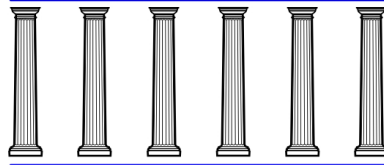


## TRUST & FIDUCIARY



Management Services, Inc.

## **Disclosure Brochure**

Form ADV, Part 2A, version 1.2  
March 30, 2012

This brochure provides information about the qualifications and business practice of Trust & Fiduciary Management Services, Inc. If you have any questions about the contents of this brochure, please contact us at 617-896-3689. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Trust and Fiduciary Management Services, Inc. (“TFMS”) also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). TFMS is a registered investment advisor. Registration does not imply any level of skill or training beyond that stated in the biographical description.

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## Material Changes

Version 1.0 – first release new ADV format. No material content changes between this document and the TFMS ADV part 2 dated March 31, 2010

Version 1.1 – update to reflect TFMS’ new office location

Version 1.2 – Annual update for fiscal year ending 12/31/2011. There were two material changes in this version since the last annual update of this brochure on March 31, 2011: TFMS is now a sub-adviser to a public mutual fund and TFMS has eliminated the conflict of interest with our associated research company.

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## Advisory Business

Trust & Fiduciary Management Services, Inc. (TFMS) was organized within a larger firm in 1990 to service high net worth individuals, institutions, and trust companies. In 2000 TFMS became an independent firm. Today, TFMS is a wholly owned subsidiary of Copell Financial, LLC. Steven C. Carhart and James L. Copell own majority control of Copell Financial, LLC, while TFMS employees and outside investors own the remaining interest.

TFMS specializes in individual portfolio management focusing on the unique investment needs of our clients. This management is performed under a contract directly with the client or through a sub-advisory relationship with other companies. We are also engaged in the development of products based on our experience managing these individual portfolios. As of March 2012, we are managing approximately 100 million in assets with discretion exercised on 92 million.

TFMS offers two investment strategies managed entirely in-house, an additional strategy managed using a model from a partner firm, and has relationships with other institutions which offer strategies complementary to our directly managed products. Should a client desire or we deem it advantageous, we will recommend these products to our clients.

TFMS has developed an income based strategy we call the TFMS Matrix Income Portfolio. This strategy generates income without the issues normally involved in a traditional bond-based fixed income strategy. Our traditional equity strategy we call Core Equity and it is available in either an equity only or balanced account allocation. We also offer an International Equities strategy which is based on a model provided by a like-minded firm with expertise in international investing. For additional information about these strategies, including customization to specific needs and considerations, please see the section on methods of analysis below on page 7. To view our performance, please request our composite sheets.

TFMS also supplies a turn-key investment management service to banks, trust companies, financial planners, insurance agencies, investment advisors, brokers and other entities. This out-sourcing service consists of discretionary and non-discretionary asset management, performance calculation compared to established benchmarks, appraisals, transaction reports and various written reports and letters on various topics of interest to investors. These services are supplied under sub-advisory agreements with a fee splitting arrangement or on a flat fee basis.

## Fees and Compensation

We utilize a tiered fee schedule of a percentage of assets under management as opposed to a flat rate or a flat fee for our advisory services. Here is our standard fee schedule. Please note, this is a starting point and is often negotiated.

<u>Tier</u>	<u>Rate</u>
The First \$500,000	1.25% (125 basis points)

Portion of account over \$500,000 but less than \$2,000,000	1% (100 basis points)
Portion of account over \$2,000,000 but less than \$5,000,000	0.8% (80 basis points)
Portion of account over \$5,000,000	0.6% (60 basis points)

*We offer a discount of 20% of the total fee to charitable organizations.*

No matter the total size of the account, up to \$500,000 is billed at 1.25%. Any amount over \$500,000, but less than 2 million, is billed at 1%, etc. This fee scale is a starting point and is often negotiated. We prefer to deduct the fees directly from the client's account but we do bill the client if the client desires it or would prefer to pay fees from an alternate account. Our normal billing cycle is quarterly in arrears but this is also negotiable. If a client terminates prior to the end of a quarter and has paid a fee in advance for the quarter, we will reimburse for the unused portion of the fee.

