administrative trustee, SDTC can petition the court for the reformation.

New York "Delegated" Trust:

NY Law for Interpretation, Construction, Validity and Administration

1. **Change Situs to South Dakota by naming a South Dakota Trustee;**
2. **Upon change of situs and appointment of South Dakota Trustee, reform/modify to SD law for administration**

To Save State Income Tax/ Modernize Administration

Reformed/Modified NY Trust:

New York Law:	South Dakota Law:
Interpretation, Construction, and Validity	**Administration-** • **"Directed"** • **"Trust Protector"**

Please note that the reformation/modification of existing grandfathered GST trusts is generally permitted.

Decanting of a Trust:

Decanting is the process of appointing trust property in favor of another trust. Some trusts provide the trustees the power to decant in a trust document. A few states, like South Dakota, have also enacted favorable decanting statutes. A trust generally permits trustees to pay trust principal over to one or more beneficiaries, which is called the power to invade the trust. If the trustee has any discretion over income or principal, South Dakota's decanting statute permits a South Dakota trustee to pay property to another trust for a beneficiary/beneficiaries. Choosing the most appropriate decanting statute depends on the nature of the trustee's discretionary authority. South Dakota's top rated decanting statute provides a lot of flexibility for trust remodeling.

Reformation and modification both result in keeping the original trust, whereas "decanting" results in the transfer of assets from an existing trust to a newly created South Dakota trust. The process involves the appointment of a South Dakota trustee to an existing trust, then the South Dakota trustee would decant (i.e., distribute trust assets) to the newly drafted South Dakota trust. Consequently, it is important to review the trust documents to see if SDTC can be appointed as a trustee to provide the necessary nexus to South Dakota for the decant.

New York Law Trust:

(Interpretation, Construction, Validity and Administration)

- Trustee Power to Distribute Assets
- Appoint South Dakota Trust Company as Trustee

1. **Change Situs to South Dakota by naming a South Dakota Trustee.**
2. **South Dakota Trustee then Decants to newly drafted South Dakota Trust**

Decants

South Dakota Law Trust:

with South Dakota Trustee

(Interpretation, Construction, Validity and Administration)

Decanting is may be helpful with the following situations:

- Changing the governing law provisions of a trust;
- Modifying the administrative provisions;
- Modifying powers of appointment;
- Adding spendthrift protections;
- Adding or removing grantor trust provisions;
- Amending trustee succession provisions, removing or replacing a trustee;
- Separating higher risk assets;
- Combining trusts for greater efficiencies;
- Separating trusts to allow investment philosophies to be "fine tuned" for beneficiaries;
- Avoiding state and local taxes;
- Reducing distribution rights for Medicaid eligibility planning purposes;
- Correcting drafting errors;
- Responding to changed circumstances;
- Extending the term of a trust;
- Assisting beneficiaries with disabilities;
- Correcting a scrivener's error or ambiguity;
- Qualifying a trust as a qualified subchapter S trust, a QDOT, an IRA conduit trust, etc.; and
- Decanting a beneficiary's share of a trust to a supplemental needs trust in order to preserve or obtain eligibility for public benefits.

Source: Thomas E. Simmons, *Decanting and Its Alternatives: Remodeling and Revamping Irrevocable Trusts*, 55 S.D. L. REV. 253, 255 (2010).

One alternative to decanting is to reform and modify the trust in a South Dakota court, as previously discussed, and at the same time restate the trust utilizing South Dakota law. The resulting restated trust would utilize South Dakota law for interpretation, construction, validity and administration. This can be done on a case by case basis. Consequently, decanting does not require court involvement, whereas reformation/modification and restatement may require some court involvement. However, sometimes court involvement is desired.

South Dakota Decanting Statute- SDCL 55-2-15:

South Dakota's decanting statute is one of the top rated statutes in the country, because it allows for broad authority for decanting a trust. South Dakota requires only that a trustee have "discretionary authority" (without requiring that authority to be "unfettered" or "absolute"). Any trustee discretion over income or principal is appropriate. Also, South Dakota's list of acceptable beneficiaries of the new trust is worded in the disjunctive.

Additionally, the language of the South Dakota statute permits the new trusts into which old trusts are decanted, on a case by case basis, to have different beneficial interests. Furthermore, it would even allow formerly contingent beneficiaries to become current beneficiaries and share equally (or pursuant to a different allocation) with those beneficiaries who previously were the only current beneficiaries.

The South Dakota statute does restrict a trustee's exercise of the decanting authority in that the trustee must take into account the purposes of the trust from which property is to be decanted, the terms of the new trust and the consequences of the decanting.

The costs for decanting are also very reasonable, if SDTC is appointed.

Types of Trust Administration:

An important difference between SDTC and other trust companies and departments is our attitude in working with our clients. SDTC normally fulfills a fiduciary role as a trustee, co-trustee, "delegated" trustee, or "directed" trustee working with one or more family members and/or family advisors (i.e., investment managers, CPA's, attorneys, insurance advisors, financial consultants and planners, etc.). SDTC seeks to find a way to ensure that all of the individuals involved in the administration and management of the trust serve to complement each other and to provide for the beneficiaries in consideration of their needs in the context of the personal interrelationships within the family.

Many times, a corporate fiduciary will demand or eventually seek total control in carrying out the trustee functions, unlike SDTC. SDTC's objective is not for the individuals, advisors or co-trustees involved to lose control, but rather to gain more control and to be able to execute their roles without being burdened by concerns over the trust administration functions. The creation of a newly drafted South Dakota trust or the movement of an existing trust to South Dakota requires not only the trust to be administered in South Dakota, but also special expertise in tax, accounting, non-financial asset management, South Dakota laws and other areas, all of which SDTC provides.

South Dakota combines best of class client investment advisors with open architecture trust administration and the best trust, tax and asset protection laws in the U.S.

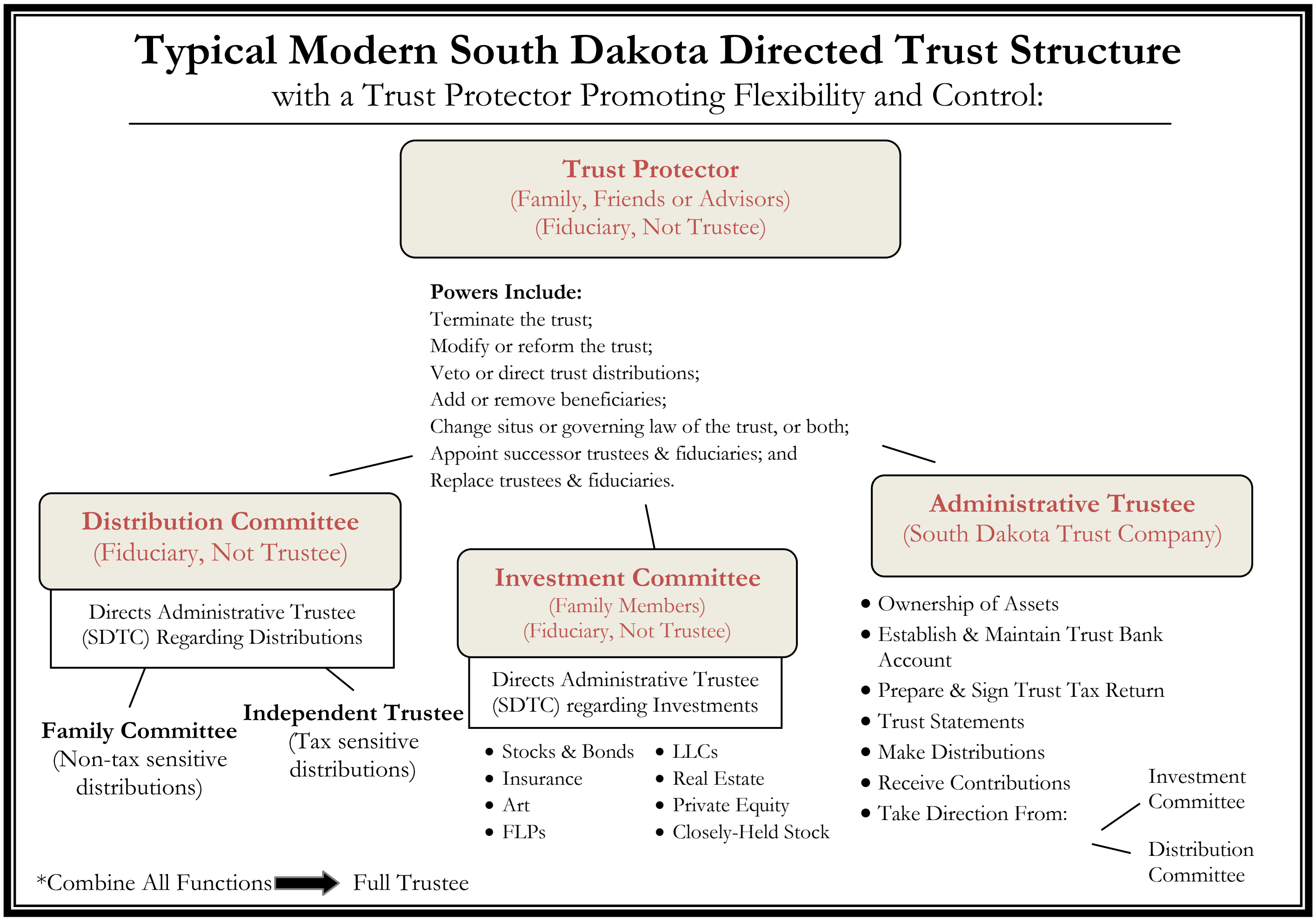
In many instances, wealthy families desire a trustee willing to "delegate" certain responsibilities such as investment management (i.e., a delegated trust) or to accept direction from an investment committee and/or distribution committee (i.e., directed trust). "Directed" and "delegated" trusts are best suited in modern trust states like South Dakota.

