BANK CRISIS TALKING POINTS

CALDWELL TRUST COMPANY
PERSONAL • TRADITIONAL • INDEPENDENT

What makes Caldwell Trust unique and why it matters to you.

CUSTODY DIFFERENCES MATTERS Caldwell Trust Company is an independent trust company. An independent trust company or a trust department of a bank must always hold assets for the benefit of their clients and can never corporately own the assets. In contrast, for a bank to loan money, it must take possession of client deposits in their corporate name so that they can legally loan the money. Brokerage companies employ the same principle with securities by taking legal ownership of client securities. Once owned, brokerage companies can loan these securities out to other entities. **By our banking charter, Caldwell can never take possession of client assets nor can we ever make a loan of any type.**

INSURANCE FDIC is insurance for cash and SIPC is insurance for securities. Banks and brokerage companies are required to have insurance because they make loans. When loaning money is your business model, there is a possibility that borrowers may not be able to pay back the loan. If enough borrowers default or if enough depositors demand their money back, this can lead to a bank failure. This is why regulators require insurance for banks and brokerage firms. CTC is not required by law to have either FDIC or SIPC insurance. Why not? Because CTC cannot loan our clients' assets.

SECURITIES Most securities are held at the Depository Trust Company (DTC). DTC is for securities what the Federal Reserve is for cash. Most investment managers use a custodial firm for access to DTC services. From our inception, CTC decided to directly join DTC and its affiliates. Therefore, there is no intermediary between CTC clients and their assets. All DTC eligible securities are registered in the CTC client's personal name and reconciled daily.

CASH All cash is ultimately held at the Federal Reserve, but is accessed through a member bank. Caldwell currently holds $150 million of clients' cash and utilizes six member banks. The FDIC insurance limit is $250,000 per entity. CTC solved being above the insurance limit by holding cash in the following ways:

- **ICS** – ICS stands for Insured Cash Sweep. When CTC holds cash at one of our banks, all monies in excess of $247,000 are redeployed through ICS to other banks at the rate of $247,000 per bank. If we have a $24.7million deposit at one bank, via ICS there are 100 banks each with a $247,000 deposit. This keeps 100% of that large deposit FDIC insured. ICS prevents any overlap between banks in the system.
- **COLLATERALIZED DEPOSIT** – If ICS is not used, we require our banks to provide a pledge of 102% of our deposit amount using only U.S. government securities. If the bank were to default on our deposit, we would be able to collect and sell those government securities to insure the return of our clients' monies.
- **TRUST DEPOSIT IN OUR SETTLEMENT BANK** – DTC requires us to use one of a handful of settlement banks. A settlement bank is one that will reconcile our daily net transactions with DTC. We utilize Huntington Bank as our settlement bank and hold all our cash in their trust department to keep it separate from the bank. Further, those assets are invested in a money market fund that owns only short term government securities.

IN CONCLUSION, CTC client assets and cash are always held to each client's order and their assets are never loaned out for any purpose. CTC is positioned to always have clients' assets available and deliverable at a moment's notice. A trust company or trust department of a bank is the safest place to hold assets.

BUILDING WEALTH | PRESERVING LEGACY