StoneCastle Federally Insured Cash Account (FICA)

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Executive Summary

Kroll Bond Rating Agency (KBRA) has affirmed a Fund Rating of AAAkf to the StoneCastle Federally Insured Cash Account (FICA). The rating reflects the Program's Primary Quantitative Rating (PQR) as measured by the KBRA Funds Credit Quality Rating Matrix, which is based on the credit quality of the underlying instruments that comprise the portfolio. Additionally, the fund rating is influenced by the results of the qualitative assessment of the investment advisor, StoneCastle Cash Management (SCCM). The qualitative shadow rating (QSR) for the fund was found to be strong.

Program Overview

Program Details
Inception Date: October 2009
Program AUM: $5.4B, as of December 31, 2017
Redemption: Daily Minimum Investment: $1.0MM
Benchmark: Money Market Fund
Important Counterparties
Administrator: StoneCastle Cash Management
Custodian: U.S. Bank NA
Credit: U.S. Government
Auditor: Rosenberg & Manente

The StoneCastle Federally Insured Cash Account ("FICA" or "the Program") was created in October 2009. FICA was created and sponsored by StoneCastle Partners (StoneCastle), whose subsidiary, StoneCastle Cash Management (SCCM), is identified as the Program manager.

Launched in 2009, FICA has shown steady growth over the past few years, and by September of 2012, had eclipsed the $2.0 billion assets under management (AUM) mark. Aided by money market regulatory reform issues and a volatile credit and low rate environment, AUM at FICA has continued to exhibit solid growth, and, as of December 2017, was reported to be $5.4 billion in size. FICA has an investor base that is well diversified, with corporations, public entities, schools and higher education, foundations and endowments considered regular users of the Program.

FICA is classified as a liquid insured deposit account. The Program's investment objective is to provide a high level of current income while maintaining liquidity and providing maximum safety. To meet this objective, FICA utilizes an investment strategy built entirely investing exclusively in deposit accounts backed by the full faith and credit of the U.S. Government.

FICA meets Federal Deposit Insurance Corp. (FDIC) requirements for agency pass-through deposit insurance coverage, as well as meeting similar requirements as defined by the National Credit Union Administration (NCUA). Furthermore, banks utilized for investment purposes in the FICA network are FDIC-insured banks and savings associations, per FDIC definitions. As such, investment in the form of deposits at FICA network banks in the amount of $250,000 or less (the FDIC limit for insurance purposes and the maximum allowed under FICA investment guidelines) per depositor per bank meet FDIC and NCUA requirements for deposit insurance. Thus, FICA investments (deposits) are considered backed by the full faith and credit of the U.S. Government.

Finally, the Program offers one day liquidity, meaning liquidity for redemptions is a next day event. Purchases, which can be same day, and redemptions have a 12:00 PM EST cut-off. If redemptions are requested post that time, it is considered to have been received the next day and liquidity occurs the next business day after.

Program Overview

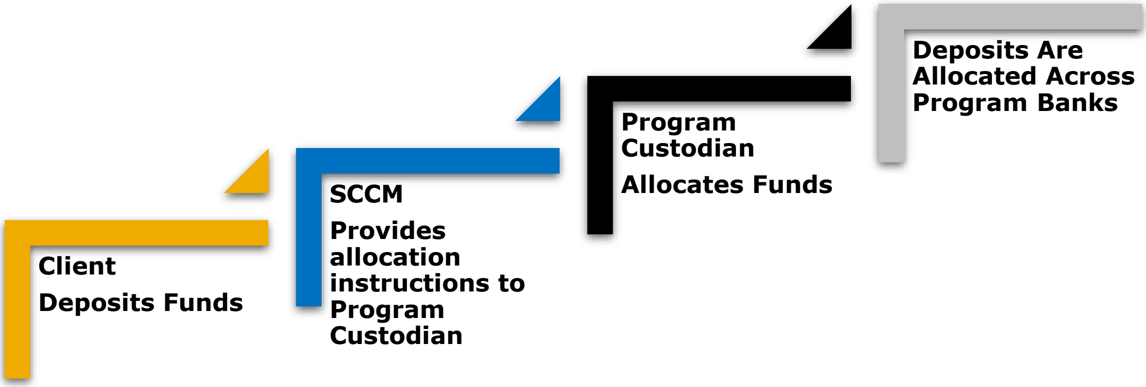
The Federally Insured Cash Account (FICA) is considered a liquid insured deposit account. The program's investment objective is to provide a high level of current income while maintaining liquidity and providing maximum safety. To meet that objective, the program invests exclusively in deposit accounts backed by the full faith and credit of the U.S. Government, or more specifically, accounts backed by insurance provided by the FDIC and NCUA.

At its most basic, FICA is a cash management vehicle used by over 1,300 institutional client types, including, but not limited to, endowments, corporations, public entities, schools and foundations. FICA offers these clients, on an institutional level, access to multi-million dollars of federally-insured deposit coverage and next day liquidity. FICA has access to some 700 banks and other depositary institutions through its network. The program manager, SCCM, carefully screens and approves for inclusion in the FICA network those institutions by utilizing a proprietary model and a rigorous credit process (described in detail below).

In addition to the credit process each institution in the FICA network of eligible depositary banks must be FDIC or NCUA members. That is, FDIC-insured "banks" and "savings associations" as defined by the Federal Deposit Insurance Act. The current FDIC Limit is $250,000 per depositor per bank. While the NCUA protects accounts at federally insured credit unions up to $250,000.