SDTC efficiently accommodates these scenarios with experienced and knowledgeable administrators as well as state of the art technology. Further, if desired, SDTC can also serve as "full" trustee providing a family with an all-inclusive approach to trust administration. However, regardless of how SDTC can best serve the client, the result is always the same: "flexible, individualized, service-oriented, and cost-effective trust administration."

Directed Trusts:

Directed trusts provide a family with maximum flexibility and control regarding the trust's asset allocation, diversification, investment management and distributions. A directed trust allows the client, who appoints an administrative trustee in a directed trust state such as South Dakota, to appoint a trust advisor or an investment trustee/committee, who in turn may select outside investment advisor(s) and/or manager(s) to manage the trust's investments.

SDTC's directed trust combines the fiduciary expertise of SDTC with the skills of the client's own investment advisors. This combination of services provides exceptional management and administration of the client's trust with the comfort of maintaining the client's trusted investment advisors.



Any type of trust can be established as a directed trust, including both revocable and irrevocable trusts. The trust instrument vests control over investment discretion with an outside advisor, and exonerates the administrative trustee. This is also supported by South Dakota statute.

The typical directed trust has SDTC as an administrative trustee, but an outside investment advisor/manager is responsible for the trust's investment management. Please note, SDTC does not have any products or investment management services. There are many different ways of structuring each scenario based upon the client's desires and needs.

The trust's investment trustee/committee or advisor (typically comprised of the client's family members and/or advisors) directs that the investment management be handled separately by the client's outside investment manager. The investment trustee/committee or advisor then directs the administrative trustee, SDTC, as to how the trust will be invested and generally invests pursuant to an Investment Policy Statement.

Additionally, a distribution committee may be established to determine when trust distributions should be made. Family members can serve on these distribution committees and determine all distributions of income and principal for "health, education, maintenance and support" (HEMS). Any additional distributions would be tax sensitive and require an independent trustee (for instance, SDTC, CPAs, or attorney, etc.). South Dakota is one of the few states with statutes allowing the administrative trustee to accept direction regarding distributions. The administrative trustee can typically be removed at anytime, and alternatively, if desired, the administrative trustee can step into any of the committee functions.

SDTC's technology connects investment managers via a secure internet connection so that the investment manager may manage the account and execute security transactions electronically. SDTC uses Advent technology for the purpose of interfacing the trust administration with the investment managers.

Trust Protector:

In 1997, South Dakota became the first state to enact a trust protector statute. The trust protector is being utilized more and more with domestic trusts to supplement the investment and distribution committees of a directed trust. Currently, a few states have also enacted trust protector statutes. Additionally, advisors are also drafting the trust protector function into the trust documents in states without specific statutes. Not surprisingly, this is not as strong as drafting trust protector functions into a trust domiciled in a state, such as South Dakota, with a trust protector statute.

Some of the common powers given to a trust protector are as follows:

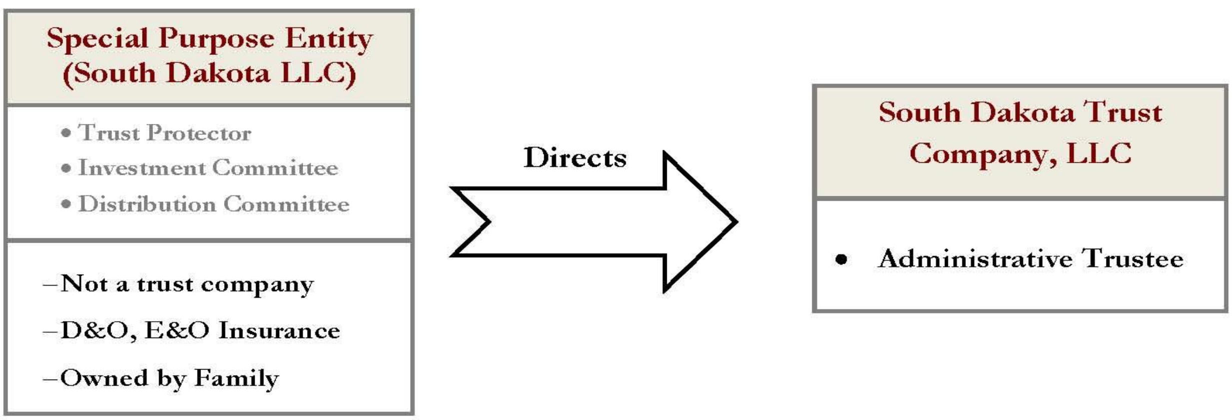
1. **Modify or amend the trust instrument** to achieve favorable tax status or respond to changes in the Internal Revenue Code, state law, or the rulings and regulations there under;
2. **Increase or decrease the interest of any beneficiaries** in the trust;
3. **Modify the terms of any power of appointment** granted by the trust. However, a modification or amendment may not grant a beneficial interest to any individual or class of individuals not specifically provided for under the trust instrument;
4. **Remove and appoint** a trustee, trust advisor, investment committee member, or distribution committee member;
5. **Terminate the trust**;
6. **Veto** or **direct** trust distributions;
7. **Change situs** or **governing law** of the trust, or both;
8. **Appoint a successor trust protector**;
9. **Interpret terms of the trust instrument** at the request of the trustee;
10. **Advise the trustee** on matters concerning a beneficiary; and

11. **Amend or modify the trust instrument** to take advantage of laws governing restraints on alienation, distribution of trust property, or the administration of the trust.

South Dakota Special Purpose Entities:

The special purpose entity is a South Dakota LLC or some form of South Dakota corporation that houses the trust protector as well as the investment and distribution committees. It is not a trust company. The sole purpose of the special purpose entity is to direct SDTC, as administrative trustee, as to the trust investments, distributions and trust protector functions. South Dakota is one of the few states that allow a special purpose entity and the only state with a statute.

The special purpose entity is generally used in combination with the directed trust structure discussed previously. A recent trend is to establish unregulated special purpose entities in South Dakota to place a liability umbrella over the individuals filling the roles of trust protector, investment committee and/or distribution committee and who are employed by the special purpose entity.



Advantages of a Special Purpose Entity: Survives Individual's death, disability, or resignation. Ability to obtain liability insurance.

It is very difficult, if not improbable, to acquire liability insurance coverage for individuals serving co-trustees as committee members and/or trust protector. However, some insurance companies will provide coverage to a special purpose entity established specifically for these purposes, thus protecting the trust protector and committee members. Such an entity could also provide continuity of its corporate existence by continuing without regard to any single individual's death, disability or resignation. The entity typically has by-laws that allow for additional members to be added or removed so that the entity can continue along with the trust. Please note that these entities have to be properly structured so as to avoid estate tax inclusion issues.

As mentioned above, South Dakota is the only state with a special purpose entity statute. These entities are not trust companies and generally must be exempt from regulated private trust company status and are typically special purpose type entities with limited defined duties.

Unregulated Special Purpose Entity:

Serves the role of:

Trust Protector

Investment Committee

Distribution Committee

[And]

Provides liability protection through D&O/E&O insurance to independent advisors serving the family in these roles.

Delegated Trusts:

As previously mentioned, South Dakota has some of the better "delegated" trust statutes. South Dakota's unique trust laws allow a trustee to delegate certain responsibilities to other professionals and/or co-trustees. Typically, delegated trusts involve the delegation of investment management.