Our fees are negotiated with each institution or entity for which we act as a sub-advisor. These fees vary depending on the services offered and the nature of the book of business. In separately managed account relationships, the fees charged to the client are similar to our base fee schedule (presented above) but are shared between us and the other company. In pooled investment vehicle relationships, such as Open Ended Mutual Funds, the fees charged to the client are dictated by the fund. Information about these fees is available from the fund directly.

Investment accounts are subject to other expenses besides our management fee. These fees would be present if the client were trading their account themselves. These fees are broken into two categories, Brokerage and Custody. Brokerage fees are costs associated with buying and selling stocks, similar to a processing fee on a credit card or a check cashing fee, while custody fees are the costs associated with maintaining the account, similar to an annual fee on a checking account. Brokerage fees are either charged on a per-trade basis or a per-share basis. For example, to purchase 1000 shares with a per-ticket charge of \$9.99, the commission would be \$9.99. To purchase 1000 shares with a per-share charge of \$0.03/share would be \$30. Brokers provide additional services beyond execution to which TFMS gains access by maintaining a trading relationship with them. TFMS balances the value the broker provides through quality of execution and these additional services against the cost in directing the brokerage of trades on behalf of our clients. There may be a conflict of interest in this relationship which is discussed in depth under the Brokerage Practices section of this document. TFMS, and our supervised persons, do not accept compensation for the sale of securities or other investment products, including asset based sales charges or service fees from the sale of mutual funds.

## **Performance-Based Fees and Side-by-Side Management**

TFMS does not charge any performance-based fees. However, since we charge on a percentage basis, our fee in real dollar terms scales with the value of the account.

## **Types of Clients**

TFMS manages investment portfolios for individuals, directly and through sub-advisory relationships, retirement plans, trusts, foundations, investment companies (including open ended mutual funds), state or municipal government entities, and other entities. Discretionary management services are supplied under management contracts which grant TFMS the powers to buy and sell securities directly in the client's investment account.

We do not have a minimum account size except as dictated by our investment strategies underlying instruments. In general, we have found that our strategies are not practical with less than \$100,000 and a client with less than \$100,000 will find little value in retaining our services directly. Our strategies may be available to individuals with less than \$100,000 by investing with an investment company which in turn has hired TFMS as a sub-adviser to the fund. A list of such funds is available upon request. We do, however, have direct clients with multiple accounts or accounts they control for the benefit of family members which are under the \$100,000 level. In these situations we manage the account according to the specific needs of the client and these accounts do not fit into one of our established strategies.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

TFMS offers two types or styles of investment management: Core Equity and Matrix Income. Our International Portfolio is a sub-advised product managed according to a model that mirrors our Core Equity strategy in the international arena utilizing American Depository Receipts (ADRs) to obtain foreign exposure. Accordingly, the discussion of Core Equity valuation and risk here should be considered valid for International as well. Investing in securities involves risk of loss that clients should be prepared to bear. For information specific to our International product please contact us at 617-896-3689.

### *Matrix Income*

Increasingly erratic returns from equity markets in recent years have prompted a reassessment of their investment objectives on the part of many investors. If an intermediate time horizon (3-5 years) is indicated and the potential need for income in the event of retirement, job loss, or burnout is of concern, more investors are considering this type of strategy. This approach is also finding increased acceptance for endowment funds charged with supporting current operations of not-for-profit institutions. Although these strategies will not produce returns comparable to equities in a good year, consistent returns in the high single digits are often regarded as sufficient to achieve investment objectives. The primary objective of this investment program should be to achieve returns—largely from dividend and interest income—higher than are typically available from investment grade bond portfolios or insured deposit instruments without taking the risk inherent in traditional equity portfolios. However, our Matrix Income strategy is a higher risk strategy compared to a well-managed and conservative bond portfolio.

The risk and volatility of our Matrix Income Portfolios are expected to be greater than traditional investment grade bond portfolios, but less than equity portfolios. Market value of the principal is subject to fluctuation and is not guaranteed, either at maturity or

on a daily basis. Neither is the rate of payment of income, which is subject to the discretion of the boards of directors of the entities whose shares are held. However, rates of income payment of these instruments vary only slowly over time, and the manager makes every professional effort to select instruments whose income payments are likely to be stable or improve. In addition, the diversification of the portfolio among types of holdings and individual issues serves to reduce the impact of any change in market value or income payment. Moreover, because income payments vary only slowly over time, they may be considered sustainable for planning purposes even during market value fluctuations.

