

**PLEASE COMPLETE TO AVOID DELAYS IN ESTABLISHING THE ACCOUNT**

**This form is for your convenience. Please do not return with your application**

APPLICATION

- DID YOU INCLUDE A **LEGIBLE** COPY OF YOUR DRIVER LICENSE OR PASSPORT ? YOUR PICTURE MUST BE LEGIBLE. A COLOR COPY MAGNIFIED 200% IS PREFERRED.

**YOUR APPLICATION CANNOT BE PROCESSED WITHOUT THIS PHOTO ID.**

- Did you complete the Account Application (3 pages)?
- Did you sign and date the Account Application?
- Did you provide information for a Third Party Authorization in Part D of the Account Application (if you want to give someone else access to your account information)?
- Did you sign and date the Fee Agreement?

IA

- If you are making an investment at this time, did you complete the Investment Authorization and sign and date the Investment Authorization?

FEES

- Did you select how you would like to pay your fees on the Fee Agreement (Invoice, debit your IRA, or credit card)? If you want fees debited from your account, are you leaving adequate cash?
- Did you attach a check for the account setup and first year fees?

FUNDING YOUR IRA

- Are you are transferring money from another IRA to your new IRA with Liberty Trust Company? If so, did you
  - Complete an Account Transfer Request and sign in Part 5?
- Are you are making a direct rollover from an employer retirement plan to your new IRA with Liberty Trust Company? If so, did you
  - Contact the retirement plan administrator and complete the plan's distribution election forms to initiate the direct rollover?
  - Complete a Direct Rollover Request and sign in part 5?
- Did you include a check with your application to be deposited to your account? If so, did you
  - Enclose a completed Contribution Designation identifying the nature of the deposit?

[Empty box for account number]

(LIBERTY TRUST COMPANY ACCOUNT NUMBER)

FOR PROCESSING, RETURN TO: IPS ♦ 8226 Douglas Avenue ♦ Suite 520 ♦ Dallas, Texas 75225-5927 ♦ 800-473-1977 ♦ 855-739-1987 FAX

(Effective July 10, 2016)
(Fees are not prorated)

SELECTION OF FEE PAYMENT ARRANGEMENT—Please choose your preferred method of payment below.

\*A separate check may be enclosed for set-up and first year fees\*

- Debit My IRA Account - appropriate cash balance must be kept. If your account does not have adequate cash for fees, you will be invoiced.
Invoice - a fee of \$5 per invoice applies
Credit Card \*(Account Owner's credit card information listed on page 3 is required if credit card option is selected.)
\* Your card will be charged for any fees and an invoice marked paid will be mailed to you. A fee of \$5 per invoice applies

If no payment method is selected, fees will be deducted from your account to the extent there is cash available in your account. If your account does not have adequate cash to pay fees, you will be invoiced and applicable invoicing fees will apply.

The set-up fee is due upon account opening. A check for \$50 is made payable to Liberty Trust Company must be included with the Account Application. All other fees will be debited from your account to the extent there is cash available in your account. If your account does not have adequate cash for fees, you will be invoiced. The Account Maintenance and Asset Holding Fees are charged annually in the month that you opened your account. Transaction and Processing Fees are charged at the time the service is provided. The Annual Holding Fees for any asset purchases will be charged at the time of the service and are not prorated. If you wish to change your method of payment, you will need to complete a new Fee Agreement.

You are required to maintain a minimum cash balance of \$500 in your account. A fee of \$25 may be assessed each quarter if your cash balance is less than \$500 at the end of the quarter.

The balance that appears on invoices or statements shall be payable in full no later than thirty (30) days from the date of the invoice or statement. A late fee of \$7.50 per month will be charged on past due balances until paid. Failure to make payment in full constitutes a default. Any balance outstanding for more than (30) days will be debited from your account to the extent cash is available, regardless of payment method selected. We may place a lien on the assets in the account and/or assets may be liquidated to pay for such fees, as outlined in the 5305. I understand this Fee Agreement and the Fee Schedule and agree to be bound by their terms. The Custodian may change this Fee Agreement and/or the Fee Schedule at any time after thirty (30) days written notice to the Account Owner.

Under penalty of perjury, I declare and certify that this form, except for the information provided in the completion of the form, is identical, word for word, to the form provided by Liberty Trust Company ("LTC"), via its website or by any other means, and has not been altered in any manner whatsoever by me or, to my knowledge, by any third party. In the event that this form has been modified, with or without my knowledge, I agree that any such modification shall be null and void and that the language of the form as it was provided by LTC shall override any conflicting language.

Printed Name: X \_\_\_\_\_

Signature: X \_\_\_\_\_ Date: X \_\_\_\_\_

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**ACCOUNT SET-UP FEE**.....\$50

**ANNUAL FEES**

**Annual Account Maintenance Fee**.....\$125

**Annual Asset Holding Fees**

Alternative Asset (other than real estate).....\$125

Real Estate.....\$150

**TRANSACTION AND PROCESSING FEES**

Purchase/Sale/Exchange (other than real estate).....\$75

Purchase/Sale/Exchange (real estate).....\$150

Roth Conversion.....\$25 per asset plus re-registration fees

Recharacterization.....\$50 plus \$25 per asset plus re-registration fees

Domestic Wire Transfer.....\$25

International Wire Transfer.....\$60

Distribution/Outgoing Transfer Processing Fee .....\$10

Expense Payment Processing Fee.....\$10

Overnight or courier delivery (Domestic).....\$35

Overnight or courier delivery (International).....Actual delivery charge + \$10

Returned checks or wires/stop payment/declined credit card.....\$35 per item

Change of asset ownership (re-registration).....\$100

Corrected form 1099-R or Form 5498.....\$50

Research/Special Services.....\$150 per hour

Reopen closed account.....\$25

Processing fee for Incoming Transfer under \$2,000.....\$50

Return of Excess IRA/SEP contribution.....\$50 plus \$25 per asset plus re-registration fees

Quarterly fee if cash balance is under \$500.....\$25

Capital calls/subsequent investments into existing asset.....\$25

Notary Fee.....\$10

Invoice.....\$5 per invoice

Duplicate/Corrected Statement.....\$10

Note Modification.....\$50

Custodian Signature of Document (other than purchase).....\$10

Late Asset Valuation Update Fee.....\$150

Required Minimum Distribution (RMD) Recalculation<sup>1</sup>.....\$100

Same day processing (must be received by 10:00 A.M.).....\$100

Next day processing (must be received by 3:00 P.M.).....\$50

Account Termination Fee.....\$250

Fees for services not listed above may be charged at the discretion of Liberty Trust Company  
Fees may be changed after thirty (30) days notice

Printed Name: **X** \_\_\_\_\_

Signature: **X** \_\_\_\_\_ Date: **X** \_\_\_\_\_

<sup>1</sup> A calculation of the RMD is provided each January based on the account value as of the preceding December 31. The calculation fee will be charged for each additional calculation requested.



LIBERTY TRUST COMPANY

# CREDIT CARD INFORMATION

(LIBERTY TRUST COMPANY ACCOUNT NUMBER)

FOR PROCESSING, RETURN TO: IPS ♦ 8226 Douglas Avenue ♦ Suite 520 ♦ Dallas, Texas 75225-5927 ♦ 800-473-1977 ♦ 855-739-1987 FAX

## CREDIT CARD INFORMATION

**\* If you selected for fees to be paid by credit card, please supply the necessary information below.** This information will be used solely to pay fees for your IRA account and will be kept confidential. After charging your card, an invoice marked paid will be mailed you. The \$5 invoice fee will apply.

**Name:** (as it appears on your Account Application)

**Name of Cardholder:** \_\_\_\_\_ (as it appears on card)

**Credit Card #:** \_\_\_\_\_ **Expiration Date:** \_\_\_\_\_ / \_\_\_\_\_  
Month Year

**Card Type:**  Visa  Mastercard  Discover **Card Security Code:** \_\_\_\_\_

**Cardholder Billing Address:**

Street: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

Email Address: \_\_\_\_\_

**By executing this credit card Agreement, I authorize Liberty Trust Company to charge my credit card for fees.**

**I understand and acknowledge that there will be a \$35 fee charged for a declined credit card.**

**Printed Name:** **X** \_\_\_\_\_

**Signature:** **X** \_\_\_\_\_ **Date:** **X** \_\_\_\_\_

FOR SECURITY REASONS, please do not fax this form without calling our office first.

**PRIVACY NOTICE:**

We believe that each customer relationship at Liberty Trust Company, Ltd. is built on trust. We are committed to guarding that relationship with great care, beginning with the information you share with us. The following privacy policy explains how we use and protect the information about our customers. We ask that you read it carefully.

**INFORMATION WE COLLECT:**

We collect nonpublic personal information about you from the following sources:

- Information we receive from you on applications or other forms;
- Information about your transactions with us, our affiliates, or others; and
- Information we receive from a consumer reporting agency.

**INFORMATION THAT WE DISCLOSE:**

We do not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted by law.

**CONFIDENTIALITY AND SECURITY:**

We restrict access to nonpublic personal information about you to those employees who need to know that information to provide products or services to you. We maintain physical, electronic, and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

**USA PATRIOT Act:**

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account.

What this means for you: When you open an account, we will ask your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

**Below are some definitions that you might find helpful in setting up your account.**

- A. **TRANSFER:** Describes the movement of assets directly between IRA Custodians/Trustees **without distribution to the Accountholder**, resulting in no tax forms being generated by the current Custodian/Trustee or by the receiving Custodian/Trustee. In a transfer, checks from the current Custodian/Trustee will be made payable to the new Custodian/Trustee.
- B. **ROLLOVER:** Describes a cash and/or asset contribution to an IRA by an individual within sixty (60) days of receiving an eligible rollover distribution. **To make a rollover, the individual must have received an eligible distribution made payable to him or her.** The individual may roll over all or any part of the actual amount received and, if the distribution was from an employer sponsored retirement plan or 403(a) or (b) annuity (thus subject to the 20% federal income tax withholding), he/she may roll over up to 100% of the distribution by making up the 20% difference that was previously withheld.
- C. **DIRECT ROLLOVER:** Describes a movement of cash and/or assets that takes place directly between the Custodian/Trustee of an employer sponsored retirement plan (such as profit sharing, money purchase, defined benefit, etc.), or the administrator of a 403(a) or (b) annuity, and the Custodian/Trustee of an IRA. By directly rolling an eligible rollover distribution to this IRA (as opposed to receiving an outright distribution as described above under "Rollover"), the individual can avoid the mandatory 20% federal income tax withholding imposed on such distributions.
- D. **INHERITED IRA (BENEFICIARY IRA/BENEFICIAL IRA):** An Inherited IRA is an IRA that has been inherited by the beneficiary after the death of the original Account Owner. This type of IRA is also referred to as an **Beneficiary IRA or a Beneficial IRA**. Since any type of IRA, whether Traditional or Roth, provides for the designation of a beneficiary, an Inherited IRA will also be a Traditional or Roth. Knowing whether the original account was a Traditional IRA or a Roth IRA is important because distributions from Traditional and Roth IRAs are taxed differently. (The original IRA could also have been a Simple IRA. The taxation rules regarding distributions from Simple IRAs generally follow the rules for Traditional IRAs. However, a special rule applies to distributions from a Simple IRA during the participant's first two years in the plan.) We require additional documentation and review before an Inherited IRA may be established or transferred. Generally, as indicated on the Account Application, we require decedent's name and date of death, as well as a copy of the death certificate.

**There are four different types of Inherited IRAs:**

1. **NON-SPOUSE BENEFICIARY:** This is an IRA inherited by a non-spouse beneficiary who is transferring to an account in the name of the deceased for benefit of the named beneficiary. The beneficiary must take distributions from the account to satisfy the required minimum distribution (RMD) rules. The beneficiary cannot make additional contributions or rollovers to the IRA.
2. **SPOUSE BENEFICIARY:** This is an IRA inherited by the surviving spouse beneficiary who is transferring to an account in the name of the deceased for benefit of the spouse beneficiary. The surviving spouse must start receiving required minimum distributions (RMDs). The first RMD would be for the year that the deceased accountholder would have reached age 70 ½. The spouse beneficiary could also assume the IRA as his/her own. See Spousal Assumption below.
3. **SPOUSAL ASSUMPTIONS:** The designated spouse beneficiary of the accountholder may elect to transfer or assume the spouse's IRA account as his or her own IRA. The regular IRA rules will apply as if the funds were originally contributed on behalf of the spouse. If the surviving spouse does not already have an account with Liberty Trust Company, Ltd., he or she will need to complete an Account Application and return it to us.
4. **NON-SPOUSE BENEFICIARY DIRECT ROLLOVER:** This type of account first became available in 2007 as a result of the Pension Protection Act passed in 2006. This involves the movement of cash and/or assets directly between the Custodian/Trustee of an employer sponsored retirement plan (such as profit sharing, money purchase, defined benefit, etc.) or the administrator of a 403(a) or (b) annuity and the trustee of a Traditional Inherited IRA. The IRA account must be established in the name of the deceased plan participant for the benefit of the non-spouse beneficiary. Distributions from this account are determined according to the timing of the rollover in relation to the date of death of the plan participant. Required distributions for the year of the transaction may not be rolled over to the Inherited IRA account.

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**A**

**BASIC ACCOUNT OWNER INFORMATION**

Legal Name: \_\_\_\_\_ Soc. Sec. Number: \_\_\_\_\_

Legal Residence\*: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_ Home Phone: \_\_\_\_\_

\*If this address is different than the one on your ID, you must provide explanation of the discrepancy.