FICA benefits from SCCM proprietary algorithms, which is used to allocate customers' deposits to ensure full deposit insurance is on each customer account at those respective institutions. As defined above, that means that each deposit for each customer at each bank must be $250,000 or below. The minimum initial investment for FICA is $1,000,000, and while FICA does not necessarily benchmark against a particular index, it does compete yield-wise against money market funds, treasuries and other cash products.

Operationally, the funds in a client's FICA account are held at U.S. Bank NA (custodian). SCCM will select the insured depositaries and direct the custodian to deposit funds from a client's FICA account into the depositary accounts at those insured banks. Deposits are never more than $250,000, in order to take advantage of the FDIC and NCUSIF insurance; thus, the importance of the SCCM proprietary algorithm used to allocate deposits.



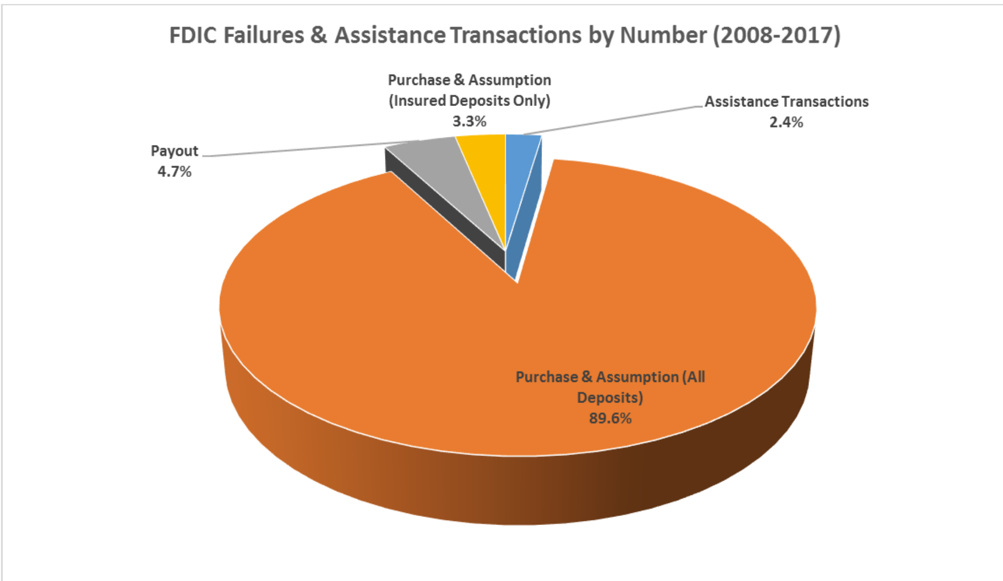
A cash management vehicle such FICA relies on several important aspects of the firm, including expertise of the banking sector, deep relationships at the client and financial institutions level, and stellar technology. Indeed, one would need to initially be equipped to source the banks that might need this type of funding, and in large enough size to make it meaningful to those banks and ultimately to the clients looking for this type of investment access. Furthermore, sourced banks initially identified must then be properly analyzed from a credit standpoint to ensure those institutions meet minimum program requirements. Lastly, the firm must have the technology platform and industry expertise to not only be able to do this type of credit work, but also track and administer client accounts, as well as properly allocate and monitor those exposures so as to ensure that FDIC and NCUA insurance limits are not breached. As discussed in detail below, SCCM has the capabilities and expertise to do just that. Indeed, in 2016, FICA capacity was expanded such that the Program can now accommodate $100 million per tax ID. That is a level that few in this sector can match.

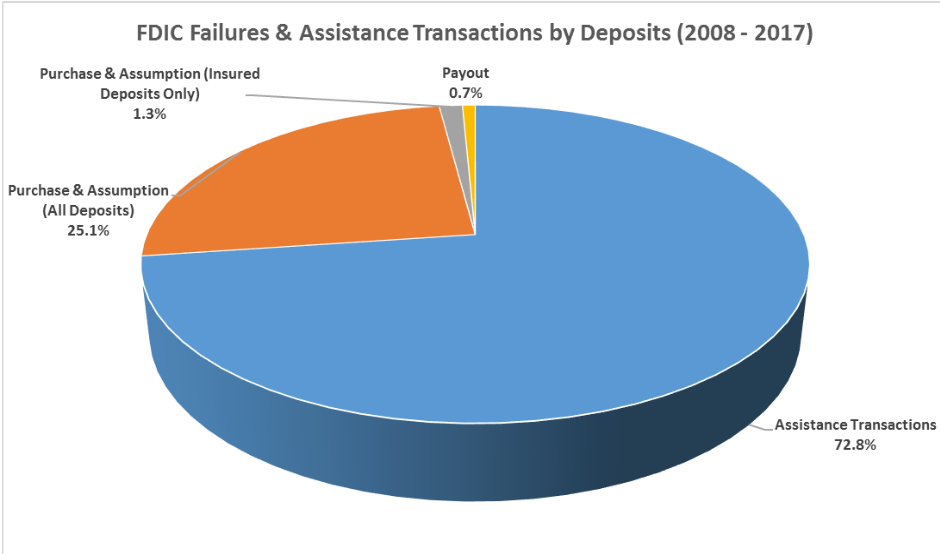
Deposit Insurance

As mentioned, SCCM, via the FICA platform, instructs the custodian as per allocation to banks in the program network. To be eligible for FICA client deposits, those banks must be pre-screened by SCCM to not only ensure they meet program minimum guidelines (see below) from a credit standpoint, but to also to ensure they are NCUA members or FDIC-insured "banks" and "savings associations" as defined by the Federal Deposit Insurance Act. It is this insurance, as afforded by the Federal Deposit Insurance Act that allows FICA to define credit for its deposits as being that carrying the full faith and credit of the U.S. Government.

