



COOK ISLANDS TRUST
CORPORATION LTD

First Floor, BCI House, PO Box 141, Rarotonga, Cook Islands

ph +682 24 538 fax +682 24 539 email info@citrust.org.ck web www.cookislandstrust.com

PROTECTED FUND INVESTMENT

FREQUENTLY ASKED QUESTIONS

How secure is the investment?

You need to satisfy yourself that the selected investment fund meets your own risk profile, and that you are comfortable with the investment strategy. You may want to talk directly with the fund administrators or your personal investment advisor to get a clear understanding of the investment strategies and the security of the selected fund investment.

How secure is the Trust?

The trust is subject to the Cook Islands world renowned asset protection laws. Over the past 20 years Cook Islands laws have proven time and time again that trust assets can be effectively protected for the benefit of the beneficiaries of the trust – the rightful owners of the assets. The most basic of trust principles – that the assets are owned by the trustees for the beneficiaries – are upheld to ensure that trust assets are not made available to satisfy the creditors of the settlor of a trust.

Cook Islands law only applies to properly constituted trusts, and is not designed to defeat existing creditors or claimants. A Cook Islands trust will not protect funds that have been obtained through crime, or that are not owned by the settlor.

Who is the Trustee and what is their role?

Cook Islands Trust Ltd (“CITL”) acts as the trustee of the trust. CITL is a wholly owned subsidiary of Cook Islands Trust Corporation Ltd. a licenced trustee company under the Trustee Companies Act 1981-82 and regulated by the Financial Supervisory Commission. The trustee holds the investment on trust for the benefit of the beneficiaries. Legal title to the investment is held in the name of the trustee. The trustee is not allowed to benefit from the trust, but can charge its usual fees to the trust.

How trustworthy is the Trustee?

You are dealing with a professional trustee corporation licenced and regulated in the Cook Islands. CITL has been in existence since 1987. All of our senior personnel are highly qualified and experienced professionals. Our Directors have been involved in providing offshore services since 1981 and have never been the subject of accusations of impropriety. We take our role as trustee very seriously and are committed to our fiduciary obligations for our clients. Backing up our rigorous internal procedures is a professional indemnity insurance policy issued by a New Zealand public company, with coverage of \$10 Million.

What if I want my money back?

The trust is an irrevocable trust. You cannot simply revoke the trust and receive all of the money back. However, you do have the power to direct payment to a beneficiary. Furthermore we will normally follow the Advisor’s recommendations as to distribution of the trust fund and

termination of the trust. Obvious exceptions are where there is duress or demands made from your local courts.

What happens if I get sued and the Court orders me to get the money from the Trust?

If the court has ordered you to ask us for the return of the funds then we will decline. It is our responsibility as trustee to protect the trust assets for the benefit of the beneficiaries – not to provide those assets for your creditors. The Trust is governed by Cook Islands law, and we will administer the trust accordingly. If that means ignoring a US court because its orders do not take account of Cook Islands law, then that is what we have to do. We will of course always abide by any directions and decisions of the Cook Islands Court.

What if I don't agree with what the trustee is doing but want the trust to continue?

The protector has the ability to remove us as trustee at any time and replace us with a new trustee.

What sort of reporting do I get from the trust?

The Trustee does not provide separate financial reporting. Normally the advisor obtains copies of valuations of the investment directly from the fund manager. As well as allowing us to keep costs to a minimum, this allows you to have independent confirmation of the current value of the investment.

What tax reporting is required?

We are not tax attorneys or advisors and we recommend that you confirm with your attorney or CPA as to the tax ramifications for your individual status. Below is our understanding of the general requirements that apply for the Protected Fund Investment Trust.

The Trust is classified as a "Grantor" trust for U.S. tax purposes during the Settlor's lifetime. This means that all income earned by the Trust is reported on the Settlor's U.S. income tax return and taxed as income of the Settlor, regardless of whether such income is distributed (although the Trustee can pay taxes on the Settlor's behalf, which would be reported as a distribution from the Trust to the Settlor).

In addition, the Settlor is required under U.S. tax law to:

- (a) file Forms 3520 and TDF 91-22.1 annually, and Form 709 for years in which contributions are made to the Trust; and
- (b) ensure that the Trustee files forms 3520A and 1041 annually, and forms SS-4 and 56 in the year of the Trust's creation (the Trustee should also appoint a U.S. agent for examination of the Trust's tax records).

United States gift tax does not apply to assets transferred to the Trust (unless distributions are made to Beneficiaries other than the Settlor), and the Trust assets remain part of the client's estate for U.S. estate tax purposes.

Upon settlement of the Trust we will provide you with a completed form SS-4, form 56, and the appointment of US Agent. You should file these directly with the IRS. We would also be happy to refer you to a tax attorney who is familiar with all of the issues and can complete all necessary forms on your behalf.

How does the trustee get paid?

Our billing policy is to invoice 3 months in advance of the expiry of registration. You can then either pay the invoice directly or we will take the fees from the Trust Investment. If we do not hear from you then we will automatically renew the registration 7 days before expiry date, and will then liquidate sufficient of the trust investment to pay the outstanding fees.