



Our Commitment to INDEPENDENCE

INDEPENDENT TRADITION; INDEPENDENT VISION

By Mark Knackendoffel, President & CEO

I often describe The Trust Company's vision—at its most basic level—as our desire to accomplish three goals:

1. Create a Great Client Experience!
2. Create a Great Place to Work!
3. Create Great Results!

When successful, these elements of our vision provide value for each of our three constituencies: clients, employees and owners. Others have suggested that we might better accomplish our vision by being part of some other larger organization or by selling the business.

I disagree. Continuing to stay independent is a key part of our long-term strategy and vision. So, that's effectively a fourth goal:

4. To Remain Independent!

Why? Because we strongly believe that our independence critically impacts our ability to deliver on our first three goals.

But what does “independence” really mean in the context of our business? And why should you care?

Put most simply, independence enables us to make decisions locally, align our interests with our clients' interests, and

to do so objectively. So, when we look at how independence influences our vision, I approach it from these three sources of independence.

Governance

The first is what I call “Governance.” Governance focuses on ownership and control—or who makes the decisions. We believe that it's best to have those decisions made here, at The Trust Company, and also have those decisions made purely from the standpoint of the trust business and our trust clients.

Nobody else owns us—not a mutual fund company, not a bank, not a brokerage firm, not an RIA, not an insurance company. So, we're not beholden to any of them. My bosses, our Board of Directors, are all Stockholders, along with nearly all our employees, and we all share this vision of independence. So our governance is guided by that commitment to independence.

Business Model and Client Services

The second source of independence is what I call the business model and client services. This is an area where being part of a bigger organization with multiple business models is a distraction. We don't have those distractions as an



independent trust company. We are solely focused on our trust business, our trust business model and our trust clients. We are independent in the sense that the only business we're in is our business of serving our clients. We're not in banking; we're not in lending; we're not in deposit services; we're not in currency trading. To quote The Trust Company's Mission Statement, we're in this business “to preserve and enhance your peace of mind.”





In addition, we're different because much of the financial services industry tends to be very capital-intensive, and people non-intensive. But the trust business tends to be very people-intensive, and capital non-intensive. As a result, our people—our employees who are serving our clients—are our biggest assets.

Objectivity

The third source of independence in the trust business is positioning us to be objective. For example, we, as a fundamental company policy, avoid conflicts of interest. Many investment & financial advisors, broker-dealers and RIAs are conflicted by financial incentives generated by products that they sell, the organization that they're a part of, or the transactions that affect client accounts.

As a fee-only advisor, we are compensated as a percentage of the value of our clients' accounts, so our primary incentive is to both preserve and enhance the value of our clients' accounts—which is exactly what our clients want. As a result, we don't accept any kind of financial incentives—commissions, sales loads, 12b-1 fees, bonus trips, kickbacks—whatever you want to call them—from any type of investment product or company.

We also have strong incentives to minimize investment and transaction

costs – after all, we're not paid from those investment products or transactions. Therefore, our independence aligns our interests with our clients' interests and that puts our clients and us on the same side of the table.

Business Culture and the Future

Our vision of continuing to be independent has been validated many times throughout my career, which started in 1982. Over that time, we have seen many firms within the financial services industry gravitate toward this superior independent model, but most of them fall short of being truly independent.

One main difference within the trust business is that we assume the role of a "Fiduciary." We are obligated to make decisions in the best interest of our clients. Many other financial advisory firms and broker-dealers have been governed by a different standard, the "Suitability" standard, which permits a product to be sold to a client as long as it is "suitable." It may not be in the best interests of the client, but as long as it's suitable, it meets their standard.

This is a huge cultural difference from the fiduciary principle, which has guided the trust business for literally hundreds of years.

It's easy to see why, when all three of these sources of independence are successfully adopted, a mutually-positive effect can be felt by all our stakeholders—clients, employees and shareholders alike. This culture of independence drives us to create a great client experience, a great place to work, and great results. As we look to the future, we are confident that remaining independent is the right thing to do for our business, our employees, and most importantly, our clients.

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