



The Northern Trust Company

Presentation to Indian Trust Commission June 11, 2012

Presented by:

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Executive Vice President and
Chief Fiduciary Officer



Northern Trust

northerntrust.com



SOURCE OF FIDUCIARY AND INVESTMENT AUTHORITY

I. Guardianship

- Guardian Statute
- Judicial Order
- Fiduciary and Investment Duties Established by Statute and Common Law (see Appendix A)

II. Probate Estate

- Will & Codicils
- Probate Code
- Fiduciary and Investment Duties Established by Terms of Will or Statute and Common Law

III. Trust

- Trust Document & Amendments
- Trust and Trustees Act/Prudent Investor Act
- Fiduciary and Investment Duties Established by Trust Terms or Statute and Common Law
 - Prudent Investor Act (see Appendix B)



INVESTMENT MANAGEMENT PROCESS

- Economic and Capital Market Analysis
- Investment Policy Committee* Aggregates All Expertise & Oversees its Application
- Portfolio Manager (PM) has Primary Responsibility for Asset Management
- Fiduciary Relationship Manager (FRM) Reviews Governing Instrument, Applicable Statute, Judicial Orders to Determine Investment Authority
- PM & FRM Confer with Co-Fiduciary and Beneficiaries
- PM Determines (with FRM)
 - Investment Objective and Strategy (Consistent with Nature and Purpose of Trust)
 - ◆ Trust Goals and Risk Objectives
 - ◆ Liquidity and Cash Flow Needs
 - ◆ Investment Horizon
 - ◆ Taxability
 - Asset Allocation (Determined in Accordance with Investment Policy Committee Guidelines)
 - ◆ Balance Between Active and Passive Investment Strategies
 - ◆ Mix of Proprietary and Independent Investment Managers
 - ◆ Cost of Investment Alternatives
- PM Constructs Portfolio, Manages, and Periodically Rebalances
- PM Performs Performance Analysis and Attribution