Delegated trusts are typically existing irrevocable non-South Dakota trusts, which change situs to South Dakota for the state income tax savings, but maintain their state law provisions for construction and validity. The trustee of a delegated trust is generally allowed to delegate its investment responsibility to one or more qualified investment managers, pursuant to the trust document and/or outside agreement. Investment responsibility can be delegated either directly to one or more investment professionals or to a co-trustee/trust advisor.

Unlike the directed trust, which vests control for the investing with someone other than the trustee, with a delegated trust, the delegating trustee has responsibility for due diligence in both the selecting of investment advisors and monitoring their performance. In addition, all delegated trusts are invested pursuant to the provisions of the trust document as well as an agreed upon Investment Policy Statement with the trustees and investment managers/advisors.

Delegated fees are reasonable, however slightly higher than directed trustee fees due to the slightly increased risk incurred as well as the due diligence and monitoring responsibilities. Additionally, a trustee may desire exoneration language (within the trust document and/or by separate agreement). Please note a delegated trust can generally be reformed or modified to a directed trust if desired. This generally reduces fees and provides more flexibility in investment and distribution decisions.

Full Trustee:

Many individuals desire one stop shopping when utilizing a corporate trustee. SDTC has both the expertise and technology to provide a full range of fiduciary services as "full" trustee. These services include: trust administration, custody, trust accounting, tax advisory and reporting, record keeping services, investment management selection and secure internet access. The full trustee approach is often cost-effective and convenient. As full trustee, SDTC provides full time experts, a checks-and-balances system with the family and its advisors, objectivity, continuity, no conflicts of interest, and internal and external regulations.

As full all-inclusive trustee, SDTC will select one or more investment managers/advisors to achieve the client's and the trust's objectives, investing within the parameters of an Investment Policy Statement and the trust documents. SDTC utilizes nationally ranked, independent, professional money managers. Additionally, SDTC uses a multi-manager, multi-style approach, providing clients with diverse opportunities within each asset class depending upon the size of the account. SDTC will serve as full trustee for non-financial assets on a case-by-case basis.

Typically, SDTC's "full all-inclusive" trustee service includes the following:

- **Custody: Safekeeping of Assets**
- **Administration:**
  – Collection of Income
  – Income of Remittances
  – Cash Sweep
  – Recordkeeping
  – South Dakota Situs
- **Tax Preparation and Reporting**
- **Quarterly Statements:**
  – Monthly, if desired
- **Fiduciary Responsibility:**
  – Monitor Trust for Changes in Law
  – Review Distributions in Accordance with Trust Instrument
  – Furnish Required Regulatory Reports to South Dakota State Banking Department
  – Oversee Activities of Account and Portfolio Managers through Internal Compliance Structures
- **Technology:**
  – Secure Internet Access for Clients and Advisors
- **Investment Management Selection**

Trust Agency:

SDTC serves as trustee's agent to relieve the trustee (individual or institution) named in the trust document of the day-to-day administrative tasks associated with the fiduciary role. SDTC provides all of the technology, back office assistance, custody, accounting, administration, tax services, etc. Investment management services can also be provided by SDTC in its role as trust agent. Most trust documents have provisions allowing the named trustee to hire agents.

The features and benefits of SDTC's Trust Agency service are as follows:

- **Private Agreement**
- **Confidential Information;** no publicity
- **Experienced Officers** assigned to account
- **Convenience;** Time Savings
- Assist with establishing **South Dakota Situs**
- **Complete Records** for Tax Purposes
- **Custody and Trust Accounting Service**
- **Purchase and Sale of Securities;** Execution of Trades
- **Collection and Disbursement of Income**
- **Preservation of Assets**
- **Professional Management of Assets** (Financial and Non Financial)
- **Secure Internet Access** for clients and advisors
- **Professional Administration** of Fiduciary Duties

Private Label Services:

SDTC's private label trust administration services are available to investment management firms, brokerage firms, multi-family offices, family offices, insurance companies, and banks and/or custodians. Investment management professionals may utilize their own broker dealers and custodians, if desired. The key components of the SDTC's private label trust administration services are as follows:

- **Train financial institution's personnel** to recognize and market trust prospects and assist in selling SDTC's trust services
- **Provide trust services marketing and information materials,** plus trust services and product support
- **Consolidated statements with financial institution's logo,** if desired
- Option to **use one's own broker, dealer, and/or custodian**
- **Leverage SDTC's experience** with assisting outside investment and insurance professionals to **garner additional investment assets and/or insurance** through tax efficient South Dakota trust agencies
- **Internet access** available to financial institution, their **clients and advisors**
- **Flexible, individualized, service-oriented trust administration**

By providing trust services and products to one's clients, a financial institution prevents their clients from going to their competitors for trust services. Financial institutions with existing trust departments may want to bifurcate their service offering by utilizing SDTC private label trust administration services for their dynasty trusts, premium tax trusts and other upscale trusts offering.

Private Label Trust Administration Services allow a financial institution:

- To **focus on their core business**
- To gain a competitive **market advantage**
- To **provide trust services** to their clients **without** the burden of forming and operating a trust business
- To use **statements with the financial institution's name**
- To **work with the financial institution's custodian**
- To access the client's private label trust through SDTC's **secure internet systems**

Insurance – Irrevocable Life Insurance Trusts and LLCs:

SDTC provides trust and LLC administration services for fixed, variable, and private placement life insurance policies. SDTC serves as trustee of numerous insurance trusts due to its low premium tax, great trust, insurance, asset protection and lending laws.

Newly drafted insurance trusts utilizing South Dakota laws are generally directed. SDTC acts as Administrative Trustee and takes direction from a trust advisor, an Investment Committee and Distribution Committee made up of family members and their advisors. The Distribution Committee directs the Administrative Trustee to make trust distributions and the trust advisor or Investment Committee directs the Administrative Trustee on how to invest the trust (i.e. purchase one or more insurance policies etc.).

If there is an existing ILIT in another state that changes situs to South Dakota, these trusts are generally delegated versus directed, and are typically reformed to directed either judicially or non-judicially, before insurance is purchased.

The low South Dakota premium tax would generally apply whether or not an irrevocable trust, revocable trust with a separate tax ID number or LLC is utilized. If there are trusts in another state and someone wants to take advantage of the lower South Dakota Premium tax, generally, a South Dakota LLC is established with SDTC as co-managing member (i.e. SDTC) to purchase insurance within the SD LLC and allocate the units to the non- South Dakota trusts.

SDTC recognizes that most advisors and corporate trustees do not want to act as trustee of an Irrevocable Life Insurance Trust (ILIT) until the proceeds are actually paid, leaving the family to cope with the burdens of the unfunded insurance trust's administration. SDTC will act as trustee during the insured's lifetime and after the insured's death. There are two levels of trust administration associated with ILITS: the first provides for the insured's lifetime and the second begins with the insured's death.

Administration Duties during Insured's Lifetime: [Please note: Investment Committee directs SDTC regarding these duties when a "directed" trust is involved.]

- Creation of trust account
- Transfer of policies into the trust
- Purchase of new policies
- Tax reporting
- Preparation and transmittal of beneficiary Crummey notices
- Extensive monitoring of insurance companies and policies

In response to evolving case law and litigation regarding trustee responsibilities with non-directed trusts, SDTC can review an insurance company's financial stability as follows:

- Use of rating services like Moody's, Standard & Poor, Duff & Phelps, and Weiss
- Independent analysis of each company's dividend history, expense ratio & portfolio (i.e., asset allocation, asset & bond quality, non-performing assets)
- Periodic review of policy appropriateness for trust objectives
- Enforce ledger update
- SDTC can provide services to review the status of individual policies via in-force ledger updates, etc.

Administration after insured's death:

- Collection of proceeds
- Distribution and/or continued administration of trust assets
- “Full all-inclusive," "directed" and "delegated" trust administration services available through SDTC.

Premium Tax Planning – Trusts & LLCs/FLPs:

State premium taxes are paid on all insurance premiums in the U.S. These premium taxes vary dramatically among the states. South Dakota has the lowest state premium tax (i.e., 8/100ths of 1% or 8 basis points) in the United States for premium payments in excess of $100,000. The majority of the other states average between 1.75% to 2.5%, as previously discussed.

Competitive state premium taxes and modern domestic trust laws, as well as improved domestic regulatory costs and state consumer laws for insurance policies, have resulted in much larger life insurance contracts being issued onshore in South Dakota versus the traditional route offshore.

Generally, state premium taxes are imposed on premiums paid for the life insurance by the state in which the applicant for the insurance policy is resident, domiciled or sitused. The insured’s resident state does not generally levy a premium tax on the premium paid for the life insurance policy purchased by a trust or a LLC in South Dakota.