Mailing Address: (if different) \_\_\_\_\_ Daytime Phone: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_ Cell Phone: \_\_\_\_\_

Driver's Lic. #: \_\_\_\_\_ State: \_\_\_\_\_ Exp: \_\_\_\_\_ Occupation: \_\_\_\_\_

**Online Account Access:** Check this box if you would like online access activated for your account. **\*You must provide a valid email address.\*** Email: \_\_\_\_\_

**B**

**DESIGNATION OF ACCOUNT TYPE**

Traditional IRA       Roth IRA       SEP IRA       Simple IRA  
Employer Name: \_\_\_\_\_

Is this also an Inherited IRA?     Yes     No    **(If yes, please include a copy of a death certificate)**

Decedent's Name: \_\_\_\_\_ Date of Death: \_\_\_\_\_

**C**

**INITIAL FUNDING**

**(See Definitions Page)**

**Transfer from an IRA**      Estimated Amount: \$ \_\_\_\_\_  
(Complete an Account Transfer Request)

**Rollover from a Qualified Plan**      Estimated Amount: \$ \_\_\_\_\_  
(Contact current custodian / trustee for required paperwork and complete a Direct Rollover Request)

**Check Included**  
(Complete a Contribution Designation form. \* **check cannot be deposited without this** \*)

**D**

**THIRD PARTY AUTHORIZATION**

I hereby delegate to the authorized person named below the authority to have online access to view my account. I also authorize Liberty Trust Company to disclose information regarding my account to this person.

Name of Representative: \_\_\_\_\_ Phone Number: \_\_\_\_\_

Address: \_\_\_\_\_ FAX Number: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ Email Address: \_\_\_\_\_

**For Liberty Trust Company use only:**

Account Number: \_\_\_\_\_ Notes: \_\_\_\_\_

**E****BENEFICIARY DESIGNATION**

Only if there are no surviving primary beneficiaries when you die will contingent beneficiaries receive the account funds.

<b>PRIMARY BENEFICIARY</b>	Name: _____ SSN: _____ Date of Birth: ___/___/___ Share: _____% Relationship: _____
<b>PRIMARY BENEFICIARY</b>	Name: _____ SSN: _____ Date of Birth: ___/___/___ Share: _____% Relationship: _____
<b>PRIMARY BENEFICIARY</b>	Name: _____ SSN: _____ Date of Birth: ___/___/___ Share: _____% Relationship: _____
<b>CONTINGENT BENEFICIARY</b>	Name: _____ SSN: _____ Date of Birth: ___/___/___ Share: _____% Relationship: _____
<b>CONTINGENT BENEFICIARY</b>	Name: _____ SSN: _____ Date of Birth: ___/___/___ Share: _____% Relationship: _____
<b>CONTINGENT BENEFICIARY</b>	Name: _____ SSN: _____ Date of Birth: ___/___/___ Share: _____% Relationship: _____
<b>CONTINGENT BENEFICIARY</b>	Name: _____ SSN: _____ Date of Birth: ___/___/___ Share: _____% Relationship: _____

**F****SPOUSAL CONSENT**

Spousal consent may be required only if your spouse has not been named the sole primary beneficiary and you or your spouse is a resident of a community or marital property state. The state laws in which the custodian resides, the transaction occurs or the trust is held should also be consulted regarding the spousal consent requirement.

I am the spouse of the Account Owner named above, I agree to my spouse's naming of a Primary Beneficiary other than myself, and I acknowledge that I shall have no claim whatsoever against IRA Plus Southwest, LLC or Liberty Trust Company, Ltd. for any payment to my spouse's beneficiary (ies).

**Spouse's Printed Name:** \_\_\_\_\_

**Spouse's Signature:** **X** \_\_\_\_\_ **Date:** **X** \_\_\_\_\_





**ACCOUNT OWNER ACKNOWLEDGEMENTS, REPRESENTATIONS AND SIGNATURE**

I, the above named Account Owner, appoint Liberty Trust Company, Ltd. as Custodian of my IRA and hereby agree, acknowledge and represent the following:

A. I acknowledge and agree to all of the provisions, and specifically the investment provisions, of the Custodial Agreement (Form 5305-A for a Traditional IRA; Form 5530-RA for a Roth IRA; Form 5305-SA for a SIMPLE IRA ) that is hereby incorporated by reference into this section of this Account Application.

B. I agree and acknowledge that neither Liberty Trust Company, Ltd. nor IRA Plus Southwest, LLC is a fiduciary with regard to my IRA.

C. I further agree and acknowledge that I have the sole responsibility for the investment of my IRA assets with Liberty Trust Company, Ltd. and that Liberty Trust Company, Ltd. and IRA Plus Southwest, LLC shall have NO LIABILITY for any losses, expenses, damages (of any kind), costs, including court costs and attorney fees, or taxes, including tax resulting from prohibited transactions or disqualification of my IRA resulting from transactions executed by IRA Plus Southwest, LLC and/or Liberty Trust Company, Ltd. and authorized by me or my power of attorney.

D. I agree and acknowledge that Liberty Trust Company, Ltd. and IRA Plus Southwest, LLC have not provided and do not provide any investment management or investment, legal or tax advice and will not be responsible for any investment results (gain or loss) of any asset in my IRA.

E. I agree and represent that it is solely my responsibility to perform the due diligence with regard to any investment or investment sponsor, including but not limited to, obtaining and reading any applicable prospectus, private placement memorandum, offering circular or similar document prior to authorizing Liberty Trust Company, Ltd. and/or IRA Plus Southwest, LLC to make any investment on behalf of my IRA.

**F. I agree and acknowledge that neither Liberty Trust Company, Ltd. nor Plus Southwest, LLC has a duty to review or evaluate any investment or any sponsor of any investment. I further agree and acknowledge that neither Liberty Trust Company, Ltd. nor Plus Southwest, LLC will review or evaluate any investment or any sponsor of any investment.**

G. I agree to defend and indemnify Liberty Trust Company, Ltd. and IRA Plus Southwest, LLC and to hold them harmless from and against **all losses, expenses, damages (of any kind), costs, including court costs and attorney fees, or taxes, including tax resulting from prohibited transactions or disqualification of my IRA** resulting from transactions executed by Liberty Trust Company, Ltd. and/or IRA Plus Southwest, LLC and authorized by me, my power of attorney or other authorized representative in connection with any investment which I hold in my account.

H. I acknowledge and represent that it is solely my responsibility to understand and comply with the eligibility requirements for establishing an IRA, making rollover contributions or transfers and for making all of the investments that are held my IRA or that will be made in the future.

I. I agree and acknowledge that Liberty Trust Company, Ltd. and IRA Plus Southwest, LLC have no responsibility for tax consequences due to additions to or distributions from my IRA.

J. I acknowledge and represent that I have received and read the Individual Retirement Account Custodial Agreement, the accompanying Disclosure Statement, and the accompanying Fee Agreement and I understand, acknowledge, and agree to be bound by the terms and conditions in each document.

K. I acknowledge and agree that it is solely my responsibility to comply with the provisions of Internal Revenue Section 4975 "Tax on Prohibited Transactions" and that it may be necessary for me to obtain competent legal counsel in addition to having personal understanding of the provisions. I agree to notify Liberty Trust Company, Ltd. if a prohibited transaction occurs with regard to my IRA.

L. I agree and acknowledge that (1) I am solely responsible for providing Liberty Trust Company, Ltd. with the Fair Market Value of the assets held in my IRA and for the accuracy of the Fair Market Value; (2) Liberty Trust Company, Ltd. is in no way responsible for the accuracy of the Fair Market Value reported to me or the IRS; (3) the fact that Liberty Trust Company, Ltd. reports the FMV (provided to Liberty Trust Company, Ltd. by me or by a third party authorized by me to provide the FMV to Liberty Trust Company, Ltd.) to me, the IRS, or other party shall in no way imply or be interpreted to mean that Liberty Trust Company, Ltd. has independently determined the FMV being reported or that Liberty Trust Company, Ltd. is guaranteeing the FMV or that the asset can be sold for the FMV being reported; (4) Liberty Trust Company, Ltd. has no responsibility for the tax consequences of any taxable event based on the FMV of any asset held in the Account, including but not limited to required minimum distributions, normal or early distributions or Roth Conversions.

M. I represent, agree and acknowledge that I understand the requirements of Internal Revenue Code Section 401(a)(9) Required Minimum Distributions with respect to my IRA account including the severe penalties (50% excise tax) for not making timely Required Minimum Distributions. I further agree and acknowledge that I am solely responsible for determining the amount and requesting distribution of any Required Minimum Distributions.

N. I agree and acknowledge that I am solely responsible for determining whether any Unrelated Business Taxable Income is generated by any investment in my IRA and for the proper filing of Form 990-T and payment of any required tax and that the tax must be paid by my IRA and not by me.

O. I acknowledge and agree that, except to the extent that it is governed by or subject to the Internal Revenue Code and Regulations or other federal law, this agreement shall be governed by the laws of the State of South Dakota.

M. Under penalty of perjury, I declare and certify that this form, except for the information provided in the completion of the form, is identical, word for word, to the form provided by Liberty Trust Company, Ltd. ("LTC"), via its website or by any other means, and has not been altered in any manner whatsoever by me or, to my knowledge, by any third party. In the event that this form has been modified, with or without my knowledge, I agree that any such modification shall be null and void and that the language of the form as it was provided by LTC shall override any conflicting language.

**Please attach a legible copy of your unexpired Driver's License, Passport, or other Government issued photo ID**

Signature: X Date: X

**For Liberty Trust Company use only:** Accepted in South Dakota by Liberty Trust Company, Ltd., Custodian.  
Custodian Signature: X Date: X

(LIBERTY TRUST COMPANY ACCOUNT NUMBER)

Use this form to transfer all or part of the assets from an IRA with another custodian to your IRA with Liberty Trust Company, Ltd.

**FOR PROCESSING, RETURN TO:** IPS ♦ 8226 Douglas Avenue ♦ Suite 520 ♦ Dallas, Texas 75225-5927 ♦ 800-473-1977 ♦ 855-739-1987 FAX

## 1 ACCOUNT OWNER INFORMATION

Legal Name: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

Address: \_\_\_\_\_ Soc. Sec. Number: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

Type of Account at Liberty Trust Company, Ltd. (check one):

Name of deceased: \_\_\_\_\_

Traditional IRA    Roth IRA    SEP IRA    SIMPLE IRA    This is also an Inherited IRA \_\_\_\_\_

## 2 CURRENT CUSTODIAN INFORMATION

Name of Custodian: \_\_\_\_\_ Contact: \_\_\_\_\_

Address: \_\_\_\_\_ Phone: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_ Account Number: \_\_\_\_\_

Type of Account being transferred (check one):

Name of deceased: \_\_\_\_\_

Traditional IRA    Roth IRA    SEP IRA    SIMPLE IRA    This is also an Inherited IRA \_\_\_\_\_

## 3 TRANSFER INSTRUCTIONS—Please provide a copy of the most recent Account Statement from your existing Custodian

I hereby authorize Liberty Trust Company to send the Account Transfer Request to my existing Custodian utilizing the following method:    Regular Mail    Overnight Mail (\$35)    Fax: \_\_\_\_\_ (verify with current custodian)

### WARNING REGARDING LIQUIDATION ORDERS

Although you may request your current Custodian to liquidate some or all of your holdings into cash and transfer the cash to us, please be aware that **MANY CUSTODIANS WILL NOT HONOR THE LIQUIDATION REQUEST** and will return your transfer request to us. To avoid delays in processing, we strongly recommend that you verify that your account at your current Custodian has sufficient cash to allow for the transfer. This means that you may have to liquidate some or all of your holdings prior to the time this Account Transfer Request is sent to your current Custodian.

By signing this form, the Account Owner hereby authorizes the current Custodian to transfer the assets noted below.

**COMPLETE TRANSFER**   Estimated Amount: \$ \_\_\_\_\_

Liquidate all assets and transfer proceeds to Liberty Trust Company, Ltd. Proceed to section 4.

Transfer all assets "in-kind" along with any cash balance to Liberty Trust Company, Ltd. Proceed to section 4.

**PARTIAL TRANSFER**

Send \$ \_\_\_\_\_ in cash to Liberty Trust Company, Ltd.

Transfer the assets noted below "in-kind" to Liberty Trust Company, Ltd.

<u>Asset Name</u>	<u>Units</u>	<u>Price per Unit</u>	<u>Market Value</u>

Note: Partial transfers less than \$2,000 will result in a processing fee of \$50

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**DELIVERY INSTRUCTIONS**

**Regular Mail**

**IPS**

8226 Douglas Avenue, Suite 520  
Dallas, TX 75225

**Make check payable to:**

Liberty Trust Company, Ltd., Custodian  
FBO: (client's name) IRA # \_\_\_\_\_

**Overnight Mail**

**IPS**

8226 Douglas Avenue, Suite 520  
Dallas, TX 75225

**Make check payable to:**

Liberty Trust Company, Ltd., Custodian  
FBO: (client's name) IRA # \_\_\_\_\_

**Wire** (additional \$25 fee applies)

**Third Coast Bank SSB**

20202 Hwy 59 N Ste. 190  
Humble, TX 77338

ABA Number: **113094149**

**Liberty Trust Company, Ltd.**

101 S. Reid St. Ste. 307  
Sioux Falls, SD 57103

Acct. Number: **1000019370**

Ref: (client's name) IRA # \_\_\_\_\_

**Asset Registration Instructions:**

The registration / title for the investment and other related documents must reflect the name of Liberty Trust Company, Ltd., the name of the Account Owner, the account number, and Liberty Trust Company, Ltd.'s Tax ID Number.

**Tax Identification Number: 90-0909159**      **Liberty Trust Company, Ltd., Custodian FBO: (client's name) IRA # \_\_\_\_\_**

5

**ACCOUNT OWNER TRANSFER AUTHORIZATION AND SIGNATURE**

I hereby agree to the terms and conditions set forth in this Account Transfer Request and acknowledge that I have established an account of the type designated in section 1 of this form. I acknowledge that I understand the rules and conditions regarding Account Transfers and I certify that I qualify for the Account Transfer of assets listed in the Transfer Instructions above and authorize such transactions.

I UNDERSTAND that if funds are wired to Liberty Trust Company, Ltd. (LTC), LTC will deduct the incoming wire fee from my account unless I have prepaid such fee.

I HEREBY AUTHORIZE the present Custodian to deliver my cash and/or assets as noted above.

**Check with your current Custodian to see if a Medallion Signature Guarantee is required.** A Medallion Signature Guarantee may be obtained at a brokerage firm, bank, or other financial institution. Liberty Trust Company will not provide a Medallion Signature Guarantee.



Medallion Signature Guarantee

Signature: **X** \_\_\_\_\_

Date: **X** \_\_\_\_\_

6

**LETTER OF ACCEPTANCE BY LIBERTY TRUST COMPANY, LTD.**

Liberty Trust Company, Ltd. will accept the transfer described above as Successor Custodian and agrees to apply the proceeds, upon their receipt, to the account established on behalf of the Account Owner named above.