The FDIC, an independent federal agency, was created by the Congress of the U.S. in 1933. Congress in the 1980s reaffirmed that deposits up to the statutorily prescribed amount in federally insured depository institutions are backed by the full faith and credit of the U.S. The FDIC's mandate is to promote public confidence and stability in the nation's banking system. The FDIC has two roles in a bank failure. It is the insurer of the bank's deposits, up to the insurance limit; and it assumes the tasks of selling/collecting the assets of the failed bank and settling its debts, including claims for deposits in excess of the insured limit. The FDIC deposit insurance covers the balance of each depositors account up to the insurance limit, including principal and any accrued interest through the date of the insured bank's closing. In 2010, as part of the Dodd-Frank Act, the federal deposit insurance coverage limit was raised to its current level of $250,000 per depositor, per insured bank. Thus, while deposits in separate branches of an insured bank are not separately insured, deposits in one insured bank are insured separately from deposits in another insured bank. The FDIC reports that it continually monitors changes in the operations and products of financial institutions, with the goal of ensuring their ability to handle potential failure. If an institution fails, the FDIC facilitates the transfer of the insured deposits of that institution to an assuming institution or pays insured depositors directly. The FDIC has a stated goal of providing customers access to their insured deposits within one to two business days. The FDIC reports that since its creation, no depositor has ever lost a penny of insured deposits.

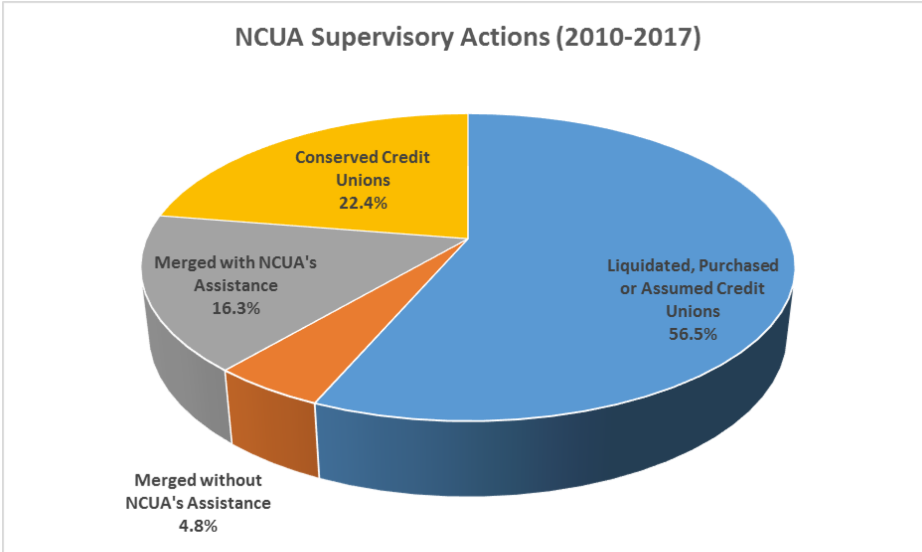
For the period 2008 – 2017, the FDIC reports there were 541 bank potential and realized failures, with some $1.9 trillion of deposits at risk due to those failures. The FDIC further delineates those events into four transaction types: Assistance Transactions, transactions where assistance was provided to the acquirer who purchased the entire institution or where assistance was provided under systemic risk determination; Purchase and Assumption where the insured and uninsured deposits were sold to the acquirer; Purchase and Assumption where only the insured deposits were sold to the acquirer; and Payout where the FDIC paid the depositors directly. By number of events, the Purchase and Assumption of Insured and Uninsured Deposits were the majority at 88.9%; however, by deposits, the Assistance Transactions (which included such names as Bank of America, Countrywide, and Merrill Lynch) were the majority at 72.8%. In both instances, Payout was relatively small, accounting for 8.9% of total events by number and 0.7% by deposits during this period. This would be indicative that the FDIC moved proactively to identify or assist in the purchase of these failing banks long before actual failure occurred.





The NCUA is an independent federal agency created by the Congress of the U.S. in the 1930's and rebranded in 1970, and has the responsibility to charter and supervise federal credit unions. The NCUA provides insurance to member's deposits in federal and most state-chartered credit unions throughout the country via the National Credit Union Share Insurance Fund (NCUSIF). Similar to the FDIC insurance fund, the NCUSIF is a federal insurance fund, and thus, considered backed by the full faith and credit of the U.S. The NCUSIF provides members with at least $250,000 of insurance at a federally insured credit union. The NCUA mandate and responsibilities includes the conducting of credit union liquidations and performance of asset management and recovery operations. The NCUA staff also is responsible for participating in the operational phases of a failed credit union's conservatorship (if necessary) and assisting with record reconstruction. The NCUA states that members of verified shares are to be paid out within five days of a credit unions closure. The NCUA reports that since its creation, credit union members have never lost a penny of insured savings at a federal insured credit union.

For the period 2010 – 2017, the NCUA reports there were 147 supervisory actions (closed credit unions). The NCUA delineates those events into four transaction types: Liquidated, Purchased or Assumed Credit Unions; Conserved Credit Unions (credit unions under active conservatorship by NCUA); Merged with NCUA's Assistance; and Merged without NCUA's Assistance. By number of events, Liquidated, Purchased or Assumed Credit Unions were the majority of those events at 56.5% over that time frame.