An important issue to consider regarding the state premium tax is the retaliatory tax. A retaliatory tax generally allows the state to whom the premium tax is paid to impose the premium tax of the state in which the insurance company is located, if that rate is higher. South Dakota by statute does not allow for the opportunity to charge a retaliatory tax for a large case. It is also very important to verify that the domestic insurance companies recognize the low state premium taxes in South Dakota. The lower South Dakota premium tax would apply in this instance.

Domestic vs. International Taxes:

There is a one-time tax on the premiums paid into a domestic policy (issued by a U.S. company) called the Federal Deferred Acquisition Cost Tax ("DAC Tax"). The tax calculation is complex, but it essentially equates to 1% of the premiums. The life insurance company pays this tax directly from the premiums paid into a policy.

For international/foreign insurance companies there is a Federal Excise Tax on foreign premiums, which is one-time 1% tax on premiums paid into an international policy issued. This includes a foreign subsidiary of a U.S. company that has not otherwise filed an election to be treated as a domestic company (a 953(d) election).

Lastly, there are also state premium taxes, as discussed, based on the premium dollars paid into a domestic policy. Many advisors and clients have determined that the .08% South Dakota premium tax is worth the cost of having the policy purchased domestically versus offshore.

Foreign and Domestic Insurance Tax Summary:

1. U.S. Insurance Company/ Off Shore Operation (953(d))	• DAC Tax • No Premium Tax
2. International Insurance Company [Non-953(d)]	• 1% Fed Excise Tax • Have to Travel to Country
3. U.S. Company	• DAC Tax • Premium Tax (South Dakota 8 bpts.)

Custody Services:

SDTC's objective is to provide **"flexible, individualized, service-oriented, cost-effective"** trust administration combined with state-of-the-art technology. Consistent with this objective, SDTC offers the following services to our clients:

SDTC can generally work with most outside custodians of the client's choice. Alternatively, if a client does not have a custodian, SDTC provides custody services through the Fifth Third Bank. Fifth Third Bank is one of the Midwest's largest providers of custody services, and has received numerous accolades for its customer service and the way it operate.

The combination of SDTC's trust administration, Infovisa trust accounting and Fifth Third Custody provides a highly automated, cost-effective, and secure comprehensive trust accounting and administration interface. Multi-currency reporting and foreign exchange services are also available through SDTC.

Fifth Third Bank provides an extraordinary level of expertise in security servicing coupled with leading edge technology and superior service. These services include:

> Custody/Safekeeping
> Settlement
> Income Collection
> Proxy Services and Tax Reclamation
> Multi-Currency Reporting
> Foreign Exchange
> Corporate Action Processing
> Performance Measurement and Compliance

SDTC's custody offering includes a full array of services from financial assets (i.e., securities accounts) to nonfinancial assets (i.e. partnerships, LLC's, closely-held business interests, etc.). SDTC will also serve as custodian for accounts linked for investment management services.

Trust Custody Accounting:

SDTC offers four basic options for Trust Custody Accounting:

1. Custodian does not interface with Infovisa:

- SDTC establishes an account in the name of the trust, i.e. ABC Trust dated 1/1/14 with the investment manager using their custodian. (There can be multiple managers and accounts);
- All marketable securities are in these account(s);
- SDTC shows each account as a line item on its books and through internet access adjusts the market value periodically to reflect accurate trust valuation;
- Custodian provides statement to SDTC;
- SDTC's trust accounting statement is supplemented by attaching the custodian's statement for the security detail;
- Cost effective option.

2. Custodian does not interface with Infovisa – Use of Entity:

- A second way to deal with this option is to establish a partnership which holds the marketable securities using the client's and/or investment manager's custodian;
- The partnership sets up an account with the custodian to hold the securities;
- SDTC's records show the partnership as an asset of the trust not the individual securities;
- All security transactions take place within the partnership therefore no security transactions will show at the trust level nor will there be reconciliations required by SDTC;
- Custodian provides statements of position to trustee and partners;
- SDTC will adjust the market value of the partnership to reflect the correct value of the trust;
- All trust related transactions take place in the trust by the trustee and are reflected on the trust statement provided by SDTC;
- Cost effective option for trustee's fee.

3. SDTC's Custodian – Fifth Third Bank interfaces with Infovisa:

- Fifth Third Bank and Infovisa (SDTC's trust accounting system) have a direct interface for all transactions and information regarding the securities;
- Fifth Third Bank and Infovisa have representatives assigned to SDTC to work with the trust officers and reconcile the holdings;
- Fifth Third Bank tracks capital calls, mergers, acquisitions, dividends, etc. which interfaces with Infovisa;
- Detailed account statements are provided by SDTC;
- Advent and Financial Technology Integrators are available to assist the money manager;
- Infovisa provides internet access to the trust account which can also be used to manage the assets;
- Please contact us for additional information on SDTC's default custodian, Fifth Third Bank.

4. Custodian interfaces with Infovisa:

- There are many financial institutions that interface with Infovisa, such as Charles Schwab, Wright Investors, UBS, Smith Barney, and many more;
- Transactions are sent via an interface to Infovisa;
- SDTC reconciles the holdings between the custodial account and the trust accounting system;
- Detailed account statements are provided by SDTC.

Internet Access:

SDTC provides its clients and/or their advisors with 24 hour access to their trust account data via the internet, allowing them to retrieve pertinent account data. Any client and/or client advisor, with the proper internet address and security clearance can access information on the accounts with supporting charts and graphs, which includes account summaries, an investment section, a transaction activity schedule and/or detailed investment data with tax lot holdings.

This service is provided by SDTC without any software installation or maintenance. The only requirement is access to a popular browser program (Microsoft Internet Explorer). The site is housed in a secured access computer room and protected by a firewall and bit encryption. This is a National Computer Security Association certified site.

SDTC views this combination of trust administration and state-of-the art technology as an important and distinguishable part of its trust service offering.

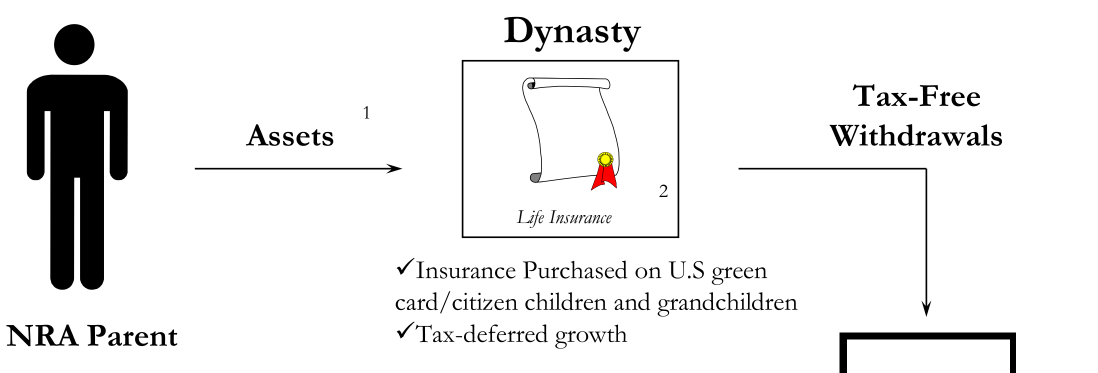
Services for International Families:

South Dakota maintains its status as one of the best jurisdictions for international families as a result of its trust statutes (i.e. trust protector, directed trust, privacy, reformation/modification/decanting, forced heir-ship, etc.) no income taxation, low premium tax, and many other favorable statutes. Listed below are some of the more common trusts generally utilized by international families:

The South Dakota NRA Dynasty Trust:

The South Dakota NRA (Non-Resident Alien) Dynasty Trust is a strategy for foreign citizens with U.S. citizen and/or green card children, grandchildren, great grand-children, (whether born or unborn). The benefits of an NRA Dynasty Trust include:

- The NRA foreign citizen parent/grand-parent can transfer an unlimited amount of assets on-shore into the trust without gift, death or generation-skipping taxes.
- Assets are not subject to state income tax with SDTC as trustee.
- The life insurance investment option (traditional or PPLI) is frequently chosen for the trust, thereby also avoiding federal income taxes within the trust. The life insurance option may also provide for federal and state income tax-free withdrawals for the US beneficiaries.
- South Dakota has the lowest state insurance premium tax (.08% for premiums over $100,000).
- The Dynasty Trust can continue forever for the benefit of U.S. beneficiaries and provide creditor protection.