By: \_\_\_\_\_

Date: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: Authorized Signer

(LIBERTY TRUST COMPANY ACCOUNT NUMBER)

Use this form to authorize a Direct Rollover from an employer's retirement plan to your IRA with Liberty Trust Company, Ltd.

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### 1 ACCOUNT OWNER INFORMATION

Legal Name: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

Address: \_\_\_\_\_ Soc. Sec. Number: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

Type of Account at Liberty Trust Company, Ltd. (check one):

- Traditional IRA    Roth IRA    SEP IRA    This is also an Inherited IRA

### 2 CURRENT RETIREMENT PLAN INFORMATION

Name of Employer: \_\_\_\_\_ Contact Name at Employer: \_\_\_\_\_

Name of Distributing Plan: \_\_\_\_\_

Address: \_\_\_\_\_ Phone: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

Type of Plan: (check one)    401(k)    Profit Sharing    Pension    403(b)    457    Other \_\_\_\_\_

### 3 ROLLOVER INSTRUCTIONS

I hereby authorize Liberty Trust Company, Ltd. to send the Direct Rollover Request to my existing custodian/trustee utilizing the following method:    Regular Mail    Overnight Mail (*additional \$35 fee applies*)

**NOTICE: MOST PLAN ADMINISTRATORS, TRUSTEES, CUSTODIANS, ETC. WILL NOT COMPLETE A DIRECT ROLLOVER UPON RECEIPT OF THIS FORM ALONE. BEFORE COMPLETING THE DIRECT ROLLOVER REQUEST, YOU SHOULD CONTACT THE PLAN ADMINISTRATOR AND/OR TRUSTEE OR CUSTODIAN OF THE EMPLOYER'S RETIREMENT PLAN TO OBTAIN ANY DISTRIBUTION ELECTION FORMS REQUIRED BY THEM.**

#### **WARNING REGARDING LIQUIDATION ORDERS**

Although you may request your current Custodian to liquidate some or all of your holdings into cash and transfer the cash to us, please be aware that **MANY CUSTODIANS WILL NOT HONOR THE LIQUIDATION REQUEST** and will return your rollover request to us. To avoid delays in processing, we strongly recommend that you verify that your account at your current Custodian has sufficient cash to allow for the rollover. This means that you may have to liquidate some or all of your holdings prior to the time this Direct Rollover Request is sent to your current Custodian/Trustee.

By signing this form, the Account Owner hereby authorizes the current Custodian/Trustee to rollover the assets noted below.

#### COMPLETE ROLLOVER

- Liquidate all assets and rollover proceeds to Liberty Trust Company, Ltd. Proceed to section 4.  
 Rollover all assets "in-kind" along with any cash balance to Liberty Trust Company, Ltd. Proceed to section 4.

#### PARTIAL ROLLOVER

- Send \$ \_\_\_\_\_ in cash to Liberty Trust Company, Ltd.  
 Rollover the assets noted below "in-kind" to Liberty Trust Company, Ltd.

<u>Asset Name</u>	<u>Units</u>	<u>Price per Unit</u>	<u>Market Value</u>

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**DELIVERY INSTRUCTIONS**

**Regular Mail**

**IPS**

8226 Douglas Avenue, Suite 520  
Dallas, TX 75225

**Make check payable to:**

Liberty Trust Company, Ltd., Custodian  
FBO: (client's name) IRA # \_\_\_\_\_

**Overnight Mail**

**IPS**

8226 Douglas Avenue, Suite 520  
Dallas, TX 75225

**Make check payable to:**

Liberty Trust Company, Ltd., Custodian  
FBO: (client's name) IRA # \_\_\_\_\_

**Wire** (additional \$25 fee applies)

**Third Coast Bank SSB**

20202 Hwy 59 N Ste. 190  
Humble, TX 77338

ABA Number: **13094149**

**Liberty Trust Company, Ltd.**

101 S. Reid St. Ste. 307  
Sioux Falls, SD 57103

Acct. Number: **1000019370**

Ref: (client's name) IRA # \_\_\_\_\_

**Asset Registration Instructions:**

The registration / title for the investment and other related documents must reflect the name of Liberty Trust Company, Ltd., the name of the Account Owner, the account number, and Liberty Trust Company, Ltd.'s Tax ID Number.

**Tax Identification Number: 90-0909159**      **Liberty Trust Company, Ltd., Custodian FBO: (client's name) IRA # \_\_\_\_\_**

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**ACCOUNT OWNER ROLLOVER AUTHORIZATION AND SIGNATURE**

I hereby agree to the terms and conditions set forth in this Direct Rollover Request and acknowledge that I have established an account of the type designated in section 1 of this form. I acknowledge that I understand the rules and conditions regarding Direct Rollovers and I certify that I qualify for the Direct Rollover of assets listed in the Rollover Instructions above and authorize such transactions. I certify that this Direct Rollover does not contain my Required Minimum Distribution. I irrevocably elect to designate this contribution of cash or other property as a Rollover Contribution.

I UNDERSTAND that if funds are wired to Liberty Trust Company, Ltd. (LTC), LTC will deduct the incoming wire fee from my account unless I have prepaid such fee.

I HEREBY AUTHORIZE the present Custodian to deliver my cash and/or assets as noted above.

Signature: **X** \_\_\_\_\_ Date: **X** \_\_\_\_\_

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**LETTER OF ACCEPTANCE BY LIBERTY TRUST COMPANY, LTD**

Liberty Trust Company, Ltd. will accept the direct rollover described above as Successor Custodian and agrees to apply the proceeds, upon their receipt, to the account established on behalf of the Account Owner named above.

By: \_\_\_\_\_ Date: \_\_\_\_\_

Printed Name: \_\_\_\_\_ Title: Authorized Signer

**Traditional Individual Retirement Custodial Account**  
(Under Section 408(a) of the Internal Revenue Code)

Do not file  
with the Internal  
Revenue Service

The individual whose name appears on the attached Account Application (the "Account Owner") is establishing a traditional Individual Retirement Account under section 408(a) of the Internal Revenue Code to provide for his or her retirement and for the support of his or her beneficiaries after death. The Custodian, Liberty Trust Company, Ltd. (the "Custodian") has given the Account Owner the disclosure statement required under Regulations section 1.408-6. The Account Owner and the Custodian make the following agreement:

**Article I**

**1.01** Except in the case of a rollover contribution described in section 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or 457(e)(16), an employer contribution to a simplified employee pension plan as described in section 408(k) or a recharacterized contribution described in section 408A(d)(6), the Custodian will accept only cash contributions up to \$3,000 per year for tax years 2002 through 2004. That contribution limit is increased to \$4,000 for tax years 2005 through 2007, and \$5,000 for 2008 and thereafter. For individuals who have reached the age of 50 before the close of the tax year, the contribution limit is increased to \$3,500 per year for tax years 2002 through 2004, \$4,500 for 2005, \$5,000 for 2006 and 2007, and \$6,000 for 2008 and thereafter. For tax years after 2008, the above limits will be increased to reflect a cost-of-living adjustment, if any.

**Article II**

**2.01** The Account Owner's interest in the balance in the custodial account is nonforfeitable.

**Article III**

**3.01** No part of the custodial account funds may be invested in life insurance contracts, nor may the assets of the custodial account be commingled with other property except in a common trust fund or common investment fund (within the meaning of section 408(a)(5)).

**3.02** No part of the custodial account funds may be invested in collectibles (within the meaning of section 408(m)) except as otherwise permitted by section 408(m)(3), which provides an exception for certain gold, silver and platinum coins, coins issued under the laws of any state, and certain bullion.

**Article IV**

**4.01** Notwithstanding any provision of this agreement to the contrary, the distribution of the Account Owner's interest in the custodial account shall be made in accordance with the following requirements and shall otherwise comply with section 408(a)(6) and the regulations thereunder, the provisions of which are herein incorporated by reference.

**4.02** The Account Owner's entire interest in the custodial account must be, or begin to be, distributed not later than the Account Owner's required beginning date, April 1 following the calendar year in which the Account Owner reaches age 70 1/2. By that date, the Account Owner may elect, in a manner acceptable to the Custodian, to have the balance in the trust account distributed in:

- (a) A single sum; or
- (b) Payments over a period not longer than the life of the Account Owner or the joint lives of the Account Owner and his or her designated beneficiary.

**4.03** If the Account Owner dies before his or her entire interest is distributed to him or her, the remaining interest will be distributed as follows:

- (a) If the Account Owner dies on or after the required beginning date and:
  - (i) the designated beneficiary is the Account Owner's surviving spouse, the remaining interest will be distributed over the surviving spouse's life expectancy, as determined each year until such spouse's death, or over the period in paragraph 4.03(a)(iii) below, if longer. Any interest remaining after the spouse's death will be distributed over such spouse's remaining life expectancy as determined in the year of the spouse's death and reduced by 1 for each subsequent year, or, if distributions are being made over the period in paragraph 4.03(a)(iii) below, over such period.
  - (ii) the designated beneficiary is not the Account Owner's surviving spouse, the remaining interest will be distributed over the beneficiary's remaining life expectancy as determined in the year following the death of the Account Owner and reduced by 1 for each subsequent year, or over the period in paragraph 4.03(a)(iii) below if longer.
  - (iii) there is no designated beneficiary, the remaining interest will be distributed over the remaining life expectancy of the Account Owner as determined in the year of the Account Owner's death and reduced by 1 for each subsequent year.
- (b) If the Account Owner dies before the required beginning date, the remaining interest will be distributed in accordance with (i) below or, if elected or there is no designated beneficiary, in accordance with (ii) below:
  - (i) The remaining interest will be distributed in accordance with paragraphs 4.03 (a)(i) and 4.03 (a)(ii) above (but not over the period in paragraph 4.03(a)(iii), even if longer), starting by the end of the calendar year following the year of the Account Owner's death. If, however, the

designated beneficiary is the Account Owner's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the Account Owner would have reached age 70 1/2. But, in such case, if the Account Owner's surviving spouse dies before distributions are required to begin, then the remaining interest will be distributed in accordance with paragraph 4.03(a)(ii) above (but not over the period in paragraph 4.03(a)(iii), even if longer), over such spouse's designated beneficiary's life expectancy, or in accordance with 4.03(b)(ii) below if there is no such designated beneficiary.

- (ii) The remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the Account Owner's death.

**4.04** If the Account Owner dies before his or her entire interest has been distributed and if the designated beneficiary is other than the Account Owner's surviving spouse, no additional contributions may be accepted in the account.

**4.05** The minimum amount that must be distributed each year, beginning with the year containing the Account Owner's required beginning date, is known as the "required minimum distribution" and is determined as follows:

- (a) The required minimum distribution under paragraph 4.02(b) for any year, beginning with the year the Account Owner reaches age 70 1/2, is the Account Owner's account value at the close of business on December 31 of the preceding year divided by the distribution period in the uniform lifetime table in Regulations section 1.401(a)(9)-9. However, if the Account Owner's designated beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the Account Owner's account value at the close of business on December 31 of the preceding year divided by the number in the joint and last survivor table in Regulations section 1.401(a)(9)-9. The required minimum distribution for a year under this paragraph 4.05 (a) is determined using the Account Owner's (or, if applicable, the Account Owner and spouse's) attained age (or ages) in the year.
- (b) The required minimum distribution under paragraphs 4.03(a) and 4.03(b)(i) for a year, beginning with the year following the year of the Account Owner's death (or the year the Account Owner would have reached age 70 1/2, if applicable under paragraph 4.03(b)(i)) is the account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table in Regulations section 1.401(a)(9)-9) of the individual specified in such paragraphs 4.03(a) and 4.03(b)(i).
- (c) The required minimum distribution for the year the Account Owner reaches age 70 1/2 can be made as late as April 1 of the following year. The required minimum distribution for any other year must be made by the end of such year.

**4.06** The owner of two or more traditional IRAs may satisfy the minimum distribution requirements described above by taking from one traditional IRA the amount required to satisfy the requirement for another in accordance with the regulations under section 408(a)(6).

**Article V**

**5.01** The Account Owner agrees to provide the Custodian with all information necessary to prepare any reports required by section 408(i) and Regulation sections 1.408-5 and 1.408-6.

**5.02** The Custodian agrees to submit to the Internal Revenue Service (IRS) and Account Owner the reports prescribed by the IRS.

**Article VI**

**6.01** Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through III and this sentence will be controlling. Any additional articles inconsistent with section 408(a) and the related regulations will be invalid.

**Article VII**

**7.01** This agreement will be amended as necessary to comply with the provisions of the Code and the related regulations. Other amendments may be made with the consent of the persons whose signatures appear on the Account Application. Custodian shall notify the Account Owner of amendments to this agreement in accordance with section 8.10. Custodian may provide amended provisions to Account Owner by posting the amended agreement on the Custodian's website and notifying the Account Owner that the amended agreement may be obtained from the Custodian's website but that a copy will be provided to the Account Owner upon request. Unless the Account Owner notifies the Custodian in writing no later than thirty (30) days after the date of notification that he/she does not consent to the amendment(s), the Account Owner will be deemed to have consented to the amendment(s).