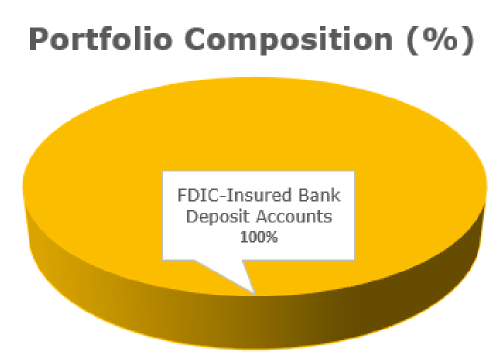


As mentioned, each institution in the FICA network of eligible depositary banks must be FDIC or NCUA members. That is, FDIC-insured "banks" and "savings associations" as defined by the Federal Deposit Insurance Act. Furthermore, as discussed above, deposits under the $250,000 limit at member banks of both entities are backed by 1) the assets of the member banks and ultimately 2) the full faith and credit of the United States. Thus, deposits within the FICA network, based on program guidelines limiting the amount on deposit per account and per bank, would be considered extremely safe since they are ultimately backed by the full faith and credit of the U.S. Government.

As such, the StoneCastle algorithm for allocating customer deposits is considered of great importance. The ability to properly allocate customer deposits across network banks, making sure that a deposit per bank per customer does not breach the $250,000 limit for FDIC or NCUA purposes ensures the client receives full benefit of the full faith and credit of the U.S. government afforded by the insurance funds of those respective entities.

Liquidity

FICA has no term commitment. Clients can make same day purchases, by funding their account, and because it is a deposit, can redeem as conditions or needs demand. Purchases can be same day, as long as notice of purchase is received by 12:00 PM EST. Clients who submit redemption or withdrawal notices received by 12:00 PM EST on any business day will have their accounts credited with proceeds the next business day. There are no transaction fees for withdrawals, and no redemption gates.



Source: StoneCastle

Next day liquidity is a considered a strength of the program and of benefit to the client. Nevertheless, a potential downside might be whether clients can access their funds in the event of a bank failure if their funds were deposited at that bank. As mentioned above, the FDIC indicates that in the event of a bank failure, the goal is to provide customers access to their insured deposits within one to two business days. For the NCUA, members of verified shares are to be paid out within five days of a credit union's closure. Anecdotally, over the past 20 years, there has not been an instance where a client did not have access to their funds. Typically, given the FDIC is monitoring member banks, if an institution's financial health were to be deteriorating, the FDIC would already be moving to identify an acquirer or further plans of action. Furthermore, the majority of the bank failures that have transpired or where acquisition of the institution was accomplished occurred over a weekend. As such, transfer or payout has been seamless, and depositors have had access to their deposits on the following Monday. Nevertheless, even at its most conservative and assuming worst case scenarios, based on FDIC or NCUA statements, access or payouts should be a most 2 and 5 days, respectively, and once again, ultimate credit is considered that of the U.S. government.

As mentioned in detail below, SCCM, via StoneCastle, reviews each bank in its network and monitors those banks on a quarterly basis. Management is keenly aware that headline risk to a failed bank could cause stress on the franchise and ultimately FICA's future viability. To date, management reports that no client money has ever been on deposit at a failed bank. Furthermore, and in an effort to operationally test procedures in the case of a failed bank, management has, on occasion, purposefully left firm money on deposit in banks they felt might fail. On those occasions, management reported immediately sending in proper and necessary account documentation, and reports that access to their deposits was always available and as the failed bank was acquired (typically over a weekend) access and fund availability was found to be seamless. The testing of FDIC procedures in this manner is considered prudent.

Duration

As discussed above, FICA is a deposit account, with next day liquidity. As such, the weighted average maturity and weighted average life of the portfolio is considered to be one day.

PQR

Credit quality is analyzed utilizing a matrix approach. The KBRA model computes an expected cumulative default rate based on the portfolio holdings, and then benchmarks that default rate to historic idealized default rates to determine portfolio credit quality. Furthermore, and in an effort to more closely align expected default probability profiles to corresponding portfolios with certain duration characteristics, KBRA utilizes 1-year idealized default probabilities for investment funds with a duration of 1.5 years and less, and 5-year idealized default probabilities for investment funds with a duration of greater than 1.5 years.

More specifically, the modeling approach is based on taking into account individual investment exposures that comprise the portfolio. Those exposures are measured, from a credit standpoint, by relying upon those investments' assigned ratings, or for those securities not rated, assigning a credit risk proxy.

Utilizing the KBRA Funds Credit Quality Rating Matrix, public ratings and credit estimates, the portfolio has generated a PQR of AAA.

Program Sponsor

New York-based StoneCastle Cash Management, LLC is the program sponsor. Founded in 2009, SCCM is principally owned by StoneCastle Partners (StoneCastle). The parent, StoneCastle, was initially formed in 2003 as a means to help forge a connection between institutional investors and the community banking industry. StoneCastle has strategic partners, including Charlesbank Capital Partners, a private equity firm, who became a partner in 2007; and Canadian Imperial Bank of Commerce (CIBC) who became a partner in 2012. As of January 2018, StoneCastle reported employing over 60 personnel responsible for a collective $13.8 billion in assets ($12.2 billion in institutional cash/deposit funding, and $1.6 billion in fixed income/capital investments); 1,300 institutional accounts, and a network of over 1,000 relationship banks.

StoneCastle considers its sector focus, U.S. community banks, to be a strength. Furthermore, management considers its use of proprietary technologies and sourcing networks a competitive advantage. Tools that allow management to not only identify underpriced and underappreciated investment opportunities in the sector, but also provide a layer of insight other non-specialized investors do not have.