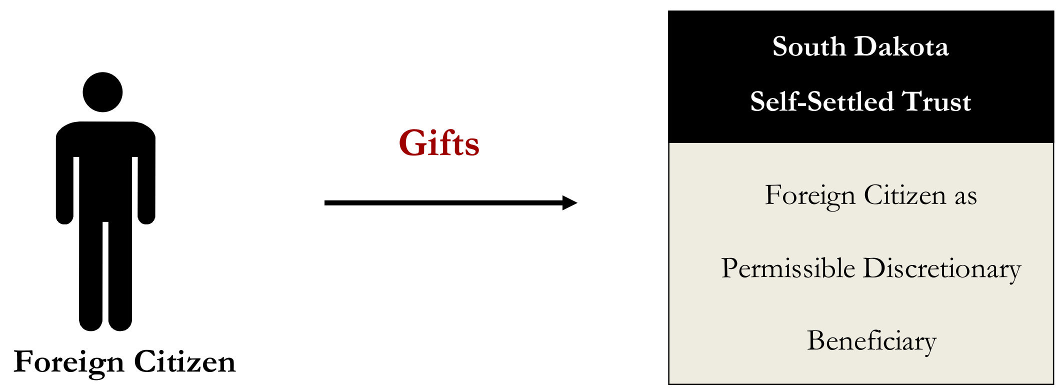


1. No Generation Skipping Tax or Gift Tax upon trust funding.
2. A possible investment. Allows assets to grow federal income-tax free (in addition to state income-tax free). Plus tax-free distributions up to Trustee's tax cost basis in policy provided is not single premium (i.e. not a modified endowment contract)

Pre-Immigration Planning with Self Settled Trusts:

Substantial planning opportunities exist for NRAs who anticipate immigrating to the U.S.:

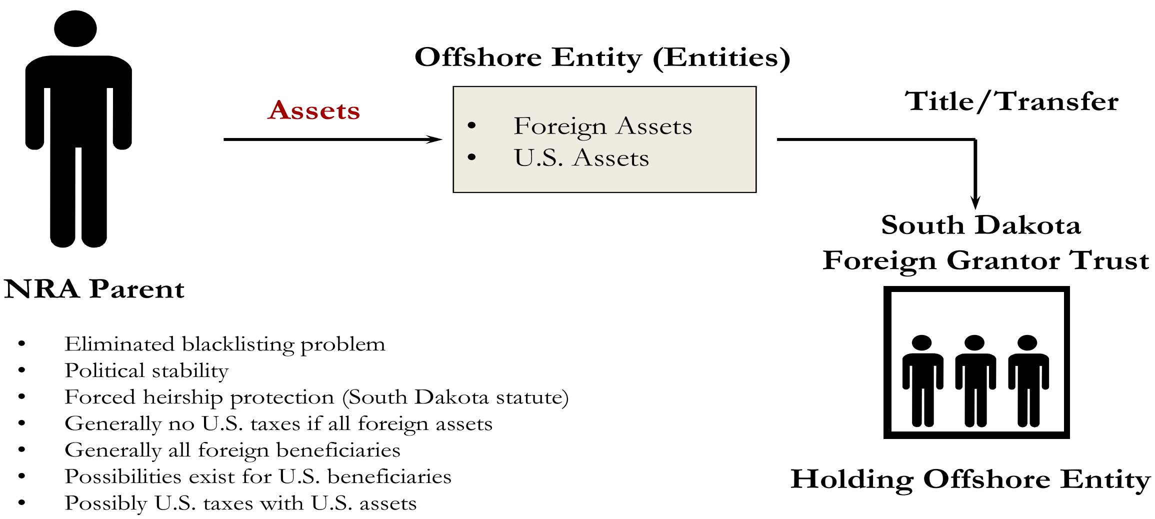
- Prior to immigration an NRA may generally make unlimited transfers to a South Dakota Self Settled Trust with the NRA as a permissible beneficiary without incurring any U.S. transfer tax.
- After immigration, if the Grantor as a permissible beneficiary needs assets, they can generally be distributed by an Independent Trustee. If properly structured, the assets may be excluded from one's estate and protected from creditors and lawsuits.



South Dakota Foreign Grantor Trusts:

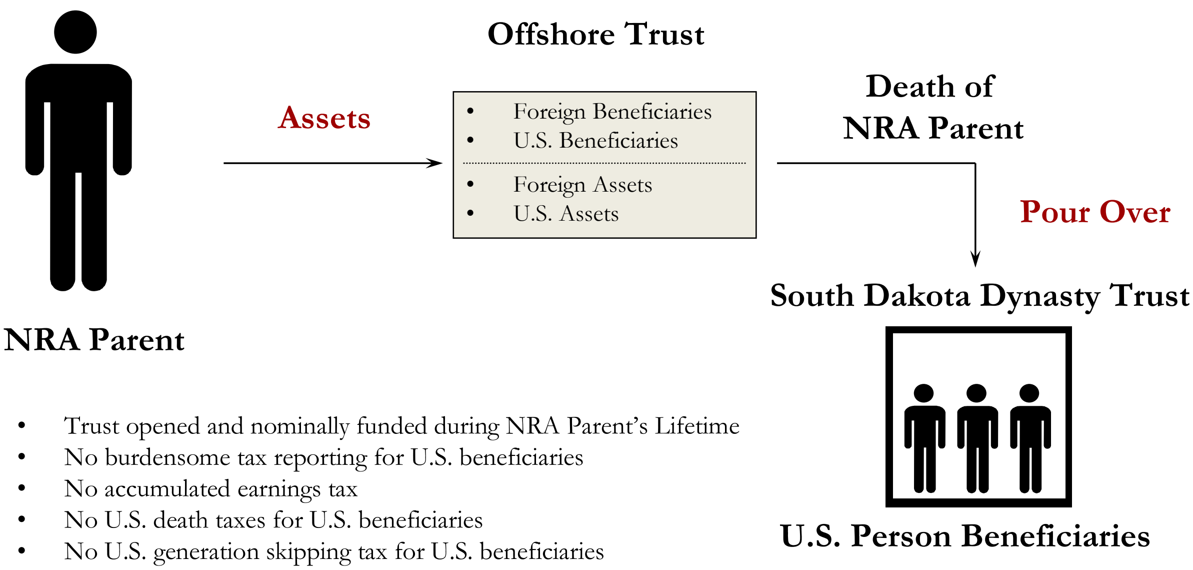
A South Dakota Foreign Grantor Trust is established as a "foreign" trust for U.S. tax purposes and therefore is treated the same as an offshore trust. The benefits of a Foreign Grantor Trust include the following:

- Typically, the trust assets are all in off-shore entities and therefore the trust is not generally subject to U.S. income tax (except for any U.S. source income).
- The trust is typically revocable and distributions are only to the grantor or grantor's spouse.
- Upon the grantor's death, the trust can be transformed to a South Dakota Dynasty trust to avoid the U.S. income tax on distributions of accumulated income.
- May be funded with other off-shore corporate entities such as PICs to avoid U.S. estate taxes.
- May reduce exposure to sovereign risks.
- South Dakota is generally a transparent, non blacklisted jurisdiction.



Stand-By South Dakota Dynasty Trusts:

The Stand-by South Dakota Dynasty Trust is a strategy for foreign citizens with U.S. beneficiaries that have established foreign trusts in off-shore jurisdictions. Upon the grantor's death, the foreign trust pours over the trust assets to an existing (nominally funded) Stand-by South Dakota Dynasty trust. This strategy could help to avoid the burdensome income tax filing requirements of the U.S. beneficiaries and the negative U.S. income tax rules on distributions of accumulated income.

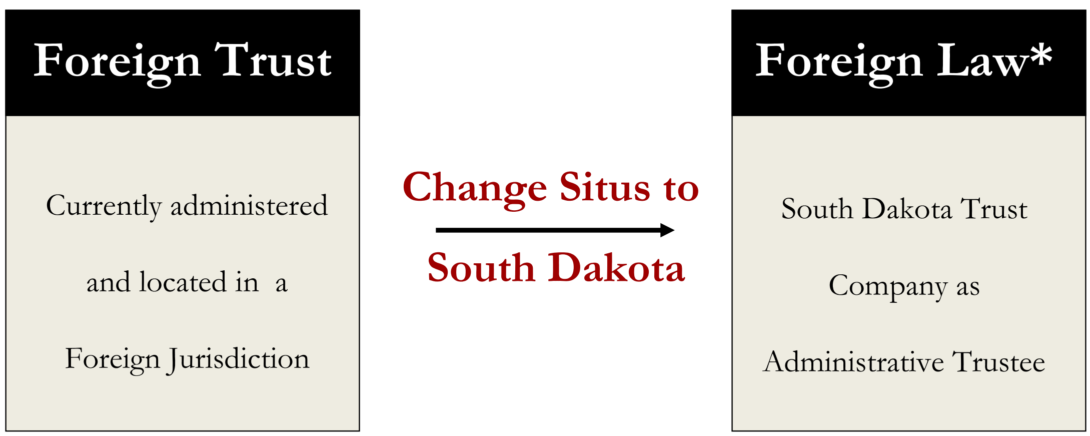


- Trust opened and nominally funded during NRA Parent's Lifetime
- No burdensome tax reporting for U.S. beneficiaries
- No accumulated earnings tax
- No U.S. death taxes for U.S. beneficiaries
- No U.S. generation skipping tax for U.S. beneficiaries

Foreign Law Trusts:

SDTC may be able to act as a directed and/or delegated trustee for trusts that are governed by foreign (non-U.S.) law, but administered in the U.S. Some of the benefits include:

- A stable domestic corporate trustee.
- Professional trust administration.
- Possible reduction of exposure to sovereign risks.
- Ability to reform the trust for administrative purposes pursuant to SD statute.



