

Kanaly offers protection to its clients in a number of ways, including government regulation, audit, insurance and an outstanding professional staff. Following is a brief outline of these client protection measures:

Regulation

Kanaly is chartered by the State of Texas and examined annually by the Texas Department of Banking.

Audit

Kanaly has two annual audits by the accounting firm of Pannell Kerr Forster of Texas:

- 1) an audit of the Kanaly Trust Company; and
- 2) an audit of fiduciary activities as recommended by the Comptroller of the Currency in Regulation 9.

Kanaly continuously maintains internal systems and procedures to ensure protection of client confidentiality and assets.

Externally performed audits include independent review of internal controls. Also, Kanaly continuously seeks internally to assure protection of client confidentiality and client assets.

Insurance

There are many types of insurance protection that Kanaly incorporates to protect the assets of clients.

Federal Deposit Insurance Corporation (FDIC)

All cash balances within our accounts are held with institutions that are insured for deposits to \$250,000.

Financial Institution Bond - \$3,000,000

This surety bond protects clients against employee dishonesty, loss on premises, loss in transit and loss through good faith purchase of stolen or counterfeit securities.

Investment Management Errors and Omissions Insurance - \$10,000,000

Protects clients from loss as a result of negligent actions or breach of fiduciary responsibility.

Tax Preparer's Errors

and Omissions Insurance - \$25,000

Protects clients from loss as a result of negligent actions, errors and/or omissions with regard to client tax return preparation.

Charles Schwab Insurance

Various types of coverage range in amounts from \$150,000,000 to 600,000,000 including cash up to \$1,000,000 to protect clients from Charles Schwab employee dishonesty, and loss of securities on their premises, in transit, or because of other Schwab actions. These insurances are provided by Lloyd's of London and the SIPC.

Depository Trust Company Insurance

Various types of coverages ranging in amounts from \$1,000,000 to \$800,000,000 protect clients against loss of securities on premises, in transit or in the mail.

Amegy Bank of Texas

Insurance - \$10,000,000

This financial institution bond protects our clients from Amegy Bank of Texas employee dishonesty, and loss of securities on bank premises, or in transit, or because of other Amegy Bank of Texas actions.

Objective and Professional Staff

Kanaly is privately owned and, therefore, has no ties to any banks, savings and loans, brokerage firms or other entities whose interests could affect financial or investment decisions. Kanaly is completely unencumbered and free of potential conflicts of interest, able to focus totally on the financial needs and objectives of our clients.

The Kanaly staff of more than 60 professionals provides clients with expertise in all aspects of their financial lives including investments, tax, law, insurance, real estate, mineral interests and more.