## Article VIII

### 8.01 Powers and Duties of the Custodian

- (a) **Passive Custodian; Not a Fiduciary:** The Custodian is a passive custodian and as such shall act only with the consent and direction of the Account Owner or his authorized agent or representative with regard to the investment, management, and disbursement or disposition of the assets of the Custodial Account. The Account Owner or his authorized agent or representative shall direct the Custodian in the investment and reinvestment of the Custodial Account. Neither the Custodian nor any of its agents is a fiduciary with regard to the Custodial Account. The Account Owner understands, acknowledges and agrees that neither the Custodian nor any of its agents is a fiduciary with regard to the Custodial Account.
- (b) **Custodial Account:**
- (i) **General:** In connection with this agreement, the Custodian will establish a Custodial Account on behalf of the Account Owner. The Custodial Account shall consist of (1) cash ("Cash Account") and (2) the investments made by the Custodian on behalf of and at the direction of the Account Owner in accordance with 8.01(c).
  - (ii) **Cash Account:** With regard to the Cash Account, the Custodian shall provide one or more FDIC insured bank accounts to receive and hold cash deposits, including but not limited to, contributions, rollovers, transfers, dividends, capital gains and proceeds from the sale of investments. The bank at which the bank account(s) is/are established ("Depository Bank") will be a member of the FDIC. The Account Owner's cash in the Custodial Account held at the Depository Bank will be insured by the FDIC, subject to the aggregation limits of FDIC Regulation 330.14. The cash accounts may be non-interest bearing or interest bearing, (bearing interest at a rate published by the Custodian). Interest will be credited to the cash portion of the Custodial Account monthly in accordance with section 8.08(a), except any interest credited for the month during which the account is closed will be taken by the Custodian as part of the account termination fee.
  - (iii) **Availability of Funds:** In general, funds deposited into the Cash Account by check will be available on the sixth business day after deposit by the Custodian. Funds deposited into the Cash Account by wire, ACH, money order, or certified or cashier check will be available on the first business day after receipt by the Custodian. The Custodian may delay the availability of funds for various reasons, including but not limited to: repeated overdrafts by the Account Owner; a returned check is returned unpaid; insufficient information is provided for the Custodian to determine the account and/or nature of the deposit; an event beyond the control of the Custodian, such as equipment failure or inclement weather.
- (c) **Custodian is Authorized to Invest the Custodial Account at the Direction of the Account Owner:** Pursuant to the written direction of the Account Owner or the Account Owner's authorized agent or representative, in a form acceptable to the Custodian, the Custodian is authorized to (1) invest the Custodial Account in any investment the Custodian deems administratively feasible to be held in the account, including, but not limited to, stocks, bonds, certificates of deposit, money market funds, real estate, mortgages, deeds of trust, promissory notes and interests in limited partnership and limited liability companies.; (2) receive cash contributions, transfers and rollovers into the Custodial Account; (3) receive in-kind transfers and rollovers into the Custodial Account; however, the Custodian may refuse to accept any asset that is part of an in-kind transfer or rollover; (4) collect any income from the investments held under the Custodial Account and add such income to the Custodial Account; (5) pay expenses related to investments held under the Custodial Agreement; (6) make distributions and transfers, both cash and in-kind, from the Custodial Account; (7) sell, exchange, assign, convey, mortgage, pledge or otherwise encumber any investment held under the Custodial Account.
- (d) **No Duty to Review Investments:** The Custodian shall have no duty or responsibility to review any investment held in Custodial Account or any investment under consideration by the Account Owner or any purchase directed by the Account Owner with respect to any issue, including but not limited to, its safety, risk, advisability, suitability or whether or not it should be registered as a security with the appropriate government agencies and shall have no liability with respect to its safety, risk, advisability, suitability or whether or not it should be registered as a security with the appropriate government agencies. The Custodian shall not be responsible to investigate or perform any due diligence on any investment, investment sponsor or any principal involved with any investment. Further, the Custodian is not responsible and shall not be held liable or accountable, in any way, for any loss or losses incurred in the Custodial Account due to the action or inaction of any broker, sales representative, investment sponsor or any other third party.
- (e) **Voting Rights:** The custodian will not exercise voting rights or other shareholder or ownership rights with respect to investments held in the Custodial Account unless the Account Owner provides acceptable written direction to the Custodian.
- (f) **Excise Taxes and Unrelated Business Income Tax:** The Custodian shall have no responsibility for determining whether the Custodial Account is subject to excise taxes or for determining whether any investment made or held in the Custodial Account is or will be subject to Unrelated Business Income Tax. It is the Account Owner's responsibility to determine if any excise tax is due and to pay such excise tax and file Form 5239, Form 5330 or other form if required. If unrelated business income is earned on any investment held in the Custodial Account, it is the Account Owner's responsibility to obtain a taxpayer identification number for the Custodial Account and to file Form 990-T with the IRS under the taxpayer identification number for the IRA and not under the taxpayer identification number of the Custodian, when such unrelated business income is earned. Any unrelated business income tax that is due must be paid by the Custodial Account and not by the Account Owner. The Account Owner may submit the information to the Custodian for filing of Form 990-T; however the Custodian may charge the Custodial Account or the Account Owner for the filing and shall have no obligation to verify the accuracy of the information. If the Account Owner fails to file Form 990-T, or files Form 990-T with inaccurate information, or provides the Custodian with inaccurate information with respect to Form 990-T filed on behalf of the Custodial Account, the Account Owner agrees to indemnify the Custodian for any liability incurred due to failure to file or inaccuracy of such filing.
- (g) **Reports to the IRS:** The Custodian shall submit to the IRS only those reports prescribed by the IRS, pursuant to Article 5.02. The Custodian shall have no responsibility to prepare or submit to the IRS or the Account Owner or any other party Form 1098, Form 1099-INT, Form 1099-MISC or any form required as a result of any investment made by the Custodian on behalf of the IRA at the written direction of the Account Owner. It is the Account Owner's responsibility to determine which forms, if any, are required and to prepare and submit such forms to the IRS and any other party required to receive such forms. If such forms are required, the Account Owner must obtain a taxpayer identification number for the IRA and file such forms with the IRS under the taxpayer identification number for the IRA and not under the taxpayer identification number of the Custodian.
- (h) **Subpoenas:** The Custodian or its agents may respond to any subpoena without prior notice to or approval by the Account Owner.
- (i) **Custodian Does Not Endorse or Market Any Investment:** The Custodian does not endorse or market any investment. The fact that the Custodian agrees to act as custodian for or to purchase a specific asset within the Custodial Account at the direction of the Account Owner shall in no way imply or be interpreted to mean that the Custodian or any of its agents endorses the asset. Further, the fact that the Custodian agrees act as custodian for to purchase a specific asset within the Custodial Account at the direction of the Account Owner shall in no way imply or be interpreted to mean that the Custodian or any of its agents is acting as an agent or broker for the investment or investment sponsor or that the Custodian or any of its agents is marketing or raising capital for the investment or investment sponsor.
- (j) **Agents of the Custodian:** The Custodian may designate and engage agents to perform administrative and other related services in connection with this Custodial Account. The powers and duties delineated herein shall apply to each agent so engaged. The Custodian has engaged IRA Plus Southwest, LLC (the Administrator) as its agent for the purpose of administering Individual Retirement Accounts established under this Custodial Agreement.
- (k) **Registration of Assets:** Assets of the Custodial Account shall be registered in the name of the Custodian, the Administrator, or other agent or nominee designated by the Custodian. The Account Owner acknowledges that the owner of any investment held in the Custodial Account is the Custodian, Administrator, other agent or nominee for the benefit of the Account Owner's IRA and not the Account Owner individually. The Account Owner agrees to direct the Custodian to pay all expenses and/or capital calls associated with any investment in the Custodial Account from funds in the Custodial Account. Further, the Account Owner agrees not to withdraw any funds or accept any funds from any investment held in the Custodial Account.
- (l) **No Advice:** Neither the Custodian nor the Administrator nor any of the Custodians agents offers investment, tax or legal advice.
- (m) **Not Liable for Acts or Omissions of Others:** The Custodian shall not be responsible for or incur any liability for any acts performed or omitted by the Account Owner or his agent or representative, a former custodian or trustee, or any other third party, nor shall the Custodian have any duty or responsibility to inquire into, or take any action regarding or related to any such acts or omissions. The Custodian shall not be liable to the Account Owner for any statements, representations, actions or inactions of any third party including but not limited to any broker or other salesperson or principal of any investment purchased for this Custodial Account.
- (n) **Not Responsible for Contributions, Distributions, etc:** The Custodian shall not be responsible for (1) determining the amount of contributions that the



Account Owner may make or for determining the deductibility of any contributions made by the Account Owner; (2) determining the amount or deductibility of contributions that may be made to the Custodial Account on behalf of the Account Owner by an employer pursuant to a Simplified Employee Pension or for the collection of such contributions; (3) determining the amount or timing of any distribution required to be made to the Account Owner or his beneficiary(ies) in accordance with Article IV of this agreement and/or Internal Revenue Code and regulations regarding RMDs. The Custodian will only make distributions, including RMDs, at the written request of the Account Owner or beneficiary in a form acceptable to the Custodian.

- (o) **Right to Bring Suit Against Account Owner or Custodial Account:** The Custodian and/or its agents shall have the right and authority to bring suit against the Account Owner or the Custodial Account to recover any amounts owed Custodian or its agents under this Custodial Agreement, including, but not limited to, fees, costs or expenses paid or incurred by the Custodian or its agents in connection with this agreement, and amounts paid in error by Custodian or its agents. In the event of such suit, the Custodian and/or its agents shall also be entitled to recover from the Custodial Account or the Account Owner all costs resulting from or related to such suit, including but not limited to court costs, attorneys fees and other legal expenses, and reasonable compensation for time spent by the Custodian and/or its agent(s) in such suit.
- (p) **Right to Conduct Litigation on Behalf of Custodial Account:** The Custodian or its agent shall have the right and authority, in its sole discretion, if indemnified to its satisfaction, to (1) initiate any litigation on behalf the Custodial Account and to defend the Custodial Account against any litigation that it deems necessary in the administration of the Custodial Account, (2) compound, abandon or otherwise settle all claims in favor of and demands against the Custodial Account, (3) withhold or retain and decline to make any payment from any funds subject to any dispute until final settlement or adjudication of such dispute.
- (q) **Right to Rely on Information Provided:** When making a payment or distribution under this Agreement, the Custodian may make such payment or distribution by mailing a check or other property to the payee at the address last furnished to the Custodian or if directed to make such payment by ACH or wire or other electronic transfer, by transmitting funds using the instructions last furnished to the Custodian and the Custodian shall have no liability for any consequence as a result of the use of an incorrect address or incorrect ACH, wire or other electronic transfer instructions if the Custodian acted in good faith with no actual knowledge of any changes.
- (r) **Right to Seek Legal Advice:** The Custodian may consult with or engage legal counsel, including counsel for the Custodian individually, for advice on matters regarding the Custodial Account, and the Custodian shall have no liability for actions taken or not taken, in good faith, upon the advice of counsel.
- (s) **Right to Employ Third Parties:** The Custodian may take whatever action or employ such agents, vendors or service providers which in its judgment may be necessary or appropriate to properly administer the Custodial Account, without notice to Account Owner.
- (t) **Minimum Account Balance:** The Custodian may establish a policy requiring the Account Owner to maintain a minimum balance in the custodial account. Such policy may permit the Custodian to distribute the entire balance of the account to the Account Owner if the balance of the account falls below the minimum balance required under the policy.
- (u) **Minimum Cash Balance:** The Custodian may establish a policy requiring the Account Owner to maintain a minimum uninvested cash balance in the custodial account.
- (v) **Right to Close Account:** The Custodian may close the custodial account without prior notice to the Account Owner if the account contains uninvested cash only and the amount of cash is less than the amount of processing and termination fees necessary to close the account. In such case, the Custodian will debit the cash from the account as part of the account termination fee and bill the Account Owner for the balance, if any. The Custodian may, but is not obligated to, waive part of or the entire processing and/or termination fee in such situation.

#### 8.02 Investment of the Account

- (a) **Responsibility of Account Owner not Custodian:** The Account Owner has the sole responsibility, authority and discretion for the selection of any and all investments in the Custodial Account and accepts full and sole responsibility for such selection, including full and sole responsibility for the success or failure of such investments. The Custodian has no responsibility, authority, or discretion for the selection, purchase, sale or continued holding of any investment in the Custodial Account. It is the Account Owner's responsibility to investigate and understand the nature of the investments, the principals and risks involved with the investments chosen by the Account Owner.
- (b) **The Account Owner Must Direct the Custodian:** The Custodian shall only make investments in the Custodial Account upon written direction from the Account Owner, or the Account Owner's authorized agent, in a form acceptable

to the Custodian. The Custodian shall have no responsibility to question, investigate or otherwise review any directions made by the Account Owner or his authorized agent regarding any purchase, sale, expense payment or other transaction involving the Custodial Account. However, the Custodian, at its sole discretion, may refuse to hold or make any investment for any reason. If the directions to the Custodian are, in the opinion of the Custodian, unclear or are not in a form acceptable to the Custodian, the Custodian shall have no duty or obligation to take any action unless and until the Custodian receives clear and acceptable instructions from the Account Owner or the Account Owner's authorized agent and the Custodian shall not be responsible for and shall not be held liable or accountable, in any way, for any loss or losses incurred in the Custodial Account during the time the Custodian was not in receipt of clear and acceptable instructions.

- (c) **Authorized Agent.** The Account Owner may appoint a third party as his authorized agent to direct the investment of the Custodial Account by notifying the Custodian in a form acceptable to the Custodian. The Custodian shall assume that the authorized agent is at all times qualified to act as agent for the Account Owner and shall recognize the agent as having the authority to direct the investment of the Custodial Account until such time as (i) the Account Owner notifies the Custodian in writing that he has removed the authorized agent, or (ii) the Custodian is notified of the death of the Account Owner.
- (d) **Not responsible for Investment Losses:** The Custodian is not responsible for and shall not be held liable or accountable, in any way, for any loss or losses incurred in the Custodial Account on any investment made by the Custodian pursuant to the Account Owner's or his authorized agent's directions.
- (e) **Custodian not responsible to forward information received on investments:** It is the Account Owner's responsibility to make arrangements with the investment sponsors or other parties for receiving communications regarding custodial account investments. Except where required by law, the Custodian has no responsibility to notify or forward to the Account Owner or any other party any communication regarding custodial account investments received by the Custodian. Such communications include, but are not limited to, K-1s, capital calls, periodic statements, vendor invoices, legal documents and correspondence regarding the investments.
- (f) **Account Owner's Responsibility to Comply with Changing Laws.** Although the law regulations regarding IRAs may change from time to time, the Custodian may not be required to immediately amend this Custodial Agreement to reflect such changes. It is the Account Owner's responsibility to consult with an attorney, CPA or other tax advisor regarding any matter related to the Custodial Account.
- (g) **Prohibited Transactions.** Certain types of transactions involving the Custodial Account and a disqualified person, either directly or indirectly, constitute prohibited transactions under Internal Revenue Code §4975 and related Regulations, resulting in adverse tax consequences to the Account Owner and/or other parties. For example, if the Custodial Account holds real estate, such as a house, as an investment and the Account Owner lives in the house, this would constitute a prohibited transaction, resulting in the entire Custodial Account being treated as a taxable distribution to the Account Owner. The Custodian has no responsibility to determine whether any transaction anticipated or completed is a prohibited transaction. It is the responsibility of the Account Owner to determine whether a transaction is a prohibited transaction and if a prohibited transaction occurs it is the responsibility of the Account Owner to notify the Custodian and to direct and instruct the Custodian to report such prohibited transaction to the Account Owner and the IRS. The Custodian reserves the right to require certification from the Account Owner and/or the Account Owner's legal counsel that the completion of a transaction by the Custodian at the direction provided by the Account Owner will not constitute a prohibited transaction and if such certification is not provided, the Custodian reserves the right to refuse to complete the transaction unless and until such certification is provided or take whatever action it deems appropriate, including but not limited to resigning as Custodian as provided under this Agreement. The fact that the Custodian completes a transaction without requesting such certification does not mean, and shall not be interpreted to mean, that the Custodian has examined the transaction and has concluded that no prohibited transaction exists.