*These are only accepted on a case by case basis and either retain foreign law or are reformed/modified so that South Dakota law applies for administration.

Private Family Trust Companies (PFTC):

South Dakota is continually chosen as the top regulated Private Family Trust Company jurisdiction in the U.S. Most wealthy families name family members as trustees in their estate plans, not realizing the personal liability that they are taking on as well as the fact that they are not benefiting from South Dakota trust situs.

As a result of the low capital requirements (the lowest in the U.S.), set-up and maintenance costs and the compelling advantages, many families are now establishing their own South Dakota Private Family Trust Company.

A South Dakota Private Family Trust Company is a South Dakota LLC or corporate entity that is typically 100% owned by the family and qualifies to do business in South Dakota as a Private Family Trust Company after a hearing and acceptance by the South Dakota Division of Banking. The South Dakota PFTC then works with the non-South Dakota Family office via service agreements to provide trust administration and other related services to the family trusts.

As owners of the PFTC LLC, the family can acquire Directors and Officers as well as Errors and Omission Insurance and serve as trustee within an LLC wrapper versus individually, thus eliminating personal liability they have as individually being named co-trustee in a family members' trust document.

The PFTC can then lease investment, asset allocation and other services from the non-South Dakota family office. Many families also place their PFTC in a South Dakota Dynasty Trust with an unlimited duration to perpetuate its existence. South Dakota has a "special purpose" statute that allows for the PFTC to be placed into a South Dakota Dynasty Trust. South Dakota's unlimited duration dynasty statute in the U.S. dates back to 1983. The statute follows the Murphy Case which the IRS acquiesced in 1979. South Dakota is one of the few states that can make these claims.

The Typical PFTC Structure:

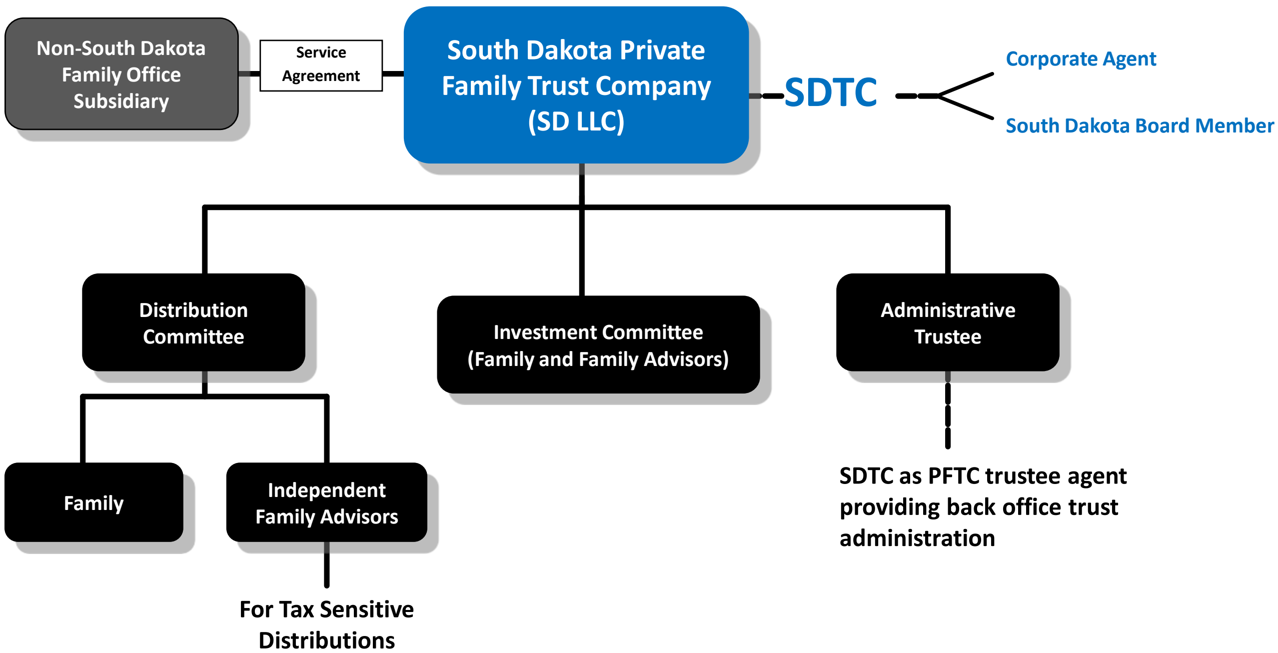
Step 1: Form a SD LLC and apply to SD Banking Commission to be a PFTC

- Need office in SD, one SD Board Member, and a SD Corporate Agent - SDTC sits on the board and serves the role as corporate agent (i.e. providing office space to PFTC, collecting mail and answering the phone).

Step 2: South Dakota PFTC leases services from FO in another state.

Step 3: Trust administration can be done in South Dakota to benefit from South Dakota's favorable trust laws by hiring SDTC as trustee agent for PFTC [or] administration can be done in another state (interstate administration allowed) by family office and its advisors. The latter will not garner the benefits of South Dakota trust and tax laws.

Typical South Dakota Private Family Trust Company Structure:



Why Establish a Private Trust Company?

Wealthy families are creating their own PFTCs as a result of how easy they are to create and maintain in South Dakota as well as the favorable South Dakota trust and tax laws. Additionally, there is flexibility to charter a PFTC in South Dakota while maintaining a full service family office in another state (i.e., the resident state of the family office). South Dakota is one of the only states allowing for this interstate capability.

The South Dakota PFTC application procedure is both simple and inexpensive ($5,000 application fee and approval generally within three to six months). Additionally, the setup costs are very reasonable and the capital requirement is low (i.e. $200,000).

In addition to the ease of creating and maintaining a South Dakota PFTC, there are several other compelling reasons to establish a regulated PFTC; all of which are listed below:

- **Exemption from SEC registration**, since the PFTC is audited by banking division within the PFTC state.
- **Liability protection** (family acts as trustee with a LLC/PFTC entity owned by family with directors and officers insurance protection versus family members serving individually as trustees with personal liability.
- **Planning opportunities for deducting investment fees** (in light the *Knight* case, a decision by the U.S. Supreme Court).
    - The PFTC has generally provided for maximum deductibility of trust administration fees and expenses. Investment management fees that are integral to the trust have generally been deductible by charging an overall trustee fee that includes the investment management fee.
    - The *Knight* Supreme Court case now requires that investment fees be separated out from the overall trustee fee and subject to the 2% Adjusted Gross Income limitation. This requirement has been delayed by the IRS and final clarification is expected on this matter.
    - Many advisors claim that PTCs will still provide ways to fully deduct the investment fees from trusts/
- PFTC's provide a resolution of **successor trustee issues**.
- **Convenience** and **accessibility**.
- **Efficient** – controls overhead and provides economies of scale.
- **Improved family governance** with LLC/PFTC structure.
- Enhanced ability to properly **administer and operate illiquid family assets** in trust (i.e. LLCs, FLPs, real estate, oil and gas, etc.);
- Allows for holding **large concentrations of stock on any asset class** and provides extensive flexibility with asset allocations;
- Ability to establish SEC exempt **business trusts** and **common trusts funds** as an alternative to collective investment vehicles/partnerships, which are generally required to register with the SEC and limited to 99 investors;
- **Privacy**;
- **IRS ruled** if properly established, the PFTC will not be subject to estate tax inclusion (I.R.S. Notice 2008-63).
- PFTCs allow for **better informed trust distribution and investment decisions**.
- Enables families to **efficiently work with** their own **family office** and all **outside product advisors** (i.e., investment, insurance, etc.).
- **Broad powers** – a PFTC is the only form a family office can take to provide fiduciary services directly to family members rather than just supporting the family's individual trustees or unaffiliated corporate fiduciaries.
- A South Dakota Private Family Trust Company has **all the powers of a South Dakota Money Lending company** and consequently **all of South Dakota's great lending statutes.**

Where Should the PFTC be Established?

