
NATIONAL ADVISORS TRUST COMPANY, FSB

DATE: 12-2-04
FROM: TOM LINHOFF
RE: NATIONAL ADVISORS TRUST COMPANY, FSB

Charter Authority

National Advisor's was granted a national trust charter by the Office of Thrift Supervision ("the OTS") on October 1, 2001, and pursuant to that charter National Advisors has the authority to do business in all fifty states. Because of preemptive language in the legislation authorizing the OTS to charter national trust companies, National Advisors is not subject to examination by state banking authorities. If you need further information regarding our charter authority please let me know.

Business Model

National Advisors Trust is a wholly-owned subsidiary of National Advisors Holdings, Inc. ("NAH"). *Amicus Financial Advisors, LLP* is one of one hundred twenty-two (122) financial advisory firms located in over thirty states who own equity interests in NAH (most firms hold less than a 1% interest). The mission of National Advisors Trust is to support the delivery of trust and custody services to the clients of NAH shareholders. Our business model incorporates the following concepts:

- National Advisors Trust will only accept the referral of trust and custody relationships from the shareholders of National Advisors Holdings, Inc., the parent of National Advisors Trust Company, FSB.
- National Advisors business model bifurcates the investment function from the administrative and custodial functions in trust relationships. NAH shareholders are expected to accept the investment responsibilities related to the account relationships they refer to National Advisors.
- National Advisors Trust will not "delegate" the investment function in a trust relationship to an investment advisor who is a shareholder of National Advisors Holdings, Inc. This delegation would represent an inherent conflict of interest and cause adverse regulatory consequences as discussed in the next section. The investment advisor (NAH shareholder) should in all cases be named by the grantor in the trust document to manage the investments.
- Without the involvement of the shareholder firm as the investment advisor in a trust relationship, National Advisors Trust will resign as Trustee.

- National Advisors acknowledges its direct legal responsibility to trust beneficiaries, but expects that the advisor firm shareholder will be a significant conduit in communications between the grantor and/or beneficiary and the trust company.

Ownership Structure and Regulatory Considerations

The ownership structure of National Advisors Trust is unique, and received significant regulatory scrutiny during the charter application process. From the regulators perspective, the prospect of 118 advisory firms located in a national market place owning a financial institution raised regulatory red flags. With this ownership structure there was a regulatory presumption that the shareholders of NAH were attempting to control a financial institution. This presumption, if substantiated, would have subjected each shareholder and their individual offices to significant levels of inspection, examination, and regulation. The trust company could potentially be deemed “located” in the offices where the Advisor Firms were situated, and the Advisor Firms would be “deemed” to be offices of the trust company, and as such, subject to Office of Thrift Supervision examination.

In order to rebut this presumption, the business plan of National Advisors Trust was drafted to clearly reflect that the trust company was independent, and its shareholders were functioning within standards that would result in the regulatory focus being placed on the trust company and not the shareholder firms. Decisions on account acceptance, fees, and account operation are discretionary with and solely within the purview of the trust company. A shareholder firm was not required to refer business to the trust company. Likewise, limitations were placed on the role and activities of the Advisor Firms. In order to achieve clarity regarding in the respective roles of the trust company and the individual advisor firms were restricted to only “marketing activities”, and the grantor in a trust document is required to name the Advisor Firm as the investment manager. With respect to discretionary accounts, (i.e. accounts that require the trust company to retain discretion with regard to the investment of account assets), National Advisors Trust agreed that it would not enter into investment management agreements with shareholder Advisor Firms, but would contract with independent non-affiliated investment managers to service the investment management responsibilities related to those accounts.

The Role of National Advisors and Amicus Financial Advisors, LLP

Any trust agreement drafted for a client of Amicus Financial Advisors, LLP which appoints National Advisors Trust, as Trustee, should specifically provide that National Advisors Trust will only discharge the administrative, distribution, and custodial responsibilities of the trust, with Amicus Financial Advisors, LLP specifically named as the investment advisor to discharge the trust’s investment functions. When National Advisors Trust is acting as Trustee and Amicus Financial Advisors, LLP is named as the investment advisor, National Advisors Trust must be relieved and released of liability for the investment management activities of the Trust. National Advisors Trust will not select an investment advisor, establish the scope of investments for the Trust, or supervise and monitor an investment advisor on a performance basis comparing the advisors performance to investment “benchmarks” or managers of like investment style. National Advisors Trust will, however, perform an administrative review of each trust at least once a year and more often if circumstances require.

After your review this document, please give me a call direct at 913-234-8204 and we can discuss any further questions you may have regarding National Advisors Trust.