#### 8.03 Designation of Beneficiaries

- (a) **Account Owner May Designate:** The Account Owner may, in writing, in a form acceptable to Custodian, designate one or more beneficiaries who shall be paid the balance of the Custodial Account that is undistributed at the time of the Account Owner's death. Any such beneficiary designation that is fully and unambiguously completed and executed shall be assumed to be legally valid and shall be effective upon receipt by the Custodian. The Account Owner may revoke or modify any beneficiary designation at any time by completing and submitting a new beneficiary designation in a form acceptable to the Custodian. If the Custodian receives a valid completed and executed beneficiary designation in a form acceptable to the Custodian, all prior beneficiary designations bearing an earlier execution date shall be revoked upon receipt of such subsequent form by the Custodian. If the Account Owner modifies a previous beneficiary designation by adding to, deleting from, or by making any other changes, such previous beneficiary designation shall not be revoked in its



entirety if the changes are clear and unambiguous. If, in the opinion of the Custodian, the Account Owner's designation is not clear, the Custodian may, at its discretion, refuse to accept such beneficiary designation and require the Account Owner to submit a new beneficiary designation that revokes all prior beneficiary designations

- (b) **Default Beneficiaries:** If the Account Owner dies and none of the Account Owner's designated beneficiaries are living at the time of the Account Owner's death, or if all beneficiaries disclaim their rights to any benefit otherwise payable to them from the Custodial Account, or if there is no valid beneficiary designation on file with the Custodian at the time of the Account Owner's death, then for all purposes of this Custodial agreement, the Account Owner's surviving spouse, if any, shall be deemed to be the Account Owner's designated beneficiary; or if there is no surviving spouse, then, for all purposes of this Custodial Agreement, the surviving natural and adopted children, if any, of the Account Owner shall be deemed to be the Account Owner's designated beneficiaries in equal shares per capita; but if there are no such surviving children, then, for all purposes of this Custodial Agreement, the Account Owner's estate shall be deemed to be the Account Owner's designated beneficiary.
- (c) **Custodian Not Liable:** When making any distribution due to the death of the Account Owner, the Custodian may rely on any source presumed to be knowledgeable of matters of the Account Owner (such as a surviving spouse) and shall have no duty other than to act in good faith based on the information and instructions provided. The Custodian shall not be liable for any action taken or distribution made in reliance upon incorrect, incomplete or fraudulent information reported by any source assumed to be reliable. The Custodian shall have no responsibility to ascertain the validity of any individual's or entity's claim to be a beneficiary, or to inquire or ascertain whether there are any beneficiaries not reported to the Custodian. Once all distributions are made from the Custodial Account, the Custodian shall have no liabilities with regard to the Custodial Account.

#### 8.04 Death of Account Owner

- (a) **Surviving spouse is beneficiary:** If the Account Owner dies and the Account Owner's sole designated beneficiary is the surviving spouse, the surviving spouse may (1) transfer the decedent's Custodial Account into an Individual Retirement Account titled in the surviving spouse's name or (2) elect, in a form acceptable to Custodian, to treat the Custodial Account as his or her own and if such election is made, the surviving spouse shall thereafter be treated as the Account Owner.
- (b) **Other beneficiary:** If the Account Owner dies and the Account Owner's surviving spouse is not the Account Owner's sole designated beneficiary Account Owner, then (1) pursuant to Section 4.04, no additional contributions shall be made to the Custodial Account; (2) if there is more than one designated beneficiary, the Custodian shall divide the Custodial Account into subaccounts, creating one subaccount for each designated beneficiary. The Custodian may, at its discretion, require the beneficiaries to establish separate Custodial Accounts as a condition of continuing to act as Custodian; (3) each designated beneficiary of the deceased Account Owner may designate his or her own beneficiaries in a form acceptable to the Custodian, but until such time as such designations are made, the provisions of 8.03(b) shall apply to the beneficiary subaccount as if the subaccount Owner were the Account Owner in 8.03(b); (4) any required minimum distribution with regard to the original Account Owner that is undistributed at the time of his/her death shall be made or accounted for before the division of the Custodial Account into the beneficiary subaccounts; (5) each beneficiary shall be subject to and bound by the provisions of this Custodial Agreement as if the beneficiary were the Account Owner.

**8.05 Distributions:** The Custodian shall only make distributions, including required minimum distributions, from the Custodial Account upon receipt of written request of the Account Owner, or the Account Owner's beneficiary; however, the Custodian is authorized to make distributions without the Account Owner's request or consent pursuant to a court order or a valid, enforceable levy, including but not limited to an IRS levy and in such event the Custodian shall incur no liability for complying with such court order or levy.

#### 8.06 Reports; Valuation of Custodial Account Assets

- (a) **Annual Statement:** The Custodian shall furnish the Account Owner with a statement of the Account once per year, as of December 31. In addition, the Custodian may grant the Account Owner online access to the Account through the internet. The Account Owner shall be responsible for reviewing the statements for accuracy and shall have forty-five (45) days from the time the statement is mailed to the Account Owner or posted online to report any inaccuracies to the Custodian in writing. If the Account Owner fails to notify the Custodian of any inaccuracies in writing within the forty-five (45) day period, the statement shall be considered accurate and approved by the Account Owner and the Account Owner will be precluded from making future objections regarding the statement.
- (b) **Reports:** The Custodian shall submit reports to the Internal Revenue Service and the Account Owner containing the information prescribed by the Internal Revenue Service at such time prescribed by the Internal Revenue Service.

- (c) **Valuation of Assets:** The Custodian is required to provide the Account Owner with a statement reporting the fair market value ("FMV") of the Account as of December 31 of each year ("Year End FMV") and to report such Year End FMV to the IRS. This Year End FMV must be provided by the following January 31. This Year End FMV may be furnished to the Account Owner in the Custodian's regular annual Account statement.

The Account Owner is solely responsible for providing the Custodian with the Fair Market Value of the assets held in the Custodial Account and for the accuracy of the Fair Market Value. The Custodian is in no way responsible for the accuracy of the Fair Market Value reported to the Account Owner or the IRS. The fact that the Custodian reports the FMV provided to it by the Account Owner (or by a third party authorized by the Account Owner to provide the FMV to the Custodian) to the Account Owner, the IRS, or other party shall in no way imply or be interpreted to mean that the Custodian has independently determined the FMV being reported or that the Custodian is guaranteeing the FMV or that the asset can be sold for the FMV being reported. Further, the Custodian has no responsibility for the tax consequences of any taxable event based on the FMV of any asset held in the Account, including but not limited to required minimum distributions, normal or early distributions or Roth Conversions.

Unless the Account Owner provides an alternate FMV in writing, the Custodian will use published closing prices to report the value of publicly traded investments, such as stocks, bonds, and mutual funds; however the Custodian cannot guarantee their accuracy.

Unless the Account Owner provides an alternate FMV in writing, the FMV report of a brokerage or futures account that is held as an asset of the Account shall reflect the total value provided to the Custodian by the brokerage firm or the Account Owner.

Unless the Account Owner provides an alternate FMV in writing, the FMV report of precious metals that are held as assets of the Account shall reflect the value provided to the Custodian by the precious metals depository.

Unless the Account Owner provides an alternate FMV in writing, the Custodian shall report the FMV of a promissory note, mortgage or other similar debt instrument at its original amount less principal payments reported to and received by the Custodian.

If the Custodial Account holds assets that are not publicly traded or which do not have a readily determinable value on an established market, such as real estate, entities such as limited liability companies, limited partnerships, or other entities or assets, the Account Owner must provide the FMV to the Custodian. If the investment sponsor or an agent of the investment sponsor provides the Custodian with a value for the asset, in a form acceptable to the Custodian, the Custodian may use such value as the FMV unless the Account Owner provides a different FMV. A Form K-1 or similar tax document provided to the Custodian shall not, in and of itself, be considered as representing the value of the asset. The Custodian shall have no duty or responsibility to solicit or obtain any valuation from the Account Owner or other third party. The Custodian must receive the Year End FMV no later than the following January 15<sup>th</sup>. If the Custodian does not receive a Year End FMV for any asset by the following January 15<sup>th</sup>, the Custodian shall be entitled to use the Latest FMV (defined below) provided to the Custodian as that Year End FMV. The Latest FMV of an asset shall be the most recent updated FMV provided to the Custodian by the Account Owner or third party. If no updated FMV has been provided, the Latest FMV shall be (1) the original purchase price if the asset was purchased through the Custodial Account, (2) the FMV reported to the Custodian by the prior custodian if the asset was transferred from another custodian, (3) the value reported to the Custodian by the Account Owner if the asset was rolled over from a qualified plan or via a 60-day rollover or (4) in the case of a conversion or recharacterization involving the Custodial Account, the FMV at the time of the conversion or recharacterization.

If the Account Owner fails to provide the Custodian with a Year End FMV for any asset for more than 36 months, the Custodian may, but shall not be required to, distribute such asset to the Account Owner at the asset's Latest FMV. In such case, the Custodian shall not be responsible for and the Account Owner agrees to hold the Custodian harmless for any loss, damage, tax, or other consequences due to or related to such distribution.

If a Fair Market Value of an asset is required due to a special circumstance, such as a court order, the Custodian may, but shall not be required to, obtain a valuation for such asset from an independent third party. In such case, the cost of obtaining the valuation shall be paid by the Account Owner or from the Custodial Account.

The Account Owner hereby agrees and affirms to the Custodian that the Custodian may rely, for all purposes, on the FMV of an asset provided to the Custodian as an accurate FMV, whether such FMV was provided directly by the Account Owner, the investment sponsor, or other third party or whether no updated valuation was provided and Latest FMV was used. Further, the Account Owner agrees to hold the Custodian harmless for any loss, damage, tax, or other consequences due to the Custodian's reporting such FMV or transaction dependent upon such FMV.

#### 8.07 Hold Harmless and Indemnification

The Custodian shall not be responsible for and shall have no liability for any taxes, penalties, judgments, expenses or any other costs incurred by the Custodial Account or the Account Owner. The Account Owner, his authorized agents and/or

representatives, and designated beneficiaries shall at all times fully indemnify the Custodian, its agents, including but not limited to the Administrator, their affiliates, successors and assigns and hold them harmless from and against any and all liabilities and/or damages that may arise in connection with this agreement, including but not limited to those arising from any action taken by the Custodian, its agents, their affiliates, successors or assigns at the direction of the Account Owner, his authorized agents and/or representatives, or designated beneficiaries, except liabilities or damages arising from the gross negligence or willful misconduct of the Custodian, its agents, their affiliates, successors or assigns. Damages shall include but shall not be limited to losses, expenses, costs, including court costs and attorneys fees, taxes and penalties, including taxes and penalties imposed because of prohibited transactions or disqualification of the Custodial Account.

#### 8.08 Expenses and Fees

(a) The Custodian and its agents shall be entitled to and may charge the Account Owner or the Custodial Account fees for custodial or administrative services provided under this agreement, including, but not limited to, the fees provided for in the Custodian's fee schedule and reasonable fees for services requested and directed by the Account Owner or this authorized representative which are not included in the Custodian's schedule of services and fees. Such fees may be paid from the Custodial Account or they may be paid by the Account Owner. By signing the IRA Account Application, the Account Owner acknowledges that he/she has had the opportunity to review the Custodian's fee schedule and agrees to such fees, regardless of whether the Account Owner has signed the fee agreement. The Custodian may change its fee schedule at any time. Any such change shall be effective after thirty (30) days written notice to the Account Owner. The Custodian and its agents may charge the Account Owner or the Custodial Account a reasonable fee for its services related to, and for all reasonable costs and expenses incurred by the Custodian or its agents in connection with any litigation, mediation, arbitration, investigation, subpoena, or request for information by a government or regulatory agency involving the Custodial Account or any investment or asset ever held in the Custodial Account. Such fees shall be paid from the Custodial Account or, if not paid, they shall be paid by the Account Owner. A first lien is established against the IRA account for any and all unpaid fees and expenses due the Custodian and/or its agents. At its discretion, the Custodian and/or its agents may cease providing services to the IRA account including but not limited to the execution of any and all transaction requests, until all fees and expenses are paid. At its discretion, the Custodian or any of its agents may sell any or all of the investments in the Custodial Account for payment of any unpaid fees and expenses due and the Account Owner agrees not to hold the Custodian or its agents liable for any losses or other resulting consequences. In the event that any fees remain unpaid, Custodian shall have the right to bring suit against the Custodial Account and/or the Account Owner pursuant to Section 8.01(m) of this agreement. **In addition, the Custodian will receive fees from the interest paid by the Depository Bank(s) for providing subaccounting and recordkeeping services related to the Cash Account. The interest earned on the Cash Account will be allocated monthly as follows: (1) All interest up to the Base Rate (as defined below) will be credited to the Cash Account, then (2) all interest, if any, up to 2% in excess of the Base Rate will be retained by the Custodian, then (3) 50% all remaining interest, if any, will be credited to the Cash Account and 50% will be retained by the Custodian. The Base Rate is the rate published by the FDIC for a Non-Jumbo one month CD for the week that contains the last day of the prior month. FDIC rates are published on FDIC website <http://www.fdic.gov/regulations/resources/rates/index.html>.**

(b) The Custodian or Administrator may, at its discretion, allow for payment of fees with a valid credit card. In such case, and if the Account Owner so chooses, the Account Owner shall furnish the Custodian or Administrator with a valid credit card account and information and authorize the Custodian or its agents to charge its fees and expenses as provided in a separate agreement.