Over the years, StoneCastle has used this insight and focus to capitalize on various investment opportunities in the $3.0 trillion community banking industry. Management has done so in a variety of ways, including, but not limited to: in 2006 by directly, investing over $2.0 billion of institutional capital in over 220 community banks; launching in 2013 StoneCastle Financial Corp., a registered closed-end fund (NASDAQ: BANX) that invests in the senior debt, subordinated debt, trust preferred shares, and common stock of community banks; and utilizing a pooled bank credit securitization in the form of a collateralized loan obligation (CLO) in 2015 to make available $250 million of Tier 2 capital to 35 banks.

StoneCastle has three main business lines and within those lines, associated and strategic operations:

1. Asset Management
    a. Federally Insured Cash Account (FICA): FDIC-insured cash management solution for institutional investors.
    b. InterLINK™ Insured Deposits (InterLINK): FDIC-insured cash sweep account solution for wealth management investment professionals, asset managers, broker-dealers, and registered investment advisors.
    c. Institutional Cash Account (ICA): grants access to a pool of money fund eligible Tier 1 banks for institutional investors.
    d. Bulk Insured Deposit Services (BIDS): advisor for non-depository custodians seeking pass through FDIC insurance for client investors.
    e. Closed-End Investment Fund: a publicly listed investment company (NASDAQ: BANX) that invests primarily in yield producing securities issued by banks.
    f. CDO Management: investment advisor on six securitizations, primarily collateralized by trust preferred securities issued by community banks.
2. Bank Solutions
    a. Funding: provide banks with efficient, reliable sources to manage their primary and contingency funding.
    b. Capital: direct investor in publicly traded and privately held community banks seeking capital for organic growth, acquisitions, share repurchases and other refinancing activities.
    c. Liquidity: alternative money market account allocates a bank customer's large deposits across a proprietary bank network, offering expanded FDIC-insurance on their deposits.
3. Securities Trading
    a. Trading of investment grade 144A private placement and physical securities.

Organizationally, StoneCastle has several subsidiaries. This is by design, as management has typically created limited liability companies for each investment or strategic initiative. Management has historically done so, as it feels each business has different attributes, and thus wants to differentiate those businesses by highlighting those aspects and separating them structurally from the other strategic lines. Nevertheless, all businesses share in the technology and personnel at the parent level.

Those organizations, include, but are not limited to:

- **StoneCastle Cash Management, LLC**: provides institutional investors and financial intermediaries with cash management solutions such as FICA, ILID, ICA, and BIDS (see above), while at the same time providing community banks with new capital and funding sources, and access to liquidity.
- **StoneCastle Advisors, LLC:** manages private funds across a variety of special situation, value oriented and private credit opportunity strategies, including high credit quality bank credit, traditional and esoteric corporate credit, asset-backed credit, and private and public bank equity.
- **StoneCastle Securities, LLC:** a FINRA registered broker dealer with primary activities in fixed income institutional sales and trading, and debt and equity private placement.
- **StoneCastle Asset Management, LLC:** external advisor for the closed-end fund, StoneCastle Financial Corp. (see above), as well as a registered investment advisor (RIA).
- **StoneCastle Financial Corp.:** a closed-end investment company established to serve as an investor in healthy community banks (see above).

Program Manager

Overview

FICA is administered and managed by StoneCastle Cash Management, LLC. As mentioned, the New York City-based manager, SCCM, is principally owned by StoneCastle, which makes available to SCCM access to the proprietary systems and personnel in the course of fulfilling its responsibilities as program manager. SCCM has approximately 60 employees, and is responsible for approximately $12.2 billion in assets.

SCCM is a registered RIA, and was formed in June 2009. SCCM was created by StoneCastle, which conceived of the entity as a means to provide safe, stable, and liquid cash management solutions for treasury professionals and other institutional investors. SCCM offered products are meant to focus on preservation of capital while providing full transparency to the customer. Strategically, through those product offerings, SCCM seeks to minimize the volatility of rate fluctuations and eliminate headline risk while providing competitive yields. As mentioned, SCCM has responsibility of some $12.2 billion in assets. The large majority of those assets are in the cash management solutions business line, and primarily spread across businesses such as FICA ($5.4 billion in assets); InterLINK Insured Deposits ($2.2 billion in assets); ICA ($688 million in assets), and BIDS ($4 billion in assets).

SCCM's organizational structure is considered strong with distinct reporting lines for the operational and administrative aspects of the firm, as well as compliance personnel. Josh Siegel is Chairman of SCCM, and also serves as Managing Partner, Chairman & Co-Chief Executive Officer (Co-CEO) of StoneCastle. Mr. Siegel, who founded StoneCastle in 2003, is directly responsible for the overall management and strategy of StoneCastle, and ultimately, SCCM. Prior to founding StoneCastle, Mr. Siegel was a co-founder and Vice President of the Global Portfolio Solutions Group at Salomon Brothers Citigroup, where he was responsible for developing new products including pooled investment strategies for community banks. Mr. Siegel has over 20 years of industry experience, and is considered a leading expert and investor in the banking industry.

George Shilowitz is Co-CEO of StoneCastle, as well as serving as a Managing Partner. Similar to Mr. Siegel, Mr. Shilowitz has direct responsibility for the overall management and strategy of all aspects of the company, and additionally, is the chairman of the investment committees, making him a de facto Chief Investment Officer. Mr. Shilowitz has over 20 years of fixed income and principal investment experience. Prior to joining StoneCastle, Mr. Shilowitz was a senior executive as well as president of Shinsei Capital (a wholly-owned subsidiary of Shinsei Bank), and prior to that, a senior executive at Lehman Brothers, focusing on proprietary investments and debt portfolio acquisitions from distressed financial institutions in Asia.