*See Appendix C



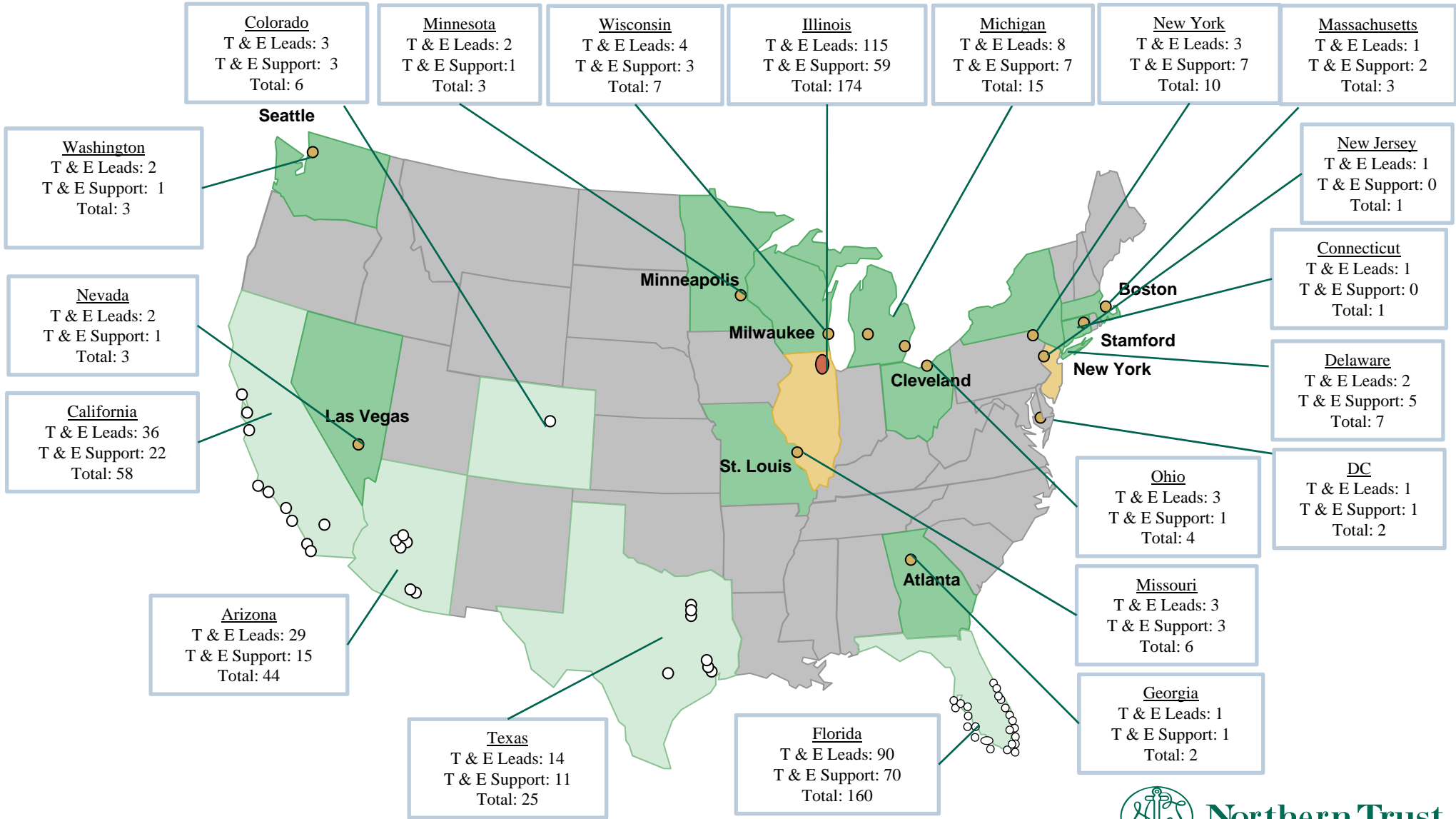


TRUST RELATIONSHIP MANAGEMENT PROCESS

- Initial Review and Due Diligence
- Relationship Assignment
- Document and Relationship Analysis
- Determine Fiduciary Objectives and Authority
- Summarize Trust/Estate Plan
- Initiate and Maintain Beneficiary Communications
- Review Beneficiary's Financial Circumstances and Needs
- Exercise Fiduciary Discretion
- Distribute Trust Income and Principal in Accordance with Trust Terms and/or Discretionary Authority
- Engage Advisory Resources as Needed
 - ◆ Family Education and Governance
 - ◆ Financial Consulting
 - ◆ Wealth Transfer Planning
 - ◆ Charitable Planning
 - ◆ Tax Planning



- Former Federal Savings Bank (FSB) Locations
- Former Northern Trust National Association (NTNA) Locations
- The Northern Trust Company





ACCOUNT ADMINISTRATION PROCESS

Account Set-up, Coding, and Distribution

- Legal and Tax Review
- Multi-Level Coding
- Plans of Division

Asset Servicing and Custody

- Asset Collection
- Asset Valuation
- Income Collection
- Securities Transaction Execution and Reconciliation
- Capital Changes

Principal and Income Accounting

Client Statements and On-Line Access (Private Passport)

Tax Accounting and Compliance

Beneficiary Tax Reporting

Special Asset Management and Administration

- Real Estate
- Mineral Interests
- Closely Held Businesses
- Non-Marketable Loans
- Intellectual Property





ACCOUNT ADMINISTRATION PROCESS (continued)

Risk Management

- Staff Training
- Fiduciary Policies, Guidelines, Procedures
- Compliance and Auditing
- Regulatory Oversight
- Fiduciary Counseling by Chief Fiduciary Officers
- Consultation with (Internal) Trust Counsel
- Conflict Resolution
- Litigation Management
 - ◆ Internal Counsel
 - ◆ Outside Counsel





Common Law Duties of a Trustee:

Appendix A

- Duty to administer trust according to its terms
- Duty of loyalty
- Duty to keep accounts
- Duty regarding delegation
- Duty to collect and keep control of the assets
- Duty to preserve trust property
- Duty to deal impartially with the beneficiaries
- Duty to exercise reasonable care and skill
- Duty to furnish information
- Duty to keep property separate
- Duty to enforce claims
- Duty to defend actions
- Duty to keep trust property separate
- Duty to make assets productive





UNIFORM PRUDENT INVESTOR ACT

Appendix B

Section 1. Prudent Investor Rule:

- a) Except as otherwise provided in subsection (b), a trustee who invests and manages trust assets owes a duty to the beneficiaries of the trust to comply with the prudent investor rule set forth in this [Act].
- b) The Prudent Investor Rule, a default rule, may be expanded, restricted, eliminated, or otherwise altered by the provisions of a trust. A trustee is not liable to a beneficiary to the extent that the trustee acted in reasonable reliance on the provisions of the trust.

Section 2. Standard of Care; Portfolio Strategy; Risk and Return Objectives:

- a) A trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution.
- b) A trustee's investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the trustee portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust.
- c) Among circumstances that a trustee shall consider in investing and managing trust assets are such of the following as are relevant to the trust or its beneficiaries:
 - 1. General economic conditions;
 - 2. The possible effect of inflation or deflation;
 - 3. The expected tax consequences of investment decisions or strategies;
 - 4. The role that each investment or course of action plays within the overall trust portfolio, which may include financial assets, interests in closely held enterprises, tangible and intangible personal property and real property;
 - 5. The expected total return from income and the appreciation of capital;
 - 6. Other resources of the beneficiaries
 - 7. Needs for liquidity, regularity of income, and preservation or appreciation of capital; and
 - 8. An asset's special relationship or special value, if any, to the purposes of the trust or to one or more of the beneficiaries.
- d) A trustee shall make a reasonable effort to verify facts relevant to the investment and management of the trust assets.
- e) A trustee may invest in any kind of property or type of investment consistent with the standards of this [Act].
- f) A trustee who has special skills or expertise, or is named trustee in reliance upon the trustee's representation that the trustee has special skills or expertise, has a duty to use those special skills or expertise.





