



Operational Safeguards

Here are questions that should be asked of any investment manager, along with answers that should confirm your confidence that Chevy Chase Trust offers the highest levels of fiduciary oversight and control in managing your assets.

1. What is Chevy Chase Trust's ownership and legal structure?

Chevy Chase Trust is a wholly owned subsidiary of Chevy Chase Trust Holdings, Inc., and is affiliated with a group of local financial firms controlled by the B.F. Saul family, including ASB Capital Management, B.F. Saul Insurance, B.F. Saul Real Estate Investment Trust, and Saul Centers. The Saul family's financial roots in the Washington, D.C. area were established over 100 years ago.

Chevy Chase Trust holds a non-depository trust company charter from the State of Maryland, where it has been incorporated since its inception in 1999. Under Maryland law, Chevy Chase Trust is required to maintain capital levels that are specified and periodically reviewed for adequacy by the Office of the Commissioner of Financial Regulation for the State of Maryland.

2. How do I know that my assets are safe?

Chevy Chase Trust is held to a strict fiduciary standard by law and must act in the best interest of its clients at all times.

Chevy Chase Trust segregates all assets held in any fiduciary capacity from Chevy Chase Trust's general assets. All client assets at Chevy Chase Trust are kept on a separate set of books and records showing details of all transactions and positions. Fiduciary assets would not be subject to any claims of general creditors of Chevy Chase Trust.

Chevy Chase Trust maintains a Code of Ethics as well as Policies and Procedures regarding the avoidance of conflicts of interests. These policies include topics such as brokerage placement practices, the investment of fiduciary funds, disclosure of material events, and the monitoring of employee personal securities transactions. Compliance

with all of these policies is audited annually by audit staff that have an independent reporting structure outside of Chevy Chase Trust, as well as periodically by all applicable regulatory agencies.

3. Who is watching you to make sure that my assets are safe?

Chevy Chase Trust is continually monitored to ensure the safety of client assets.

- Chevy Chase Trust is subject to fiduciary examinations by the State of Maryland.
- Chevy Chase Trust is also subject to investment advisory examinations by the Securities and Exchange Commission.
- Both the fiduciary and investment advisory examinations include a review of Chevy Chase Trust's financial statements, which are audited annually by McGladrey and Pullen, LLP. McGladrey and Pullen, LLP is a well-respected national CPA firm, with the depth and experience necessary to conduct an independent audit in accordance with the best practices of the accounting industry.
- An internal audit of Chevy Chase Trust's operations and administration is conducted on an annual basis.
- Chevy Chase Trust has a Chief Compliance Officer who is responsible for designing and implementing policies and procedures to prevent and detect securities fraud. The Chief Compliance Officer has extensive experience in banking and investments, and has an independent reporting structure that alleviates any potential conflict of interest or undue influence.
- Chevy Chase Trust has a Management Committee and other sub-committees that consist of the senior managers of the Company. The Committee meets monthly to review and approve the activities of the prior



month: new and closed accounts, discretionary account distributions, account reviews, investment performance, investment policy changes, financial results, compliance activities, audit reports, investment performance and regulatory issues.

- The Management Committee is chartered by and reports directly to Chevy Chase Trust's Board of Directors which meets to review and ratify the activities of the Management Committee.

4. Who is in charge of holding my assets and sending me my statements?

SEI Private Trust Company ("SPTC"), a federal savings bank chartered and regulated by the Office of the Comptroller at the Currency, serves as Chevy Chase Trust's sub-custodian. SPTC has more than 110 bank and trust clients across the United States, including nine of the top ten banks.

In its sub-custodian role, SPTC provides the following administrative services in a professional and efficient way for Chevy Chase Trust clients:

- 1) Settlement of all securities trades;
- 2) Reconciliation/confirmation of all asset positions where they are deposited;
- 3) Production of all account statements;
- 4) Posting of all dividend income and corporate action distributions (splits, mergers, tenders, etc.);
- 5) As appropriate, issuance of checks and wires (using Wells Fargo as its clearing bank);
- 6) All mutual fund trades;
- 7) All claims for class action suits.