Dan Farrell has been appointed CEO of SCCM after joining the firm in 2017. Mr. Farrell has direct responsibility for the day-to-day management of the company, as well as collaborating with other executive team members to define the strategy and direction of the firm. He is also a member of the firm's Executive Committee. Mr. Farrell has over 25 years of industry experience. Prior to joining StoneCastle, Mr. Farrell co-founded a fund company, Dark Bridge Capital LP, in 2010, where he served as a Managing Partner. He was an investor in Intermedium Financial, LLC, the assets of which were acquired by an SCCM affiliate in early 2017.

Stephen Rotella continues to work within the SCCM organization as Vice-Chairman of the Executive Committee, where he is responsible for strategic oversight of the firm and business development. Mr. Rotella is also the President of StoneCastle Partners, LLC and a member of the Board of Directors. He directly oversees the day-to-day management of the company and sets strategy with fellow Board members. Since arriving at the firm in 2011, Mr. Rotella was integral in expanding SCCM products and services in his role as CEO of SCCM. Mr. Rotella has over 30 years of industry experience. Prior to joining StoneCastle, Mr. Rotella spent over twenty five years in senior executive positions in financial services, 18 of them at JP Morgan, serving as CEO of Chase Home Finance and as a member of that firm's executive committee.

Reporting to Mr. Farrell is Eric Lansky, who serves as President of SCCM. In his current role, Mr. Lansky is responsible for all aspects of SCCM's cash management products and services. Mr. Lansky is well known in the cash management space, and has over 20 years of experience in the industry, with a deep understanding of the sales, marketing and new product development aspects of the sector. Prior to joining the firm in 2014, Mr. Lansky was President and CEO of USA Mutuals Partners, focusing on launching an FDIC insured deposit program for registered investment advisors and institutions, and before that, he was a Managing Director of Reserve Management Company where he oversaw all aspects of sales and marketing within the company.

Rachel Schatten is General Counsel and Chief Compliance Officer (CCO) for SCCM, roles she also fills for StoneCastle. Ms. Schatten, as CCO, reports directly to the StoneCastle Board of Directors. As General Counsel and CCO, Ms. Schatten is responsible for all legal and compliance matters concerning the firm and the vehicles it manages. Ms. Schatten has over 12 years of industry experience, and prior to accepting her current role at SCCM in 2013, served in similar roles for a subsidiary of Hardt Group Investments AG, an international fund of funds.

SCCM is comprised of certain key business units, each responsible for certain segments, customers, vendors, etc. that are important to the business' ultimate success. These units or teams and their focus are identified by SCCM as:

- Institutional Sales: focusses on the origination of institutional clients, primarily through direct sales as well as third parties.
- Bank Relationship Management: develops new bank funding relationships and manages a network of over 1,000 banks to meet funding needs and cross-sell other products.

- Technology: develop and maintain the complex firm models and algorithms that allocate, rebalance, and optimize billions of dollars of bank funding on a daily basis.
- Product Development: research and development as well as commercialization of cash products.
- Client Services: manages all client activities including account opening, funds transfer, customer service, and statements.
- Operations: handles daily and monthly processing, as well as handling interface with custodian for FICA.

As an important subsidiary, one that is responsible for the bulk of the firm's AUM, SCCM is considered a core function of the StoneCastle family. Furthermore, like all subsidiaries within the StoneCastle organizational tree, SCCM shares personnel and systems with its parent, receiving beneficial support and expertise. As an example of this beneficial support, certain StoneCastle subsidiaries have investment mandates that include the direct investment of capital into community banks. In order to make that investment, a certain amount of due diligence must occur, and as StoneCastle credit and investment teams analyze that particular bank, opinions on that particular bank are shared. Furthermore, in order to keep abreast of the community bank sector, information and analysis is conducted on the majority of the banks in the space. In both instances, information is shared firm-wide via the firm's proprietary data base RAMPART (discussed below). Typically, the amount of diligence is different for making an investment into a bank than the diligence for SCCM purposes, however, SCCM personnel can utilize the investment relationships and diligence for cash products such as FICA.

Management is focused on being a leading investor in, and providing solutions to, U.S. community and regional banks. This is a unique sector focus which the firm has cultivated over the years through the executive staff's extensive industry experience. Based on their collective experience, management has developed proprietary systems and processes to analyze at a granular level the community banking industry. To that end, the analysis utilized by StoneCastle is a bottom-up, top-down approach; pairing fundamental research with macroeconomic outlooks and analysis.

StoneCastle relies upon what management sees as its competitive advantages, such as market position, ease of entry given its expertise and connections, and proprietary technologies to develop solutions for all of its clients, including, but not limited to, corporations and public entities on the investment side and community banks and regional banks on the funding side. Management attributes the ability to establish and maintain these long-term relationships with a focus on meeting their evolving needs as ultimately leading to SCCM's success.

StoneCastle incorporates a team approach to managing the various investment and strategic initiatives that involve the firm. As part of this effort, there are formal internal meetings worth noting. On a weekly basis there is an Executive Strategy Meeting, attended by Siegel, Shilowitz, Farrell, and Rotella. At this meeting, the most senior executives review and discuss ongoing firm efforts and possible future strategic efforts as they consider opportunities in the community and regional banking sectors. There is also a Management Committee Meeting, which meets twice a month. Open to the various department heads, including business and client relationships, sales and marketing, credit and investment personnel, the committee focusses on industry outlook, performance, macro-economic issues and outlook, and new initiatives of the varied firm efforts.

Oversight of firm investment process and procedures, as well as compliance policies at StoneCastle exists in committee form. The Board of Directors is comprised of six members, including Mr. Siegel, Mr. Shilowitz, Mr. Rotella, one member from CIBC and two representatives of Charlesbank Capital Partners. The Board formally meets four times a year to review company efforts and supervise the duties of the firm and personnel as it manages the day to day operations of the firm's various strategic efforts and ensure policies and procedures are being properly followed.