The largest risk to the principal in a Matrix Income Portfolio is the freezing of the credit markets. Some of the securities we utilize in this portfolio are directly affected by the credit markets and other securities are sensitive to them indirectly. While all securities are exchange-traded and liquid, a sudden need to liquidate or raise cash in excess of that produced through dividends and interest can result in significant loss of principal.

Matrix Income investment ideas begin with a screening process designed to identify likely candidate securities based on yield and the current needs in the portfolio, as determined by the manager. Occasionally a candidate security is identified by other means such as a 3<sup>rd</sup> party research source/recommendation. The manager determines what the portfolio needs or is missing based on macro-economic factors and the manager's assessment of the portfolio's overall diversification. The candidate securities are then investigated in detail utilizing various 3<sup>rd</sup> party research and the analysis techniques, where applicable, used in Core Equity. This allows the manager to develop an understanding of how much risk a security represents in exchange for the income generated. The ultimate buy and sale decisions, as well as the composition of the portfolio, are made by the portfolio manager in his sole discretion.

For a full explanation and introduction to our Matrix Income Portfolios, please request the full explanation of Matrix Income by contacting us at 617-896-3689.

### *Core Equity*

Core Equity is an equity only strategy consisting of between thirty and fifty different stocks. It uses the S&P 500 stock index as a benchmark. The goal is to accomplish returns in excess of this index. This means that it is not unexpected for the portfolio to be down when the index is down. The portfolio has, as a secondary goal, to also exceed the S&P 500 dividend yield.

Our Core Equity investment process combines both valuation and a measure of current operating success. The valuation process utilizes a discounted cash flow model that is based on work by the Nobel laureates Franco Modigliani and Merton Miller. This model allows us to put a current and future value on the company. We examine operating success by comparing corporate operating results to market expectations. Our equity managers combine these two "ways of thinking" together with insight from various research products and their investment experience into specific purchase and sale decisions. This analysis is repeated weekly or more frequently if the manager deems it necessary.



The generation of candidate stocks can begin with screens (both within the model and independently), with 3<sup>rd</sup> party research, news articles, or other sources of information. Once the idea has been generated the analysis is performed and an ultimate decision is made by the manager about the stock. This decision is either to buy it, to wait for a better price, or to discard the candidate.

Because Core Equity consists of between thirty and fifty stocks, it is a relatively concentrated portfolio. This amplifies the effects of individual issues when compared to broadly diversified equity accounts consisting of hundreds of different positions. While every effort is made to select low-risk companies utilizing the above mentioned model and methods, unforeseen events, such as natural disasters, can have a larger effect in our Core Equity portfolios when compared to more traditional equity strategies.

For a full explanation and introduction to our Core Equity portfolios, please request the full explanation of Core Equity by contacting us at 617-896-3689.

#### *Balanced Portfolios*

Our balanced accounts are constructed by starting with our Core Equity portfolio and adding income producing securities utilized in our Matrix Income portfolios to enhance the income component of the return. The specific securities utilized are determined by our Matrix Managers based on the risk profile of the client, the breakdown of the account between Core and Income, and the overall size of the account. In many cases, the income portion consists of a sub-set of the securities normally utilized in a purely Matrix portfolio.

#### *Cash Management*

In our view, cash management is an important service to our clients. Besides short term instruments such as commercial paper, treasury bills, and money funds, we may use high grade adjustable rate tax exempt securities which produce an above average return with minimal risk. These are generally state specific municipal bond money market funds.

### **Disciplinary Information**

We have no disciplinary history either at the federal or state levels.

### **Other Financial Industry Activities and Affiliations**

Besides the affiliations described here under Brokerage Practices, we are under common control, through our parent company, with a small research enterprise specializing in requested reports. This enterprise no longer publishes research except to ratings agencies to maintain their historic research record. At the present time TFMS is the only client of this research company. The potential conflict of interest which existed in the past between TFMS and the research company's other clients has been eliminated by TFMS obtaining exclusive access to the research company's reports. This has allowed us to work closely and take full advantage of their research abilities.