Appendix B

Section 3. Diversification:

A trustee shall diversify the investments of the trust unless the trustee reasonably determines that, because of special circumstances, the purposes of the trust are better served without diversifying.

Section 4. Duties at Inception of Trusteeship:

Within a reasonable time after accepting a trusteeship or receiving trust assets, a trustee shall review the trust assets and make and implement decisions concerning the retention and disposition of assets, in order to bring the trust portfolio into compliance with the purposes, terms, distribution requirements, and other circumstances of the trust, and with the requirements of this [Act].

Section 5. Loyalty:

A trustee shall invest and manage the trust assets solely in the interest of the beneficiaries.

Section 6. Impartiality:

If a trust has two or more beneficiaries, the trustee shall act impartially in investing and managing the trust assets, taking into account any differing interests of the beneficiaries.

Section 7. Investment Costs:

In investing and managing trust assets, a trustee may only incur costs that are appropriate and reasonable in relation to the assets, the purposes of the trust, and the skills of the trustee.

Section 8. Reviewing Compliance:

Compliance with the prudent investor rule is determined in light of the facts and circumstances existing at the time of a trustee's decision or action and not by hindsight.





Section 9. Delegation of Investment and Management Functions:

Appendix B

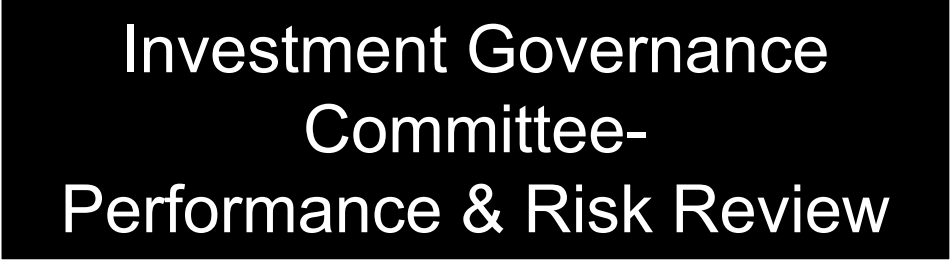
- a) A trustee may delegate investment and management functions that a prudent trustee of comparable skills could properly delegate under the circumstances. The trustee shall exercise reasonable care, skill, and caution in:
 - 1. Selecting an agent;
 - 2. Establishing the scope and terms of the delegation, consistent with the purposes and terms of the trust and;
 - 3. Periodically reviewing the agent's actions in order to monitor the agent's performance and compliance with the terms of the delegation.
- b) In performing a delegated function, an agent owes a duty to the trust to exercise reasonable care to comply with the terms of the delegation.
- c) A trustee who complies with the requirements of subsection (a) is not liable to the beneficiaries or to the trust for the decisions or actions of the agent to whom the function was delegated.
- d) By accepting the delegation of a trust function from the trustee of a trust that is subject to the law of this State, an agent submits to the jurisdiction of the courts of this State.





Appendix C

The Investment Policy Committee aggregates Northern Trust's investment insights and expertise, combines it with appropriate operational management and oversees its application to investment products and services.

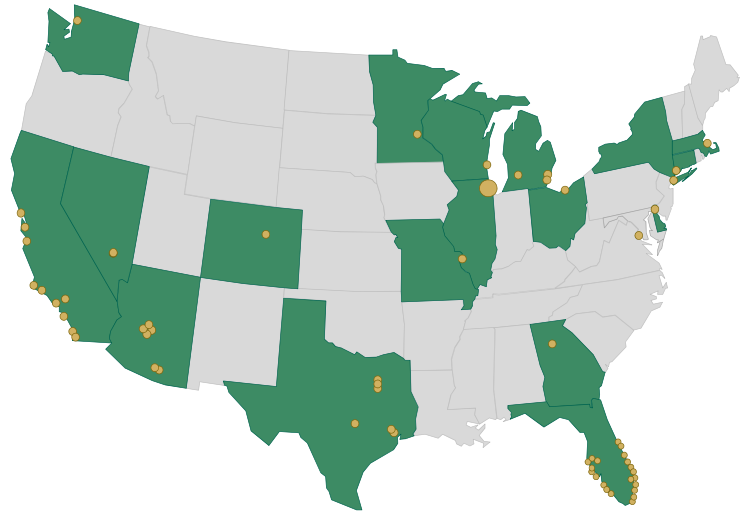




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Appendix D

Locations in 18 states and Washington, D.C...



...as well as worldwide.



Abu Dhabi
Amsterdam
Bangalore
Beijing
Dublin
Guernsey

Hong Kong
Jersey
Limerick
London
Luxembourg

Melbourne
Singapore
Stockholm
Tokyo
Toronto

Full Service in Local Markets*

Trust Professionals 550+	Investment Professionals 425+	Banking Professionals 725+
Comprehensive Trust and Estate Services	Customized Investment Management Solutions	Complete Array of Private and Business Banking Services

*Not all services available in all locations.

An Integrated Operations and Technology Platform

Assets Under Custody	Assets Under Management	Bank Assets
\$4.6 Trillion	\$716.5 Billion	\$92 Billion

As of March 31, 2012