Credit

Credit is based in the Bank Analysis & Credit Management business unit. The credit team is appropriately staffed for the investment strategies currently utilized by the firm, and for those planned on a near-term basis. As previously mentioned, George Shilowitz serves as chairman of the investment committees. On a day to day basis, the credit team is led by Director and Business Unit Head Ric Viloria, who has been with the firm for since 2006, with previous industry experience at Moody's. As discussed, StoneCastle is a sector-specific firm, with a focus entirely on the banking industry, and specifically on the community and regional bank space. As such, the credit team is comprised of personnel steeped in sector experience, notably, Director and Portfolio Manager Jim Brennan who has been with the firm since 2009 and prior to that was a senior credit officer (focused on banks) at Moody's, as well as Senior Analyst Erik Eisenstein, who has been with the firm for 10 years and has previous experience following regional banks at Morgan Keegan.

The team schedules a formal weekly Credit Meetings which is attended by all members of the credit team, and on occasion, as situation might dictate, compliance. At the Credit Meeting, the credit team discusses outstanding or in progress deals, including those that focus on the firm making direct capital investments in a community bank, as well as reviewing banks in their 1,000+ bank relationship network and those considered appropriate for usage in their deposit programs such as FICA, ICA and BIDS. Banks are reviewed on a quarterly basis, with the analyst updating notes on the bank in the firm's proprietary data base, RAMPART (discussed in detail below). Notes and updated data is available to all necessary personnel via RAMPART which is on a shared drive. StoneCastle analysts attempt to touch base with each bank in their network on an annual basis. For banks StoneCastle directly invests capital into there is typically an on-site visit or an annual conference call. For banks who are used only for the deposit programs, on-site visits are not deemed necessary.

All banks in StoneCastle's insured deposit programs, such as FICA, are FDIC or NCUA insured institutions. Each bank is screened to ensure that meets credit quality standards of the program. This level of screening is to provide additional layer of security to assess the potential risk bank failure, an event that may negatively impact to deposit liquidity and yield despite FDIC insurance. More importantly however, the firm requires this additional layer of screening and credit quality to avoid any potential fallout the program/firm might suffer in terms of headline risk if client deposits were in that failed bank.

As mentioned, StoneCastle developed and utilizes its own proprietary model, RAMPART, to aid its credit process when contemplating direct investment in community and regional banks, or including those banks as acceptable investments for their deposit programs. RAMPART was developed with the idea that it could be used as a platform to combine deal origination, credit underwriting, risk management, investment monitoring and accounting in order to help StoneCastle personnel perform a deep dive of analysis, down to a granular level, on banks being considered for investment or inclusion on the FICA network. This proprietary model is considered a strength of the firm, as it gives credit personnel an in-depth credit tool as well as a company-wide means to share output and data. Management considers RAMPART a competitive advantage, and focuses on four pillars when defining that advantage:

- **Sourcing**: identifies banks who may need or can supply funding at attractive rates by tracking and analyzing key metrics correlated to funding.
- **Monitoring**: tracks and analyzes every bank in the U.S.
- **Breadth**: combines multiple data sources which feed proprietary models to possible individual bank and industry-wide analytics.

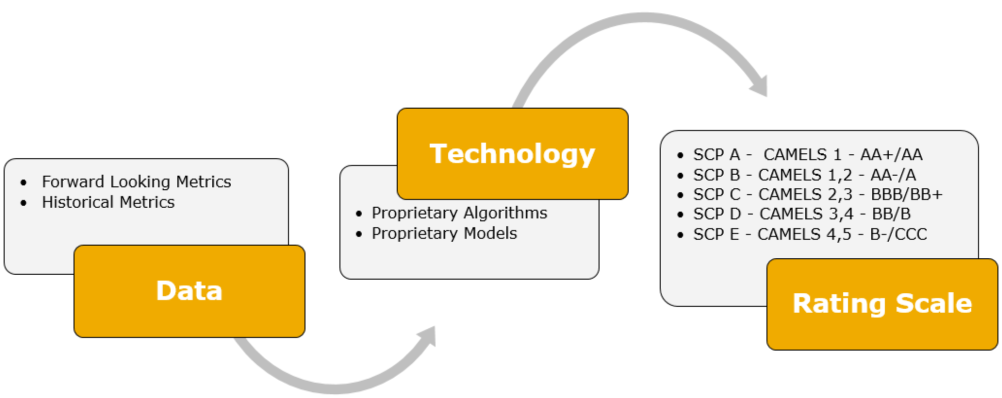
- **Depth**: allows credit personnel to sort through vast amounts of data to screen and monitor banks for StoneCastle.

StoneCastle utilizes a proprietary quantitative algorithm for determining the financial condition of each potential and current bank in the network. The quantitative criteria used in the internal rating system of StoneCastle is based on CAMELS methodology, or the same type of methodology currently favored by bank regulators. The foundation begins with fundamental analysis, utilizing forward-looking and historical metrics. Forward-looking metrics include such analytics and ratios as capital relative to asset quality, exposure to problem asset classes, and profitability. Historical metrics includes data such as growth, profitability capital and liquidity. In addition, StoneCastle utilizes two measures of asset quality relative to capital and reserves: Texas Ratio, which measures a bank's ability to absorb nonperforming assets; and the Early Texas Ratio, which measures a bank's ability to absorb nonperforming assets as well as the loss potential of early stage delinquencies. That data is then utilized in the firm's proprietary models and algorithms which output is then used to help the firm express a viewpoint on those credits by assigning a rating based on the firm's internal rating scale.