## **Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading**

We require that all TFMS personnel agree and adhere to our Code of Ethics and Insider Trading Policy. Our code of ethics ensures that our clients remain the most important priority and that our personal investment activity is not in conflict with the activity taken on behalf of our clients. Our Code of Ethics is designed to prevent violations of the federal securities laws.

When our personnel invest their personal assets they can create a conflict of interest between themselves and our clients. This conflict has the potential to motivate the individual to make recommendations to clients which benefit them instead of the client. In order to remove this incentive, our Code of Ethics prevents our personnel from trading while the client's account is being traded and for a period both before and afterwards.

- TFMS personnel may not trade at the same time in the same stock (or related securities like warrants, options, and futures) as we are trading in our client's accounts. They are also prohibited from trading the security for a period before the client's account is traded.
- TFMS personnel may not buy or sell securities between a client and their personal account
- TFMS personnel are not permitted to take part in initial public offerings
- TFMS personnel may only act as an investment advisor through TFMS
- All personnel trading must be disclosed to TFMS and is reviewed for adherence to our policies.

Our insider trading policy ensures that our investment decisions are not utilizing non-public information by setting down and defining what information is considered non-public and what steps must be taken when such information is acquired.

Both our insider trading policy and code of ethics are part of a larger operations and compliance manual. This manual is updated as necessary and all TFMS personnel are required to review it once a year. The complete text of the insider trading policy and code of ethics is available upon request. To receive a copy, please contact Elijah Martin-Merrill at [elijahmm@tfmsbos.com](mailto:elijahmm@tfmsbos.com) or 617-896-3698.

## **Brokerage Practices**

TFMS maintains a number of relationships with various brokerage houses. These relationships allow us to receive services which are unique to each broker for the benefit of our clients. These services include proprietary research, execution services, access to traders, soft dollar research support, and, should the client request it, margin loans. We also benefit from these services as we do not have to develop the research in-house or pay for it directly.

Brokers are selected on the basis of best overall price and execution, services offered, and financial strength. We do utilize soft dollars to pay for 3<sup>rd</sup> party research and related services for the benefit of our clients. No attempt is made to segregate these benefits to only the accounts which generated the soft dollars. These soft dollar arrangements may result in higher commissions than those obtainable through other broker-dealers. This research is used to service all of our clients and consists of sophisticated statistical databases and electronically delivered/accessed research information such as company, industry, and economy specific research reports and 3<sup>rd</sup> party ratings of securities. The presence of a Soft Dollar account with the broker and services provided which are linked to trading volume do factor into our selection of brokers. Where execution and best price are equal, TFMS directs brokerage on a trade-by-trade basis to maximize the desired benefits received. Once these benefits are secure, minimizing cost becomes the deciding factor in brokerage selection. While we endeavor to never sacrifice best execution, services received from brokers may create an incentive to sacrifice most favorable execution in favor of brokerage related services.

Whenever possible we utilize economies of scale to reduce the cost to our clients. This includes combining orders across accounts wherever possible (block trading) and then allocating the shares. When the client directs us to trade with a specific brokerage, either directly or because they were introduced to us through that broker, we are unable to obtain the most favorable execution of trades for that client.

TFMS accepts referrals from brokers either on a solicitor basis or a sub-advisory contract. In both of these situations, the broker in question opens the account on behalf of the client prior to the client assigning investment authority to TFMS. The result is that the broker receives commissions for any trades we initiate. There is a conflict of interest because the client may be paying higher commissions while we are benefiting by having the broker refer clients. We mitigate this concern by examining the broker's commission schedule at least annually and comparing it to the schedules of similar brokers to ensure the fees are competitive.

In some situations a broker may refer a client to TFMS without the custody and brokerage services being provided through that broker. In these situations, the broker may receive a portion of the brokerage business generated by the account. We require that the commissions charged by the referring broker be equal or less than other brokers we place trades with. This ensures that the client is not paying higher commissions because of the introduction.