SEI Private Trust Company has numerous internal committees including internal audit. PricewaterhouseCoopers LLP, one of the largest and most respected accounting firms in the United States, is SPTC's external auditor.

All Chevy Chase Trust fiduciary assets are held in a custody account in SPTC's name, for the benefit of Chevy Chase Trust and further credit to our respective clients. As a trust institution, SEI Private Trust Company segregates assets it custodies from its own assets. By doing so, the assets in a Chevy Chase Trust custody account do not become the assets of SPTC but remain the assets of Chevy Chase Trust's respective clients. Therefore, in the unlikely event of SPTC's insolvency, SPTC's creditors would have no legal claim to such assets.

If clients have a desire for further information about SEI Private Trust Company, upon request and on a confidential basis we can make available its Statement on Standards for Attestation Engagements No. 16 Report (SSAE-16). The SSAE-16 Report is an auditing standard developed by the American Institute of Certified Public Accountants. An auditor's examination performed in accordance with SSAE-16 is widely recognized, because it represents that an organization has been through an in-depth audit of its control objectives and control activities, which often include controls over information technology and related processes.

All Chevy Chase Trust client assets are held by SEI in a further depository, depending on the depository eligibility of each asset:

- 1) The Depository Trust Company holds all securities other than Treasury, foreign, and certain municipal securities. This is a function it serves for every custodian, trust company, and brokerage firm in the United States.
- 2) US Bank N.A Trust holds all treasuries in its accounts at the Federal Reserve Bank of Cleveland.
- 3) The Bank of New York Mellon holds foreign securities, physical securities, and certain municipal securities.

5. How can I be sure that the holdings in my reports actually exist?

Every marketable security shown on a Chevy Chase Trust client account statement must be accounted for and held by a custodian or depository.

(continued on next page)



Chevy Chase Trust account balances are confirmed and reconciled three times each month by SEI Private Trust Company. SPTC reports anything that does not reconcile to Chevy Chase Trust management for resolution. In addition, Chevy Chase Trust reviews the month-end reconciliation reports to ensure that there are no problems.

SEI Private Trust Company's annual SSAE-16 Report describe the controls in place and document their testing by PricewaterhouseCoopers LLP, SPTC's independent auditor. This report is reviewed by the management of Chevy Chase Trust on a regular basis.

6. What would happen if an error were made in my account?

In the unlikely event that an error was made in your account, Chevy Chase Trust maintains Professional (Errors & Omissions) Liability insurance with coverage of \$20 million, a Financial Crime Bond in the amount of \$10 million, and an Umbrella Liability Policy for \$60 million. In addition, Chevy Chase Trust's sub-custodian, SEI Private Trust Company, carries Errors & Omissions Insurance coverage of \$80 million. Chevy Chase Trust has never had to make an insurance claim under any of its policies.

7. Is there any reason why I should not custody my assets with the same firm that manages them?

We believe that separating investment management and custody at Chevy Chase Trust would not add to asset safety since all custodians, whether banks, trust companies, or brokerage firms, use some combination of a select network of sub-custodians and depositories. Depending on the alternative custodian, the separation of investment management and custody may actually result in less asset security.

In addition, hiring a different custody firm can result in higher fees, delayed reporting, missed investment opportunities, and periodic unreconciled account statements. The investment manager/custodian roles in which Chevy Chase Trust serves are in line with the trust company model practiced for generations by such firms as Bessemer Trust, Northern Trust, and U.S. Trust. In addition, no matter the custodian, it is a near certainty that all eligible assets will ultimately be held at the Depository Trust Company, as are assets custodied at Chevy Chase Trust.

8. Can I trust the people who are running your firm?

We hope you trust the people at Chevy Chase Trust. We are a group of highly-experienced investment and trust professionals who average nearly 20 years of industry experience. We come from a diverse collection of well-respected financial institutions. Background checking of all prospective employees ensures absence of fraudulent or pertinent criminal activities in their pasts.

However, we do not believe in trust alone. We think that clients should 'trust and verify'. This is why we work with high quality, recognizable partners and vendors, and invite all clients to scrutinize us and them. Our commitment to each client's security is evident in our transparency, the information we provide, and our responsiveness to all questions.