(c) The Custodian or Administrator, may, at its discretion, allow for payment of fees by debiting the Account Owner's bank account. In such case, and if the Account Owner so chooses, the Account Owner shall furnish the Custodian or Administrator the Account Owner's bank account information and authorize the Custodian or its agents to charge its fees and expenses as provided in a separate agreement.

#### 8.09 Resignation or Removal of Custodian; Appointment of Successor Custodian

(a) **Resignation of Custodian:** The Custodian may resign as custodian by giving thirty (30) days prior written notice to the Account Owner or to the Account Owner's beneficiaries. For purposes of this Section 8.09, the term Account Owner shall also include the beneficiary or beneficiaries of the Account Owner. Upon the resignation of the Custodian, the Account Owner may appoint a Successor Custodian and request and direct a transfer of the Custodial Account to the Successor Custodian or request and direct the Custodian to distribute the Custodial Account to the Account Owner. If, after the thirty (30) days written notice, the Account Owner fails to request and direct a transfer to a Successor Custodian or to request and direct a distribution to the Account Owner, the Custodian is hereby authorized: (1) to distribute the Custodial Account to the Account Owner regardless of the tax consequences to the Account Owner and the Custodian shall incur no liability for any consequences, tax or otherwise, of

such distribution, or (2) to appoint a successor custodian and transfer the assets in the Custodial Account to such successor custodian.

(b) **Removal of Custodian:** The Account Owner may remove the Custodian by giving thirty (30) days prior written notice to the Custodian, in a form acceptable to the Custodian. Such written notice must indicate that the Account Owner either (1) requests and directs that all the assets of the Custodial Account be transferred to a Successor Custodian that is qualified and willing to act as Custodian and receive the assets or (2) requests and directs a total distribution of all the assets of the Custodial Account to the Account Owner. Upon receipt of such written direction from the Account Owner, the Custodian shall distribute or transfer the assets as directed. If the IRS determines the Custodian is no longer qualified to act as Custodian and requires the Account Owner to appoint a Successor Custodian, the thirty (30) days prior written notice shall not be required.

(c) **Transition to Successor Custodian:** The terminating Custodian (i.e., the Custodian that is resigning or being removed) shall continue to be permitted to exercise the powers granted under this Agreement as necessary to transfer the assets of the Custodial Account to the Successor Custodian or to distribute such assets to the Account Owner. The terminating Custodian shall be entitled to withhold from the assets being transferred or distributed amounts to provide for (1) payment of unpaid fees due the Custodian or its agents, (2) payment of any fees charged by the Custodian related to the removal of the Custodian, including, but not limited to account termination fees, fees for re-registration of assets, check fees, and wire fees, (3) payment of any expenses incurred by the Custodian or the Custodial Account related to the replacement of the Custodian and settlement of the account, including, but not limited to charges by transfer agents or other third parties, (4) payment of any taxes owed by the Custodial Account, such as withholding amounts. If the funds in the Custodial Account are insufficient to provide for the payment of fees and expenses due the terminating Custodian, the Account Owner shall be responsible for and shall pay any deficiency prior to transfer or distribution of the assets of the Custodial Account; however, if the assets of the Custodial Account are transferred or distributed without payment of such deficiency, the Account Owner or Successor Custodian shall be responsible for payment and shall be obligated to pay such deficiency. If funds or assets are received by the terminating Custodian after the Custodial Account has been closed or after the assets have been transferred or distributed, the terminating Custodian may withhold reasonable fees for handling such funds or assets. The Successor Custodian, whether appointed by the terminating Custodian or the Account Owner, shall not be liable for any action taken or not taken by the terminating Custodian or any other predecessor custodian. If a Successor Custodian has been appointed by the terminating custodian, the Successor Custodian shall assume and acquire all the powers and duties conferred under this Agreement. Upon transfer or distribution of all the assets of the Custodial Account, the terminating custodian shall have fully and completely discharged its duties and obligations and shall be released and free of any and all liability with regard to the Custodial Account, unless the Account Owner or Successor Custodian notifies the terminating Custodian of any outstanding issues regarding the account within forty-five (45) days of the notice of terminating Custodian's removal or resignation.

(d) **Sale, Merger or Consolidation of Custodian:** If the Custodian ceases to operate as an entity because of a merger into, acquisition by, or consolidation with another entity, then such other entity shall become the Custodian of the Custodial Account without the Account Owner's approval, provided such entity is qualified to act as Custodian.

#### 8.10 Notices

Any and all notices or other communications provided to the Account Owner by the Custodian shall be sent (1) by regular mail to the last known address of the Account Owner or (2) if the Account Owner has provided an e-mail address to the Custodian, by e-mail to the most recent email address provided by the Account Owner and shall be considered delivered as of the date of the mailing or e-mail for the purposes of this Agreement. The Account Owner shall be responsible to notify the Custodian in writing of any change of address. Any and all notices or other communications directed and given to the Custodian under this Agreement shall be deemed delivered only when actually received, in writing, by the Custodian. Such notices or communications must be sent by US Mail, delivery or courier service or hand delivered in person. The Custodian may, at its discretion accept delivery by e-mail or facsimile.

#### 8.11 Applicable Law

Except to the extent that it is governed by or subject to the Internal Revenue Code and Regulations or other federal law, this agreement shall be governed by the laws of the State of South Dakota. In the event that any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this agreement, but this agreement shall be construed as if such invalid, illegal or unenforceable provisions had never been contained herein, unless the deletion of such provision or provisions would result in such a material change so as to cause completion of the transactions contemplated herein to be unreasonable.

#### 8.12 Account Owner's Representations

- (a) The Account Owner represents and warrants that any information that the Account Owner or his authorized agent or representative has given or will give with respect to this Custodial Account is or will be complete and accurate and that the Custodian is entitled to rely upon such information.
- (b) The Account Owner represents and warrants that any directions provided to the Custodian by the Account Owner, or Account Owner's authorized agent or representative, or any actions that the Account Owner, or Account Owner's authorized agent takes will be proper under this Agreement.

### 8.13 Account Owner's Acknowledgements and Agreements

By signing the account application, the Account Owner acknowledges and agrees to all the provisions of this Custodian Agreement. For purposes of emphasis and reminder, the Account Owner's acknowledgment and agreement with certain provisions are summarized and reiterated in this Section 8.13. Any provision that appears elsewhere in this Custodian Agreement but not in this Section 8.13 shall still apply and shall not be deemed to have been deleted or nullified because it is not included in this Section 8.13.

- (a) The Account Owner acknowledges and agrees that the Custodian is entitled to rely upon any directions provided to the Custodian by the Account Owner or the Account Owner's authorized agent or representative.
- (b) The Account Owner agrees that the Custodian shall not be responsible for any losses of any kind that may result from Custodian's following directions given to the Custodian by the Account Owner or the Account Owners authorized agent.
- (c) The Account Owner acknowledges and agrees that the Custodian shall not be responsible any losses of any kind resulting from the actions or failure to act on the part of the Account Owner or the Account Owner's authorized agent or representative.
- (d) The Account Owner acknowledges and agrees that neither the Custodian nor any of its agents provides investment management or investment, legal or tax advice.
- (e) The Account Owner acknowledges and agrees that neither the Custodian nor any of its agents is a fiduciary with regard to the Custodial Account.
- (f) The Account Owner acknowledges and agrees that the Account Owner has the sole responsibility for the investment of the Custodial Account assets with the Custodian and that the Custodian and its agents shall have NO LIABILITY for any losses, expenses, damages (of any kind), costs, including court costs and attorney fees, or taxes, including tax resulting from prohibited transactions or disqualification of the Custodial Account resulting from transactions executed by the Custodian or its agents and authorized by the Account Owner or the Account Owner's power of attorney or other authorized agent or representative.
- (g) The Account Owner acknowledges and agrees that it is solely the responsibility of the Account Owner to perform the due diligence with regard to any investment or investment sponsor, including but not limited to, obtaining and reading any applicable prospectus, private placement memorandum, offering circular or similar document prior to authorizing the Custodian and/or its agents to make any investment on behalf of the Custodial Account.
- (h) The Account Owner acknowledges and agrees **that neither the Custodian nor any of its agents has any duty to review or evaluate any investment or any sponsor of any investment anticipated or made on behalf of the Custodial Account.** The Account Owner further acknowledges and agrees **that neither the Custodian nor any of its agents will review or evaluate any investment or any sponsor of any investment anticipated or made on behalf of the Custodial Account.**
- (i) The Account Owner agrees to defend and indemnify the Custodian and its agents and to hold them harmless from and against **all losses, expenses, damages (of any kind), costs, including court costs and attorney fees, or taxes, including tax resulting from prohibited transactions or disqualification of the Custodial Account** resulting from transactions executed by the Custodian and/or its agents and authorized by the Account Owner, his/her power of attorney or other authorized representative in connection with any investment held in the Custodial Account.
- (j) The Account Owner acknowledges and agrees that it is solely the responsibility of the Account Owner to understand and comply with the eligibility requirements for establishing an IRA, making rollover contributions or transfers and for making all of the investments that are held in the Custodial Account or that will be made in the future.
- (k) The Account Owner acknowledges and agrees that neither the Custodian nor any of its agents has any responsibility for tax consequences due to additions to or distributions from the Custodial Account.
- (l) The Account Owner acknowledges and agrees that (1) the Account Owner is solely responsible for providing the Custodian with the Fair Market Value of the assets held in the Custodial Account and for the accuracy of the Fair Market Value; (2) the Custodian is in no way responsible for the accuracy of the Fair

Market Value reported to the Account Owner or the IRS; (3) the fact that the Custodian reports the FMV provided to it by the Account Owner (or by a third party authorized by the Account Owner to provide the FMV to the Custodian) to the Account Owner, the IRS, or other party shall in no way imply or be interpreted to mean that the Custodian has independently determined the FMV being reported or that the Custodian is guaranteeing the FMV or that the asset can be sold for the FMV being reported; (4) the Custodian has no responsibility for the tax consequences of any taxable event based on the FMV of any asset held in the Account, including but not limited to required minimum distributions, normal or early distributions or Roth Conversions.

- (m) The Account Owner agrees to notify the Custodian if a prohibited transaction occurs with regard to the Custodial Account.
- (n) The Account Owner acknowledges and agrees that it is the Account Owner's responsibility to provide the Custodian with the Year End FMV (fair market value) for each investment in the Custodial Account.
- (o) The Account Owner represents that he/she understands the requirements of Internal Revenue Code Section 401(a)(9) Required Minimum Distributions with respect to IRAs, including the severe penalties (50% excise tax) for not making timely Required Minimum Distributions.
- (p) The Account Owner acknowledges and agrees that the Account Owner is solely responsible for determining the amount of any Required Minimum Distribution and for requesting timely distribution of any Required Minimum Distributions.
- (q) The Account Owner acknowledges and agrees that the Account Owner is solely responsible for determining whether any Unrelated Business Taxable Income is generated by any investment in the Custodial Account that Account Owner is responsible for the proper filing of Form 990-T and payment of any required tax and that the tax must be paid by the Custodial Account and not by the Account Owner.
- (r) The Account Owner acknowledges and agrees that, except to the extent that it is governed by or subject to the Internal Revenue Code and Regulations or other federal law, this agreement shall be governed by the laws of the State of South Dakota.
- (s) Under penalty of perjury, the Account Owner declares and certifies that this agreement is identical, word for word, to the agreement provided by the Custodian, via its website or by any other means, and has not been altered in any manner whatsoever by the Account Owner, or to the knowledge of the Account Owner, by any third party. In the event that this agreement has been modified, with or without of the Account Owner's knowledge, the Account Owner agrees that any such modification shall be null and void and that the language of the agreement as it was provided by the Custodian shall override any conflicting language.

**General Instructions** - Section references are to the Internal Revenue Code unless otherwise noted.

**Purpose of Form** - Form 5305-A is a model custodial account agreement that meets the requirements of section 408(a) and has been pre-approved by the IRS. A traditional individual retirement account (traditional IRA) is established after the form is fully executed by both the individual (Account Owner) and the Custodian and must be completed no later than the due date (excluding extensions) of the individual's income tax return for the tax year. This account must be created in the United States for the exclusive benefit of the Account Owner or his or her beneficiaries.

**Do not file Form 5305-A with the IRS.** Instead, keep it with your records. For more information on IRAs, including the required disclosures the Custodian must give the Account Owner, see Pub. 590, Individual Retirement Arrangements (IRAs).

### Definitions

**Custodian:** The Custodian must be a bank or savings and loan association, as defined in section 408(n), or any person who has the approval of the IRS to act as Custodian.

**Account Owner:** The Account Owner is the person who establishes the custodial account.

**Identifying Number** - The Account Owner's social security number will serve as the identifying number of his or her IRA. An employer identification number (EIN) is required only for an IRA for which a return is filed to report unrelated business taxable income. An EIN is required for a common fund created for IRAs.

**Traditional IRA for Nonworking Spouse** - Form 5305-A may be used to establish the IRA custodial account for a nonworking spouse. Contributions to an IRA custodial account for a nonworking spouse must be made to a separate IRA custodial account established by the nonworking spouse.

### Specific Instructions

**Article IV:** Distributions made under this article may be made in a single sum, periodic payment, or a combination of both. The distribution option should be

reviewed by the Account Owner in the year the Account Owner reaches age 70 1/2 to ensure that the requirements of section 408(a)(6) have been met.

**Article VIII:** Article VIII and any that follow it may incorporate additional provisions that are agreed to by the Account Owner and Custodian to complete the agreement. They may include, for example, definitions, investment powers, voting rights, exculpatory provisions, amendment and termination, removal of the Custodian, Custodian's fees, state law requirements, beginning date of distributions, accepting only cash, treatment of excess contributions, prohibited transactions with the Account Owner, etc. Attach additional pages if necessary.