When trading for multiple accounts, we aggregate trades into as few orders as possible. This ensures that we do not show favoritism among our clients. This also attempts, wherever possible, to ensure all clients receive the same price for a given security. However, trades which span multiple brokers will have differences. In order to minimize these differences, we submit trades which span multiple brokers nearly simultaneously with care given to not bid against ourselves. Our investment decisions are made at the investment strategy level, not the individual account level. This means that our decision to trade an account is made simultaneously for all accounts within an objective and any differences in treatment come from the execution of that decision.

## **Review of accounts**

All accounts are under continuous review and are essentially invested according to one of our styles. In cases of low tax cost, client restrictions, or other factors which cause us to hold a security we would not normally hold, the position is reviewed at least monthly. The review is conducted by the primary investment advisor on the account's investment objective and usually incorporates at least one other of our professionals.

We send a quarterly investment review to our clients. This report, which is essentially a performance report, is tailored to the account's investment objective. It is supplemental to the report provided by the custodian and is designed to facilitate communication with our advisors.

## **Client Referrals and Other Compensation**

TFMS utilizes solicitors in our marketing efforts and strives to make these relationships as transparent as possible. Any solicitor working on behalf of TFMS must disclose the terms of our relationship to the prospective clients before they agree to become one of our clients. This disclosure is documented by the solicitor and acknowledged, in writing, by the client. Solicitors, depending on the situation, may be empowered to negotiate the fee charged to the client. However, they are never permitted to exceed our standard fee schedule disclosed herein. Solicitors are paid their solicitation fees, either a fixed fee or a percentage of the total fee, from the management fee we receive from the client. The exact terms of compensation are included in the solicitor's disclosure to prospective clients.

In addition to utilizing solicitors, TFMS maintains cross-marketing agreements with some like-minded firms. We only enter into these agreements if the other firm has no conflicting products. For example, a private equity fund of funds company may refer clients not suited for their product to us and should one of our clients be interested in private equity we refer that client to the private equity company. Should TFMS receive direct compensation for these referrals or pay for referrals from other firms these arrangements are disclosed to the client at the time the referral is made.

## **Custody**

TFMS accepts trading authority on our client's accounts with any restrictions the client may choose. We do not accept physical custody of any client assets. We are deemed to have custody of client assets through situations in which the client has established standing instructions with the custodian for the payment of our management fee. In those situations, we require our clients to place their assets with a qualified 3rd party, for instance a broker or a bank, to maintain the investment account. These 3<sup>rd</sup> party custodians report on the transactions and holdings in the account directly to our client and can be used to verify the information in the performance reports we provide. Our clients only grant us a limited power of attorney to manage the investments in the account. TFMS does not accept authority to distribute assets from client accounts either directly to the client or to 3rd parties, although we do advise the custodian of the amount of our management fee.

## **Investment Discretion**

TFMS normally has discretion over the trading in our client's investment portfolios but never accepts this authority without specific investment guidelines from the account owner. These guidelines may be a specific policy statement or investment style, statistical restrictions, partial discretion, or any combination of these. In some circumstances clients place restrictions on our authority when there are tax, political, or personal issues surrounding a specific holding. In these situations our discretion is limited with certain actions requiring the client's approval prior to it being taken. In rare occasions, a client will retain our services on a non-discretionary basis. In these instances either the client places the trades themselves or we obtain client approval of every action we wish to take on their behalf.

## **Voting Client Securities**

TFMS does not accept proxy voting authority. We will advise our clients on how to vote when the decision may materially affect the composition of the client's account, such as adversely impacting the value of the client's shares through a merger. The custodian or transfer agent delivers the proxies or other solicitations from investments directly to the client. Should we receive these communications from the custodian or transfer agent we will forward them to the client. Our clients can always contact us at 617-896-3689 to discuss these communications.

## **Financial Information**

We do not require prepayment of fees. Some clients prefer a pre-payment schedule in which case we accept pre-payments one quarter in advance. We do not currently foresee any financial situation that would prevent us from meeting our contractual obligations to our clients nor have we experienced such a situation in the past.



## **Privacy Notice**

Trust & Fiduciary Management Services has put in place the following policies to maintain the security and confidentiality of your information which is maintained by TFMS. TFMS does not share any of your personally identifiable information with any 3<sup>rd</sup> parties except where required to do so by law. Any service provider to TFMS which requires client information to accomplish their job is provided with the least possible access and must adhere to strict security procedures. These procedures are monitored by TFMS as laid out in our 3<sup>rd</sup> party service supplier policies which are available upon request.