There is a reason that so many of the *Forbes* 400 and other wealthy billionaire and multi-centa-millionaire families have chosen to situs their PFTCs and trusts in South Dakota. Many families assume all of the PFTC and dynasty trust states are the same, when there are actually dramatic differences that they should definitely be aware of and research. Many of these points are discussed in this brochure.

South Dakota has been a favorable boutique trust state for the wealthy since 1983. The legislature has proactively emphasized modern trust laws that answer the needs of wealthy families better and longer than any other state. The current PFTC laws and experience combined with the legislative awareness and responsiveness are just a few of the reasons why South Dakota is the most favorable lightly regulated PFTC state in the U.S. Some of the other compelling reasons in addition to the unique South Dakota trust and tax statutes are listed below:

1. Most responsive state legislature for lightly regulated family trust companies.

2. Application process:

- Short time frame 2-6 months ($5,000 application fee);
- Application is private;
- Public Notice (all states have this);
- $1,000,000 surety bond;
- At least 3 directors (1 from South Dakota), no more than 12 total;
- SD allows for interstate administration in family's home state.

3. Low Capital Requirement:

- Only $200,000 in SD (lowest required by any state).

4. Friendly Regulatory Authority:

- SD Examination; one every 36 months (Family PTCs);
- Onsite - Policy and Procedures Manual, LLC and other organizational documents, Board Meeting Minutes, etc.
- Most other books and records - available electronically;
- SDTC assists with PFTC audits and generally charges hourly.

5. Board Meetings:

- Quarterly (SD member present in SD as corporate agent - SDTC serves this role);
- Telephonic meetings are usually fine; however most families attend one meeting per year in South Dakota (although this is not required), generally in the summer.

6. Physical Office Requirement/Corporate Agent:

- South Dakota Trust Company LLC serves as SD Board member, attends quarterly board meetings, provides office space, collects mail and forwards, answers phone - Costs average approximately $3,500 per month.

7. Trust Administration: SDTC's Experience:

- South Dakota Trust Company can act as trustee's agent and provide trust administration for South Dakota law trusts or other state law trusts; [or]
- Trust administration can be done in another state, but without the benefit of SD law and taxes.

8. Regulated vs. Unregulated PFTCs:

- Lightly Regulated PTC can provide better liability protection compared to unregulated trust;
- More difficult to pierce the corporate veil;
- Regulated PTCs promote the integrity of tax sensitive distributions and estate planning.
- Regulated PTCs also result in SEC exemption

9. SEC exemption allows for common trust funds and business trusts with PFTC.

10. South Dakota is a Family Money Lending Company Statute, utilizing top lending laws in the U.S.

- A South Dakota money lending company is both inexpensive and easy to establish with SDTC as an agent and acts as a nice complement to a Private Family Trust Company;
- utilizing top lending laws in the U.S.

11. South Dakota is also one of the top jurisdictions for Captive Insurance Companies, which can provide a cost-effective way to deal with a family's property and casualty insurances as well as provide numerous tax benefits.

SDTC Services for the Private Family Trust Company:

South Dakota Trust Company (SDTC) can assist a family or a family office to establish a cost-effective trust company pursuant to South Dakota law by serving as Corporate Agent. In this capacity, SDTC plays a *de minimis* role that gives the families the "minimum statutory contracts" they need to get through the application process with South Dakota's regulatory group, the Division of Banking as well as maintain an ongoing minimal relationship with South Dakota. In this arrangement, SDTC enters into three contracts with the respective family office:

1. A **lease for office space**;
2. A **service agreement** (discussing installation of a phone line, answering the phone, vault space, forward mailing, et al);
3. An arrangement for an officer of SDTC to serve as the **one required South Dakota PFTC Board Member**. (Minimum of 3 board members are required with a maximum of 12 - one board member must be from South Dakota).

Although the role of Corporate Agent will allow for a South Dakota PFTC, it may not be sufficient to justify South Dakota trust situs unless the trusts are also administered in South Dakota. Consequently, SDTC can also act as Trustee Agent to the Private Family Trust Company as trustee in order to accomplish this objective. As Trustee Agent, SDTC can provide South Dakota trust administrative services as well as assistance with regulatory/compliance issues, trust accounting and/or custody services. SDTC works with a family's existing custodian in most cases.

Estimated set-up and recurring South Dakota costs that a family might expect to incur in the establishment of a South Dakota PFTC include:

- ✓ application costs $5,000;
- ✓ minimum capital outlay $200,000 (this capital is typically invested in treasuries and set aside to warrant against breach of trust – it is therefore not really an expense);
- ✓ insurance/bonding - $10,000 - $25,000 (this is annual and recurring);
- ✓ audit fees - $1,500 to $7,500 (this, too, is annual and recurring);
- ✓ SD legal fees - $50,000;
- ✓ SDTC Corporate Agent Fees - $3,500 per month (see above).

Summary: Set-Up Fees $75,000-$100,000; Capital $200,000; Annual Operating Fees $75,000-$100,000.

For more information please visit our website: www.privatefamilytrustcompany.com

Planning Strategies:

The South Dakota Trust Company (SDTC) and South Dakota Planning Company (SDPC) founders and its employees have advised more than 25% of the *Forbes* 400 and are currently working with over 75 billionaires and over 200 centamillionaires. In working with these families, as well as with other wealthy families and their advisors across the country, SDTC/SDPC has seen many creative and cutting-edge estate planning and trust strategies.

South Dakota Planning Company LLC (SDPC), located in New York City, is a separate sister company to South Dakota Trust Company LLC (SDTC), and is responsible for **sales, marketing and technical support**, as well as **publications, speeches, trust planning** and consulting to support South Dakota Trust Company. **Absolutely, no trust administration is done out of the New York** office.

It may be important for wealthy families to know what other similarly situated families are doing regarding their estate and trust planning so that they can make informed decisions regarding their own planning. Our experience with having worked with most of the top lawyers, accountants, insurance agents and investment mangers across the country allows us to point out what other similar wealthy families are doing without, of course, divulging any private information. A decision can then be made after analyzing the plan with the client's advisors from both a tax and non-tax point of view whether or not the family wants to implement any of these strategies.

Many of these strategies involve the following goals:

- **Establishing a Family Bank/Dynasty Trust**: Why? How? When? Where?
- Unique **business succession and closely-held business planning**
- Creative **charitable giving strategies**
- **Movement of an existing trust** to South Dakota to save state income taxes
- Advanced and flexible planning for **minimizing estate and generation skipping taxes**
- The latest **education planning strategies** for children, grandchildren and great-grandchildren
- Important non-tax issues and **strategies for passing family wealth intergenerationally**
- **"Value and incentive oriented" estate planning** for families
- The latest strategies for **planning with residences and vacation homes**
- The latest advanced and creative **estate planning strategies for corporate executives and doctors**

- Cutting-edge strategies for **shifting growth from one's estate**
- **Domestic asset protection planning**
- **Minimizing taxes on the sale of highly appreciated assets**:
    - (I.e. publicly-traded stock, closely-held stock, art, partnerships, LLC's, etc.)
- **Estate planning for international families**
- **Planning for foreign citizens with US citizen/green card children and/or grandchildren**

These strategies typically involve one or more of the following trusts:

- » NIMCRUT
- » "Defective" Dynasty Trusts
    - – (Grantor and Beneficiary)
- » South Dakota 2503(c) Trust
- » South Dakota 2642(c) Trust
- » Private Foundation
- » Home Security Trust
- » Charitable Lead Trust (Kennedy Trust)
- » Incentive Trust
- » "Delegated" Trust
- » HEET Trust
- » Premium Tax LLC and Trust
- » Pour Over Revocable Living Trust
- » "Directed" Trust
- » Supercharged Irrevocable Life Insurance Trust
- » Self-Settled Trust
- » Foreign Trust
- » "Walton" Grantor Retained Annuity Trust (GRAT)
- » NRA Dynasty Trust
- » Change of Situs Trust
- » Private Placement Life Insurance Trust
- » Irrevocable Life Insurance Dynasty Trust
- » Domestic Asset Protection Trust

In addition to the trusts listed above, many of these strategies also involve family limited partnerships and LLCs. The assets funding these vehicles are typically financial assets, non-financial assets, and/or insurance. SDTC also administers most of the standard trusts utilized in estate planning.