RAMPART is a comprehensive technology platform. Details and data on the platform for analyst usage go beyond simple fundamental data and ratios. For banks in which StoneCastle intends to make capital investments, loan tapes are obtained, which allows the firm to breakdown details of the bank's loan performance historically down to a granular level and that level of details is then uploaded onto RAMPART to be shared by personnel involved in other aspects of the firm's business. Additionally, there is geographic breakdowns, and mapping that includes an ability to see even the surrounding neighborhoods of that bank's branches. RAMPART also includes geographic economic data, so that an analysis of the bank's customer and ultimate influences on loan performance can be analyzed.

The firm seeks to transition RAMPART into a new architecture sometime in late 2018, early 2019. This is not due to any failing within the system, but rather to continue to improve the existing functionality and include new features. In order to achieve this, the firm has been actively hiring IT personnel and now have an in-house staff of nine. Many of the new functionality the firm is seeking to add are credit tools not pertinent to the strategies being rated. Features to be included that will have a more direct impact on the programs and BANX, are improved, more efficient, information recall and automated socioeconomic and market-level statistical data sourcing.

Tools used by the credit analysts to compile data and credit metrics include company filings, including quarterly and annual reports, and the FDIC database, as well as the SRS database of KBRA.



For SCCM, the active deposit taking banks in the deposit program, are reported to be around 800. Growing the network and funding levels is of prime importance to FICA's success. As such, identifying banks who might need this type of funding is of utmost importance, as well as determining whether the bank is creditworthy enough to pass muster and be eligible for funding. RAMPART is a strong tool in helping management identify and cultivate these types of relationships, as well as properly monitoring the bank's creditworthiness on an ongoing basis. Furthermore, the level of detail and expertise StoneCastle exhibits when considering a direct investment into the banks is a credit positive for FICA, especially given banks in the network are typically chosen more conservatively.

Risk Management & Compliance

Risk management and compliance is appropriate for current firm initiatives and those contemplated in the near term. As mentioned previously, Rachel Schatten is General Counsel and CCO. She joined the firm in 2013. As CCO, Ms. Schatten reports directly to the Board of Directors. This line of reporting is considered a strength.

StoneCastle has detailed compliance procedures and policies that govern the firm and its employees. The policies and procedures are, on a day-to-day basis, monitored by the compliance department. Oversight for these efforts is a responsibility of the Board of Directors, and specifically, the Audit Committee of the Board, which is mandated to monitor the firm's accounting and financial reporting, internal controls and independent audits, if necessary. The Audit Committee, by company guidelines, is comprised of three members, and they shall be independent of the firm and free of any relationship that would interfere with the exercise of independent judgement.

StoneCastle compliance efforts focus on all areas of the firm, including such things as restricted lists, code of ethics, and conflicts of interests. To aid in this effort, the firm uses BasisCode Compliance technology. BasisCode is a third-party software and technology platform that can be customized for individual firm usage, with functionality from testing and risk assessment to personal trading and staff certifications. The basic compliance packages focus on three main areas of compliance:

- Assessment
    - Display of overall risk inventory
    - Integration with associated tests
    - Actionable risk-weighted metrics
- Control
    - Setup of distribution groups and sign-off routing
    - Staff certifications, quizzes and testing
    - Document management and reporting
- Monitoring
    - Scheduled certifications and policy management
    - Audit trail of compliance tasks by responsible party
    - Reminder checklists, notifications, and activity aging

Business Continuity

StoneCastle has appropriate business continuity policies and procedures, including a written disaster and recovery plan and policy. As part of that business continuity plan, management has indicated the firm has off-site facilities in northern New Jersey, which has working network and technology platforms and hardware. The overall business continuity plan as well as off-site facility systems are tested annually. If necessary, firm personnel can work remotely, and in fact, as part of this effort, senior personnel has been provided generators that provide up to several days of power. Lastly, the firm utilizes Amazon web services for cloud computing services, to back-up on a daily basis, the on-site servers utilized for company business.

StoneCastle is audited on an annual basis by WithumSmith+Brown, with the last audit completed December 31, 2017. FICA has a monthly agreed upon procedures audit completed by Rosenberg & Manente.

QSR

Based on a review of management, personnel and systems, the QSR is **strong**.

Qualitative Shadow Rating Determinant 1: Management Structure and Ownership			
Sub-Determinant	**Strong**	**Average**	**Weak**
Organizational Form, Structure	✓		
Management Structure	✓		
Investment Team	✓		
Qualitative Shadow Rating Determinant 2: Credit			
Sub-Determinant	**Strong**	**Average**	**Weak**
Organizational Structure		✓	
Policies & Procedures	✓		
Analysis	✓		
Technology & Systems	✓		
Qualitative Shadow Rating Determinant 3: Fund Investment Policy & Process			
Sub-Determinant	Strong	Average	Weak
Investment Policy		✓	
Investment Process: Organization	✓		
Investment Process: Management	✓		
Technology & Systems	✓		
Qualitative Shadow Rating Determinant 4: Risk Management & Compliance			
Sub-Determinant	Strong	Average	Weak
Risk Management & Compliance: Policies		✓	
Risk Management & Compliance: Organization		✓	
Technology & Systems		✓	

Final KFR:

StoneCastle Federally Insured Cash Account		
Rating Determinants	**Sub-Determinant Assessment**	**Score**
PQR		**AAA**
QSR		
Management	**Strong**	
Credit	**Strong**	
Fund Investment Policy & Process	**Strong**	
Risk Management	**Average**	
		Strong
Final KFR		**AAAkf**

Related Publications:

- Money Market Funds Brace for Regulatory Launch
- Market Sentiment & its Impact on Investment Funds' Liquidity