### **Administrative Safeguards (Managers / Employees)**

1. Information owned by TFMS must be treated with the same care as any other firm asset. All employees are responsible for the protection of information.
2. All employees must understand and adhere to the firm's privacy policies. Employees, including temps, must acknowledge and review TFMS's privacy policy, and must certify their compliance with the policy on an annual basis.
3. Employees must safeguard information in their possession to prevent access by unauthorized individuals (e.g., conceal confidential client information). Departing employees must not take with them or disclose nonpublic customer information.
4. Management must protect information used in their area, implement information protection standards and procedures, and ensure that all employees under their supervision understand and follow the firm's privacy policy.
5. Management must limit access to client information to those employees that need access to the information to provide services to the client or conduct firm operations.
6. To prevent unauthorized disclosure, employees should not give personal information out over the telephone or in response to an e-mail unless they have identified the person to whom they are communicating as either the client, a fiduciary representative of the client, or a party that needs information to complete a transaction for the client, e.g., broker-dealers and custodians.
7. Employees must report any attempted violations of security controls to the Compliance Officer.

### **Physical Safeguards**

1. Client information should not be left in offices or conference rooms unattended.
2. Make sure all client records are appropriately secured at the end of the day.

3. Lock door to office(s) at the close of business.
4. Visitors should not be permitted to walk unattended in areas where client information is accessible.
5. Destroy or shred documents containing client information prior to disposal.
6. Regularly test any physical safeguards to confirm they are operating properly.
7. Protect against destruction of customer information due to potential physical hazards, such as fire and water damage (i.e., smoke and water detectors).

#### **Technical Safeguards (Application & Data Security)**

1. All computer systems must limit access to authorized users.
2. Access to client information must be restricted to those employees who need access to the information to service the client or conduct firm operations.
3. Computer systems must be protected with individual user identifiers, each with a required password. Passwords must be kept confidential and secure.
4. PCs with access to client information should not be left unattended.
5. Access privileges previously granted to those who are terminated or whose responsibilities change must be promptly revoked.
6. All emails sent that contain confidential client information should be accompanied with the following disclaimer: "The preceding email message contains information that is confidential and may constitute non-public information. It is intended to be conveyed only to the designated recipient(s). If you are not the intended recipient of this message, please immediately notify the sender. Unauthorized use, dissemination, distribution or reproduction of this message is strictly prohibited and may be unlawful."
7. All facsimiles sent that contain confidential client information should contain the following disclaimer on the fax cover: "CONFIDENTIALITY NOTICE: The information contained in this facsimile is intended for the confidential use of the above named recipient. If the reader of this message is not the intended recipient or person responsible for delivering it to the intended recipient, you are hereby notified that you have received the communication in error, and that any review, dissemination, distribution, or copying of this communication is strictly prohibited. If you have received this in error, please notify the sender immediately by telephone at the number set forth above and destroy this facsimile message. Thank you."
8. All computers should be protected with approved anti-virus software or hardware. All occurrences of computer viruses must be reported promptly.



9. Computer hardware must be installed in areas with restricted access and either be physically secured or stowed in a locked area when not in use. In addition, fax machines should have limited access and be located in secure areas.
10. All systems/critical applications must be backed up each night.

### **Sharing Data with Law Enforcement Agencies**

As a result of the September 11 terrorist attacks on America, Congress and Washington's regulatory agencies requested from financial institutions all financial data that could lead investigators to individuals financing terrorism. In the event any regulatory agency requests customer personal/financial information from TFMS for investigative purposes, TFMS will fully comply with such requests and will provide the information under the following guidelines:

1. Compliance should be immediately notified of any government or regulatory requests for customer personal information.
2. TFMS will fully cooperate with law enforcement agencies and their investigative government authorities in terms of sharing customer information. Compliance must first verify that such authorities are employed with the government agency, and/or be provided with a signed judicial subpoena or compliance certificate from the law enforcement agency.
3. TFMS will only provide the specific information requested, and not provide any additional or unsolicited information.