Typical High Net Worth Client Estate Plan:

Typical South Dakota Non-Resident Estate Plan:

- ✓ Will/Revocable Living Trust
- ✓ Education Planning
- ✓ Irrevocable Insurance Trust
- ✓ Private Foundation
- ✓ Advanced Trust Planning – See Below:

Asset Protection:

Self-Settled Trust

- ✓ Included in the estate
- ✓ Typically transfer 25-40% of assets
- ✓ Ability to get assets
- ✓ Possible state income tax savings

Preserve Key Assets:

Purpose Trust

- ✓ Pets
- ✓ Key Family Assets
- ✓ Private Family Trust Company

Sale of Appreciated Assets:

Charitable Remainder Trust

- ✓ Sale of appreciated property without immediate income or capital gains taxes
- ✓ Income tax deduction
- ✓ Estate tax reduction
- ✓ Income to Donor and family
- ✓ Beneficiary: Fund Private Foundation or provide for charity directly
- ✓ Hedges the CLAT

Education Planning:

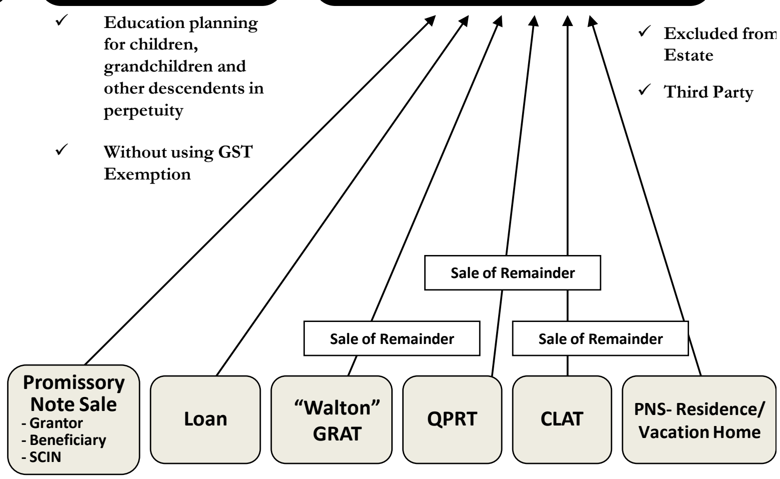
HEET Trust

- ✓ Education planning for children, grandchildren and other descendents in perpetuity
- ✓ Without using GST Exemption

Shifting Growth on Assets:

Dynasty Trust "Defective"

- ✓ Excluded from Estate
- ✓ Third Party



More Information:

SDTC has marketing materials, fee schedules and other information pertaining to all of its products and services. Some of the marketing decks available are as follows:

"South Dakota Trust Company LLC – General Information Brochure"

"Private Family Trust Company Brochure"

"Planning for International Families"

"Asset Protection – Self Settled Trusts, Spendthrift Provisions & LLC/LP Statutes"

"Directed Trusts, Trust Protectors & Special Purpose Entities"

"The Dynasty Trust – Introduction & Concepts"

"Modernizing an Irrevocable Trust: Reformation, Modification & Decanting"

Additionally, we have the following topic specific brochures:

"About: South Dakota Trust Company, LLC"

"The Modern Corporate Trustee – Directed and Delegated Trusts"

"The South Dakota Dynasty Trust"

"Asset Protection Planning – South Dakota Self Settled Trusts and Popular Alternatives"

"Boutique Trust Situs Comparison – Are they all the same?"

"South Dakota Premium Tax Planning"

"Trust Services for Investment Managers"

"Change of Trust Situs – For Income Tax Savings"

"South Dakota Trust Service for International Families"

"Promissory Note Sale to a Defective Grantor Trust"

"The South Dakota Private Family Trust Company"

South Dakota Trust forms and required language are also available to advisors on the following topics:

Dynasty Trust Sample Forms

Premium Tax Trust Sample Forms

Premium Tax LLC Sample Forms

Advisor Language

Selected copies of SDTC's published articles and speeches are available upon request.

Management Biographies:

Al W. King III is the Co-Founder, Co-Chairman and Co-Chief Executive Officer of South Dakota Trust Company, LLC (SDTC), South Dakota Planning Company, LLC (SDPC) and the Estate Planning Institute (EPI). South Dakota Trust Company is a national trust boutique for the wealthy based out of Sioux Falls, South Dakota serving clients nationally and internationally.

Mr. King was previously Managing Director and National Director of Estate Planning for Citigroup. Mr. King was also the Co-Founder and Vice Chairman of Citicorp Trust South Dakota. Mr. King also previously served as Director of Financial and Estate Planning for Coopers and Lybrand in Stamford, Connecticut.

Prior to joining Coopers and Lybrand, Mr. King was a Vice President and Director of Financial and Estate Planning with Shawmut Bank and the Northeast Director of Financial and Estate planning for Prudential-Bache Securities. Mr. King was also a Senior Staff Attorney/Financial Counselor with the AYCO Corporation, a fee-based financial counseling firm.

Mr. King is a member of the Editorial Board of *Trusts and Estates Magazine*. Mr. King has been inducted into the National Association of Estate Planners & Councils (NAEPC) *Estate Planning Hall of Fame* as an Accredited Estate Planner (AEP), Distinguished. He is also a member of several groups and organizations including the Society of Trust and Estate Professionals (STEP), the International Association of Advisors in Philanthropy (AiP), New York Philanthropic Advisors Network (NYPAN), Fairfield County and New York City Estate Planning Councils, etc. In addition, he is frequently published and quoted by several publications on various Estate Planning topics and addresses several professional organizations, special interest groups, and general audiences on the subject of estate and financial planning.

Mr. King received a Bachelor of Arts cum laude from Holy Cross College, a Juris Doctor from Syracuse University Law School and an LL.M. in Tax Law from Boston University School of Law.

Pierce H. McDowell III is currently the Co-Founder, Co-Chairman and Co-Chief Executive Officer of South Dakota Trust Company, LLC and South Dakota Planning Company, LLC. The former is a national trust boutique company for the wealthy based out of Sioux Falls, South Dakota and SDPC is a trust/estate planning consulting, marketing and sales firm based out of New York City.

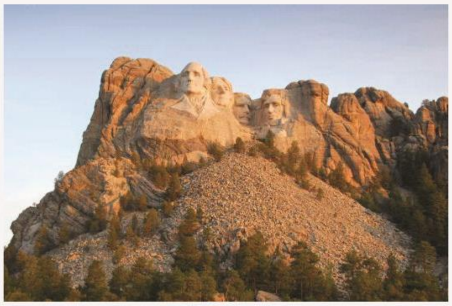
Mr. McDowell was formerly the Co-Founder and President/Chief Trust Officer of Citicorp Trust South Dakota. Due to South Dakota's attractive trust, asset protection and tax legislation, Mr. McDowell is responsible for servicing the trust and estate needs of clients across the United States and world in the creation and movement of trusts to South Dakota. Prior to joining Citibank, Mr. McDowell practiced law with Woods, Fuller, Shultz and Smith of Sioux Falls, and was formerly a Vice President, Trust Administrator and Business Development Manager for both Norwest and First Banks.

Mr. McDowell is nationally known and frequently quoted by Forbes and other publications on the advantages of South Dakota trust law. Mr. McDowell received the Citibank outstanding sales awards for both 1996 and 1998 as well as the 1997 Epic Award for his *Trusts & Estates* magazine's articles on South Dakota Trust planning.

Mr. McDowell serves on the Board of the South Dakota Planned Giving Council. He has been appointed to the Philanthropy Committee with the South Dakota State Bar Association. He is the Chairman of the South Dakota Bankers Association's Trust Committee, a member of the South Dakota Bar Association's Real Property, Probate & Trust Law section and serves on its Probate and Trust Committee and the Legislative Committee. Mr. McDowell is a member of the University of South Dakota Foundation Board Of Trustees, as well as a former member of the Advisory Board for *Trusts & Estates* magazine. Mr. McDowell received a Bachelor of Science from Arizona State University and a Juris Doctor from the University of South Dakota.

SOUTH DAKOTA TRUST COMPANY LLC

Serving Families in Perpetuity



- **Trust accounts** representing more than **$19 billion** in assets under administration
- **No products** of any kind – purely **trust administration services**
- Work with all **outside investment managers and custodians** of the **clients' choice** globally
- Work with most types of **non-financial assets** (both onshore and offshore)
- **Excellent**, timely and inexpensive **reformation/modification** and **decanting statutes and processes**
- Currently work with over **75 billionaire** and **200 centa-millionaire** clients
- **Private Family Trust Company relationships** worth in excess of **$75 billion** (www.privatefamilytrustcompany.com)
- **250** combined **years of experience**
- **15%** of clients are **international families**
- Rated the **#1 trust jurisdiction** in the U.S. by *Trusts & Estates* magazine, (January 2007, 2004) / Highest ranked state: #1 in all categories (January 2014, 2012)

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