# Roth Individual Retirement Custodial Account

(Under Section 408(a) of the Internal Revenue Code)

The individual whose name appears on the attached Account Application (the "Account Owner") is establishing a Roth Individual Retirement Account under section 408(a) of the Internal Revenue Code to provide for his or her retirement and for the support of his or her beneficiaries after death. The Custodian, Liberty Trust Company, Ltd. (the "Custodian") has given the Account Owner the disclosure statement required under Regulations section 1.408-6. The Account Owner and the Custodian make the following agreement:

## Article I

**1.01** Except in the case of a rollover contribution described in section 408A(e), a recharacterized contribution described in section 408A(d)(6), or an IRA Conversion Contribution, the Custodian will accept only cash contributions up to \$3,000 per year for tax years 2002 through 2004. That contribution limit is increased to \$4,000 for tax years 2005 through 2007 and \$5,000 for 2008 and thereafter. For individuals who have reached the age of 50 before the close of the tax year, the contribution limit is increased to \$3,500 per year for tax years 2002 through 2004, \$4,500 for 2005, \$5,000 for 2006 and 2007, and \$6,000 for 2008 and thereafter. For tax years after 2008, the above limits will be increased to reflect a cost-of-living adjustment, if any.

## Article II

**2.01** The annual contribution limit described in Article I is gradually reduced to \$0 for higher income levels. For a single Account Owner, the annual contribution is phased out between adjusted gross income (AGI) of \$95,000 and \$110,000; for a married Account Owner filing jointly, between AGI of \$150,000 and \$160,000; and for a married Account Owner filing separately, between AGI of \$0 and \$10,000. In the case of a conversion, the Custodian will not accept IRA Conversion Contributions in a tax year if the Account Owner's AGI for the tax year the funds were distributed from the other IRA exceeds \$100,000 or if the Account Owner is married and files a separate return. Adjusted gross income is defined in section 408A(c)(3) and does not include IRA Conversion Contributions.

**2.02** In the case of a joint return, the AGI limits in the preceding paragraph apply to the combined AGI of the Account Owner and his or her spouse.

## Article III

**3.01** The Account Owner's interest in the balance in the custodial account is nonforfeitable.

## Article IV

**4.01** No part of the custodial account funds may be invested in life insurance contracts, nor may the assets of the custodial account be commingled with other property except in a common trust fund or common investment fund (within the meaning of section 408(a)(5)).

**4.02** No part of the custodial account funds may be invested in collectibles (within the meaning of section 408(m)) except as otherwise permitted by section 408(m)(3), which provides an exception for certain gold, silver, and platinum coins, coins issued under the laws of any state, and certain bullion.

## Article V

**5.01** If the Account Owner dies before his or her entire interest is distributed to him or her and the Account Owner's surviving spouse is not the designated beneficiary, the remaining interest will be distributed in accordance with (a) below or, if elected or there is no designated beneficiary, in accordance with (b) below:

- (a) The remaining interest will be distributed, starting by the end of the calendar year following the year of the Account Owner's death, over the designated beneficiary's remaining life expectancy as determined in the year following the death of the Account Owner.
- (b) The remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the Account Owner's death.

**5.02** The minimum amount that must be distributed each year under paragraph 1(a) above is the account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table in Regulations section 1.401(a)(9)-9) of the designated beneficiary using the attained age of the beneficiary in the year following the year of the Account Owner's death and subtracting 1 from the divisor for each subsequent year.

**5.03** If the Account Owner's surviving spouse is the designated beneficiary, such spouse will then be treated as the Account Owner.

## Article VI

**6.01** The Account Owner agrees to provide the Custodian with all information necessary to prepare any reports required by sections 408(i) and 408A(d)(3)(E), Regulations sections 1.408-5 and 1.408-6, or other guidance published by the Internal Revenue Service (IRS).

**6.02** The Custodian agrees to submit to the IRS and Account Owner the reports prescribed by the IRS.

## Article VII

**7.01** Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through IV and this sentence will be controlling. Any additional articles inconsistent with section 408A, the related regulations, and other published guidance will be invalid.

## Article VIII

**8.01** This agreement will be amended as necessary to comply with the provisions of the Code, the related regulations, and other published guidance. Other amendments may be made with the consent of the persons whose signatures appear on the Roth IRA Account Application. Custodian shall notify the Account Owner of amendments to this agreement in accordance with section 9.10. Custodian may provide amended provisions to Account Owner by posting the amended agreement on the Custodian's website and notifying the Account Owner that the amended agreement may be obtained from the Custodian's website but that a copy will be provided to the Account Owner upon request. Unless the Account Owner notifies the Custodian in writing no later than thirty (30) days after the date of notification that he/she does not consent to the amendment(s), the Account Owner will be deemed to have consented to the amendment(s).

## Article IX

### 9.01 Powers and Duties of the Custodian

(a) **Passive Custodian; Not a Fiduciary:** The Custodian is a passive custodian and as such shall act only with the consent and direction of the Account Owner or his authorized agent or representative with regard to the investment, management, and disbursement or disposition of the assets of the Custodial Account. The Account Owner or his authorized agent or representative shall direct the Custodian in the investment and reinvestment of the Custodial Account. Neither the Custodian nor any of its agents is a fiduciary with regard to the Custodial Account. The Account Owner understands, acknowledges and agrees that neither the Custodian nor any of its agents is a fiduciary with regard to the Custodial Account.

### (b) Custodial Account:

(i) **General:** In connection with this agreement, the Custodian will establish a Custodial Account on behalf of the Account Owner. The Custodial Account shall consist of (1) cash ("Cash Account") and (2) the investments made by the Custodian on behalf of and at the direction of the Account Owner in accordance with 9.01(c).

(ii) **Cash Account:** With regard to the Cash Account, the Custodian shall provide one or more FDIC insured bank accounts to receive and hold cash deposits, including but not limited to, contributions, rollovers, transfers, dividends, capital gains and proceeds from the sale of investments. The bank at which the bank account(s) is/are established ("Depository Bank") will be a member of the FDIC. The Account Owner's cash in the Custodial Account held at the Depository Bank will be insured by the FDIC, subject to the aggregation limits of FDIC Regulation 330.14. The cash accounts may be non-interest bearing or interest bearing, (bearing interest at a rate published by the Custodian). Interest will be credited to the cash portion of the Custodial Account monthly in accordance with section 8.08(a), except any interest credited for the month during which the account is closed will be taken by the Custodian as part of the account termination fee.

(iii) **Availability of Funds:** In general, funds deposited into the Cash Account by check will be available on the sixth business day after deposit by the Custodian. Funds deposited into the Cash Account by wire, ACH, money order, or certified or cashier check will be available on the first business day after receipt by the Custodian. The Custodian may delay the availability of funds for various reasons, including but not limited to: repeated overdrafts by the Account Owner; a returned check is returned unpaid; insufficient information is provided for the Custodian to determine the account and/or nature of the deposit; an event beyond the control of the Custodian, such as equipment failure or inclement weather.

(c) **Custodian is Authorized to Invest the Custodial Account at the Direction of the Account Owner:** Pursuant to the written direction of the Account Owner or the Account Owner's authorized agent or representative, in a form acceptable to the Custodian, the Custodian is authorized to (1) invest the Custodial Account in any investment the Custodian deems administratively feasible to be held in the account, including, but not limited to, stocks, bonds,

certificates of deposit, money market funds, real estate, mortgages, deeds of trust, promissory notes and interests in limited partnership and limited liability companies.; (2) receive cash contributions, transfers and rollovers into the Custodial Account; (3) receive in-kind transfers and rollovers into the Custodial Account; however, the Custodian may refuse to accept any asset that is part of an in-kind transfer or rollover; (4) collect any income from the investments held under the Custodial Account and add such income to the Custodial Account; (5) pay expenses related to investments held under the Custodial Agreement; (6) make distributions and transfers, both cash and in-kind, from the Custodial Account; (7) sell, exchange, assign, convey, mortgage, pledge or otherwise encumber any investment held under the Custodial Account.

- (d) **No Duty to Review Investments:** The Custodian shall have no duty or responsibility to review any investment held in Custodial Account or any investment under consideration by the Account Owner or any purchase directed by the Account Owner with respect to any issue, including but not limited to, its safety, risk, advisability, suitability or whether or not it should be registered as a security with the appropriate government agencies and shall have no liability with respect to its safety, risk, advisability, suitability or whether or not it should be registered as a security with the appropriate government agencies. The Custodian shall not be responsible to investigate or perform any due diligence on any investment, investment sponsor or any principal involved with any investment. Further, the Custodian is not responsible and shall not be held liable or accountable, in any way, for any loss or losses incurred in the Custodial Account due to the action or inaction of any broker, sales representative, investment sponsor or any other third party.
- (e) **Voting Rights:** The custodian will not exercise voting rights or other shareholder or ownership rights with respect to investments held in the Custodial Account unless the Account Owner provides acceptable written direction to the Custodian.
- (f) **Excise Taxes and Unrelated Business Income Tax:** The Custodian shall have no responsibility for determining whether the Custodial Account is subject to excise taxes or for determining whether any investment made or held in the Custodial Account is or will be subject to Unrelated Business Income Tax. It is the Account Owner's responsibility to determine if any excise tax is due and to pay such excise tax and file Form 5329, Form 5330 or other form if required. If unrelated business income is earned on any investment held in the Custodial Account, it is the Account Owner's responsibility to obtain a taxpayer identification number for the Custodial Account and to file Form 990-T with the IRS under the taxpayer identification number for the IRA and not under the taxpayer identification number of the Custodian, when such unrelated business income is earned. Any unrelated business income tax that is due must be paid by the Custodian and not by the Account Owner. The Account Owner may submit the information to the Custodian for filing of Form 990-T; however the Custodian may charge the Custodial Account or the Account Owner for the filing and shall have no obligation to verify the accuracy of the information. If the Account Owner fails to file Form 990-T, or files Form 990-T with inaccurate information, or provides the Custodian with inaccurate information with respect to Form 990-T filed on behalf of the Custodial Account, the Account Owner agrees to indemnify the Custodian for any liability incurred due to failure to file or inaccuracy of such filing.
- (g) **Reports to the IRS:** The Custodian shall submit to the IRS only those reports prescribed by the IRS, pursuant to Article 6.02. The Custodian shall have no responsibility to prepare or submit to the IRS or the Account Owner or any other party Form 1098, Form 1099-INT, Form 1099-MISC or any form required as a result of any investment made by the Custodian on behalf of the IRA at the written direction of the Account Owner. It is the Account Owner's responsibility to determine which forms, if any, are required and to prepare and submit such forms to the IRS and any other party required to receive such forms. If such forms are required, the Account Owner must obtain a taxpayer identification number for the IRA and file such forms with the IRS under the taxpayer identification number of the Custodian.
- (h) **Subpoenas:** The Custodian or its agents may respond to any subpoena without prior notice to or approval by the Account Owner.
- (i) **Custodian Does Not Endorse or Market Any Investment:** The Custodian does not endorse or market any investment. The fact that the Custodian agrees to act as custodian for or to purchase a specific asset within the Custodial Account at the direction of the Account Owner shall in no way imply or be interpreted to mean that the Custodian or any of its agents endorses the asset. Further, the fact that the Custodian agrees act as custodian for to purchase a specific asset within the Custodial Account at the direction of the Account Owner shall in no way imply or be interpreted to mean that the Custodian or any of its agents is acting as an agent or broker for the investment or investment sponsor or that the Custodian or any of its agents is marketing or raising capital for the investment or investment sponsor.
- (j) **Agents of the Custodian:** The Custodian may designate and engage agents to perform administrative and other related services in connection with this Custodial Account. The powers and duties delineated herein shall apply to each agent so engaged. The Custodian has engaged IRA Plus Southwest, LLC (the

Administrator) as its agent for the purpose of administering Individual Retirement Accounts established under this Custodial Agreement.

- (k) **Registration of Assets:** Assets of the Custodial Account shall be registered in the name of the Custodian, the Administrator, or other agent or nominee designated by the Custodian. The Account Owner acknowledges that the owner of any investment held in the Custodial Account is the Custodian, Administrator, other agent or nominee for the benefit of the Account Owner's IRA and not the Account Owner individually. The Account Owner agrees to direct the Custodian to pay all expenses and/or capital calls associated with any investment in the Custodial Account from funds in the Custodial Account. Further, the Account Owner agrees not to withdraw any funds or accept any funds from any investment held in the Custodial Account.
- (l) **No Advice:** Neither the Custodian nor the Administrator nor any of the Custodians agents offers investment, tax or legal advice.
- (m) **Not Liable for Acts or Omissions of Others:** The Custodian shall not be responsible for or incur any liability for any acts performed or omitted by the Account Owner or his agent or representative, a former custodian or trustee, or any other third party, nor shall the Custodian have any duty or responsibility to inquire into, or take any action regarding or related to any such acts or omissions. The Custodian shall not be liable to the Account Owner for any statements, representations, actions or inactions of any third party including but not limited to any broker or other salesperson or principal of any investment purchased for this Custodial Account.
- (n) **Not Responsible for Contributions, Distributions, etc:** The Custodian shall not be responsible for (1) determining the amount of contributions that the Account Owner may make or for determining the deductibility of any contributions made by the Account Owner; (2) determining the amount or deductibility of contributions that may be made to the Custodial Account on behalf of the Account Owner by an employer pursuant to a Simplified Employee Pension or for the collection of such contributions; (3) determining the amount or timing of any distribution required to be made to the Account Owner or his beneficiary(ies) in accordance with Article V of this agreement and/or Internal Revenue Code and regulations regarding RMDs, The Custodian will only make distributions, including RMDs, at the written request of the Account Owner or beneficiary in a form acceptable to the Custodian.
- (o) **Right to Bring Suit Against Account Owner or Custodial Account:** The Custodian and/or its agents shall have the right and authority to bring suit against the Account Owner or the Custodial Account to recover any amounts owed Custodian or its agents under this Custodial Agreement, including, but not limited to, fees, costs or expenses paid or incurred by the Custodian or its agents in connection with this agreement, and amounts paid in error by Custodian or its agents. In the event of such suit, the Custodian and/or its agents shall also be entitled to recover from the Custodial Account or the Account Owner all costs resulting from or related to such suit, including but not limited to court costs, attorneys fees and other legal expenses, and reasonable compensation for time spent by the Custodian and/or its agent(s) in such suit.
- (p) **Right to Conduct Litigation on Behalf of Custodial Account:** The Custodian or its agent shall have the right and authority, in its sole discretion, if indemnified to its satisfaction, to (1) initiate any litigation on behalf of the Custodial Account and to defend the Custodial Account against any litigation that it deems necessary in the administration of the Custodial Account, (2) compound, abandon or otherwise settle all claims in favor of and demands against the Custodial Account, (3) withhold or retain and decline to make any payment from any funds subject to any dispute until final settlement or adjudication of such dispute.
- (q) **Right to Rely on Information Provided:** When making a payment or distribution under this Agreement, the Custodian may make such payment or distribution by mailing a check or other property to the payee at the address last furnished to the Custodian or if directed to make such payment by ACH or wire or other electronic transfer, by transmitting funds using the instructions last furnished to the Custodian and the Custodian shall have no liability for any consequence as a result of the use of an incorrect address or incorrect ACH, wire or other electronic transfer instructions if the Custodian acted in good faith with no actual knowledge of any changes.
- (r) **Right to Seek Legal Advice:** The Custodian may consult with or engage legal counsel, including counsel for the Custodian individually, for advice on matters regarding the Custodial Account, and the Custodian shall have no liability for actions taken or not taken, in good faith, upon the advice of counsel.
- (s) **Right to Employ Third Parties:** The Custodian may take whatever action or employ such agents, vendors or service providers which in its judgment may be necessary or appropriate to properly administer the Custodial Account, without notice to Account Owner.
- (t) **Minimum Account Balance:** The Custodian may establish a policy requiring the Account Owner to maintain a minimum balance in the custodial account. Such policy may permit the Custodian to distribute the entire balance of the

account to the Account Owner if the balance of the account falls below the minimum balance required under the policy.

