

Greenway Capital Advisors, LLC

WEALTH ADVISORY – 2nd Quarter 2013

Due Diligence in Selecting and Monitoring 3rd Party Service Providers

It is quite common for private trust companies to look outside of the organization for providers of certain trust and fiduciary services. Examples of the types of services that might be provided by 3rd parties are:

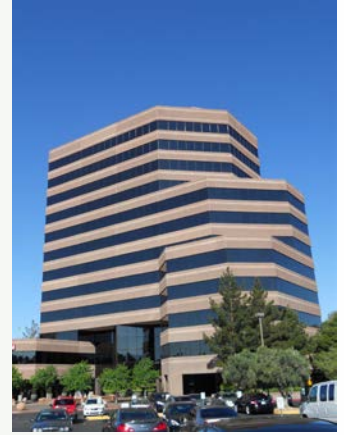
1. **Investment Management.**
2. **Special Asset Management such as closely-held business interests, oil and gas interests, real estate, farms, and ranches.**
3. **Custody of Trust Assets.**
4. **Fiduciary Accounting.**
5. **Tax Return Preparation.**

Each service arrangement should be evidenced by a written agreement between the private trust company and the service provider. Key aspects of the written agreement will include the specifics of the services to be provided, the obligations of each party, and the fees to be charged. Most 3rd party service providers will have a written service agreement that will need to be adjusted to fit the particular situation involved.

There are two stages to the due diligence of 3rd party service providers. The first stage involves the selection of the service providers. In that regard, the board of directors should consider the following guidelines:

1. **An assessment of the 3rd party's level of experience and reputation in the industry.** This could include interviews with key personnel of the 3rd party and others within the industry. Where appropriate and authorized, references from current and former clients of the 3rd party should be pursued.
2. **A review of the proposed relationship for any conflicts of interest.**
3. **Assurance from 3rd parties of adherence to the policies and procedures adopted by the trust company.**
4. **Establishment of a reasonable fee structure for the services to be provided.**
6. **Review of contractual arrangements by legal counsel prior to execution.**

The second stage is the monitoring of the 3rd party service providers on a regular basis. At the minimum, the board of directors should consider an annual review of the performance of 3rd party service providers and their compliance with terms of the service agreement. This monitoring process will be determinative as to whether or not 3rd party service providers are retained.



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