- (u) **Minimum Cash Balance:** The Custodian may establish a policy requiring the Account Owner to maintain a minimum uninvested cash balance in the custodial account.
- (v) **Right to Close Account:** The Custodian may close the custodial account without prior notice to the Account Owner if the account contains uninvested cash only and the amount of cash is less than the amount of processing and termination fees necessary to close the account. In such case, the Custodian will debit the cash from the account as part of the account termination fee and bill the Account Owner for the balance, if any. The Custodian may, but is not obligated to, waive part of or the entire processing and/or termination fee in such situation.

#### 9.02 Investment of the Account

- (a) **Responsibility of Account Owner not Custodian:** The Account Owner has the sole responsibility, authority and discretion for the selection of any and all investments in the Custodial Account and accepts full and sole responsibility for such selection, including full and sole responsibility for the success or failure of such investments. The Custodian has no responsibility, authority, or discretion for the selection, purchase, sale or continued holding of any investment in the Custodial Account. It is the Account Owner's responsibility to investigate and understand the nature of the investments, the principals and risks involved with the investments chosen by the Account Owner.
- (b) **The Account Owner Must Direct the Custodian:** The Custodian shall only make investments in the Custodial Account upon written direction from the Account Owner, or the Account Owner's authorized agent, in a form acceptable to the Custodian. The Custodian shall have no responsibility to question, investigate or otherwise review any directions made by the Account Owner or his authorized agent regarding any purchase, sale, expense payment or other transaction involving the Custodial Account. However, the Custodian, at its sole discretion, may refuse to hold or make any investment for any reason. If the directions to the Custodian are, in the opinion of the Custodian, unclear or are not in a form acceptable to the Custodian, the Custodian shall have no duty or obligation to take any action unless and until the Custodian receives clear and acceptable instructions from the Account Owner or the Account Owner's authorized agent and the Custodian shall not be responsible for and shall not be held liable or accountable, in any way, for any loss or losses incurred in the Custodial Account during the time the Custodian was not in receipt of clear and acceptable instructions.
- (c) **Authorized Agent.** The Account Owner may appoint a third party as his authorized agent to direct the investment of the Custodial Account by notifying the Custodian in a form acceptable to the Custodian. The Custodian shall assume that the authorized agent is at all times qualified to act as agent for the Account Owner and shall recognize the agent as having the authority to direct the investment of the Custodial Account until such time as (i) the Account Owner notifies the Custodian in writing that he has removed the authorized agent, or (ii) the Custodian is notified of the death of the Account Owner.
- (d) **Not responsible for Investment Losses:** The Custodian is not responsible for and shall not be held liable or accountable, in any way, for any loss or losses incurred in the Custodial Account on any investment made by the Custodian pursuant to the Account Owner's or his authorized agent's directions.
- (e) **Custodian not responsible to forward information received on investments:** It is the Account Owner's responsibility to make arrangements with the investment sponsors or other parties for receiving communications regarding custodial account investments. Except where required by law, the Custodian has no responsibility to notify or forward to the Account Owner or any other party any communication regarding custodial account investments received by the Custodian. Such communications include, but are not limited to, K-1s, capital calls, periodic statements, vendor invoices, legal documents and correspondence regarding the investments.
- (f) **Account Owner's Responsibility to Comply with Changing Laws.** Although the law regulations regarding IRAs may change from time to time, the Custodian may not be required to immediately amend this Custodial Agreement to reflect such changes. It is the Account Owner's responsibility to consult with an attorney, CPA or other tax advisor regarding any matter related to the Custodial Account.
- (g) **Prohibited Transactions.** Certain types of transactions involving the Custodial Account and a disqualified person, either directly or indirectly, constitute prohibited transactions under Internal Revenue Code §4975 and related Regulations, resulting in adverse tax consequences to the Account Owner and/or other parties. For example, if the Custodial Account holds real estate, such as a house, as an investment and the Account Owner lives in the house, this would constitute a prohibited transaction, resulting in the entire Custodial Account being treated as a taxable distribution to the Account Owner. The Custodian has no responsibility to determine whether any transaction anticipated or completed is a prohibited transaction. It is the responsibility of the Account Owner to determine whether a transaction is a prohibited transaction

and if a prohibited transaction occurs it is the responsibility of the Account Owner to notify the Custodian and to direct and instruct the Custodian to report such prohibited transaction to the Account Owner and the IRS. The Custodian reserves the right to require certification from the Account Owner and/or the Account Owner's legal counsel that the completion of a transaction by the Custodian at the direction provided by the Account Owner will not constitute a prohibited transaction and if such certification is not provided, the Custodian reserves the right to refuse to complete the transaction unless and until such certification is provided or take whatever action it deems appropriate, including but not limited to resigning as Custodian as provided under this Agreement. The fact that the Custodian completes a transaction without requesting such certification does not mean, and shall not be interpreted to mean, that the Custodian has examined the transaction and has concluded that no prohibited transaction exists.

#### 9.03 Designation of Beneficiaries

- (a) **Account Owner May Designate:** The Account Owner may, in writing, in a form acceptable to Custodian, designate one or more beneficiaries who shall be paid the balance of the Custodial Account that is undistributed at the time of the Account Owner's death. Any such beneficiary designation that is fully and unambiguously completed and executed shall be assumed to be legally valid and shall be effective upon receipt by the Custodian. The Account Owner may revoke or modify any beneficiary designation at any time by completing and submitting a new beneficiary designation in a form acceptable to the Custodian. If the Custodian receives a valid completed and executed beneficiary designation in a form acceptable to the Custodian, all prior beneficiary designations bearing an earlier execution date shall be revoked upon receipt of such subsequent form by the Custodian. If the Account Owner modifies a previous beneficiary designation by adding to, deleting from, or by making any other changes, such previous beneficiary designation shall not be revoked in its entirety if the changes are clear and unambiguous. If, in the opinion of the Custodian, the Account Owner's designation is not clear, the Custodian may, at its discretion, refuse to accept such beneficiary designation and require the Account Owner to submit a new beneficiary designation that revokes all prior beneficiary designations
- (b) **Default Beneficiaries:** If the Account Owner dies and none of the Account Owner's designated beneficiaries are living at the time of the Account Owner's death, or if all beneficiaries disclaim their rights to any benefit otherwise payable to them from the Custodial Account, or if there is no valid beneficiary designation on file with the Custodian at the time of the Account Owner's death, then for all purposes of this Custodial agreement, the Account Owner's surviving spouse, if any, shall be deemed to be the Account Owner's designated beneficiary; or if there is no surviving spouse, then, for all purposes of this Custodial Agreement, the surviving natural and adopted children, if any, of the Account Owner shall be deemed to be the Account Owner's designated beneficiaries in equal shares per capita; but if there are no such surviving children, then, for all purposes of this Custodial Agreement, the Account Owner's estate shall be deemed to be the Account Owner's designated beneficiary.
- (c) **Custodian Not Liable:** When making any distribution due to the death of the Account Owner, the Custodian may rely on any source presumed to be knowledgeable of matters of the Account Owner (such as a surviving spouse) and shall have no duty other than to act in good faith based on the information and instructions provided. The Custodian shall not be liable for any action taken or distribution made in reliance upon incorrect, incomplete or fraudulent information reported by any source assumed to be reliable. The Custodian shall have no responsibility to ascertain the validity of any individual's or entity's claim to be a beneficiary, or to inquire or ascertain whether there are any beneficiaries not reported to the Custodian. Once all distributions are made from the Custodial Account, the Custodian shall have no liabilities with regard to the Custodial Account.

#### 9.04 Death of Account Owner

- (a) **Surviving spouse is beneficiary:** If the Account Owner dies and the Account Owner's sole designated beneficiary is the surviving spouse, the surviving spouse may (1) transfer the decedent's Custodial Account into an Individual Retirement Account titled in the surviving spouse's name or (2) elect, in a form acceptable to Custodian, to treat the Custodial Account as his or her own and if such election is made, the surviving spouse shall thereafter be treated as the Account Owner.
- (b) **Other beneficiary:** If the Account Owner dies and the Account Owner's surviving spouse is not the Account Owner's sole designated beneficiary Account Owner, then (1) pursuant to Section 5.03, no additional contributions shall be made to the Custodial Account; (2) if there is more than one designated beneficiary, the Custodian shall divide the Custodial Account into subaccounts creating one subaccount for each designated beneficiary. The Custodian may, at its discretion, require the beneficiaries to establish separate Custodial Accounts as a condition of continuing to act as Custodian; (3) each designated beneficiary of the deceased Account Owner may designate his or her own beneficiaries in a form acceptable to the Custodian, but until such time as such designations are made, the provisions of 9.03(b) shall apply to the beneficiary subaccount as if the subaccount Owner were the Account Owner in 9.03(b); (4) any required minimum distribution with regard to the original Account Owner



that is undistributed at the time of his/her death shall be made or accounted for before the division of the Custodial Account into the beneficiary subaccounts; (5) each beneficiary shall be subject to and bound by the provisions of this Custodial Agreement as if the beneficiary were the Account Owner.

**9.05 Distributions:** The Custodian shall only make distributions, including required minimum distributions, from the Custodial Account upon receipt of written request of the Account Owner, or the Account Owner's beneficiary; however, the Custodian is authorized to make distributions without the Account Owner's request or consent pursuant to a court order or a valid, enforceable levy, including but not limited to an IRS levy and in such event the Custodian shall incur no liability for complying with such court order or levy.

**9.06 Reports; Valuation of Custodial Account Assets**

(a) **Annual Statement:** The Custodian shall furnish the Account Owner with a statement of the Account once per year, as of December 31. In addition, the Custodian may grant the Account Owner online access to the Account through the internet. The Account Owner shall be responsible for reviewing the statements for accuracy and shall have forty-five (45) days from the time the statement is mailed to the Account Owner or posted online to report any inaccuracies to the Custodian in writing. If the Account Owner fails to notify the Custodian of any inaccuracies in writing within the forty-five (45) day period, the statement shall be considered accurate and approved by the Account Owner and the Account Owner will be precluded from making future objections regarding the statement.

(b) **Reports:** The Custodian shall submit reports to the Internal Revenue Service and the Account Owner containing the information prescribed by the Internal Revenue Service at such time prescribed by the Internal Revenue Service.

(c) **Valuation of Assets:** The Custodian is required to provide the Account Owner with a statement reporting the fair market value ("FMV") of the Account as of December 31 of each year ("Year End FMV") and to report such Year End FMV to the IRS. This Year End FMV must be provided by the following January 31. This Year End FMV may be furnished to the Account Owner in the Custodian's regular annual Account statement.

The Account Owner is solely responsible for providing the Custodian with the Fair Market Value of the assets held in the Custodial Account and for the accuracy of the Fair Market Value. The Custodian is in no way responsible for the accuracy of the Fair Market Value reported to the Account Owner or the IRS. The fact that the Custodian reports the FMV provided to it by the Account Owner (or by a third party authorized by the Account Owner to provide the FMV to the Custodian) to the Account Owner, the IRS, or other party shall in no way imply or be interpreted to mean that the Custodian has independently determined the FMV being reported or that the Custodian is guaranteeing the FMV or that the asset can be sold for the FMV being reported. Further, the Custodian has no responsibility for the tax consequences of any taxable event based on the FMV of any asset held in the Account, including but not limited to required minimum distributions, normal or early distributions or Roth Conversions.

Unless the Account Owner provides an alternate FMV in writing, the Custodian will use published closing prices to report the value of publicly traded investments, such as stocks, bonds, and mutual funds; however the Custodian cannot guarantee their accuracy.

Unless the Account Owner provides an alternate FMV in writing, the FMV report of a brokerage or futures account that is held as an asset of the Account shall reflect the total value provided to the Custodian by the brokerage firm or the Account Owner.

Unless the Account Owner provides an alternate FMV in writing, the FMV report of precious metals that are held as assets of the Account shall reflect the value provided to the Custodian by the precious metals depository.

Unless the Account Owner provides an alternate FMV in writing, the Custodian shall report the FMV of a promissory note, mortgage or other similar debt instrument at its original amount less principal payments reported to and received by the Custodian.

If the Custodial Account holds assets that are not publicly traded or which do not have a readily determinable value on an established market, such as real estate, entities such as limited liability companies, limited partnerships, or other entities or assets, the Account Owner must provide the FMV to the Custodian. If the investment sponsor or an agent of the investment sponsor provides the Custodian with a value for the asset, in a form acceptable to the Custodian, the Custodian may use such value as the FMV unless the Account Owner provides a different FMV. A Form K-1 or similar tax document provided to the Custodian shall not, in and of itself, be considered as representing the value of the asset. The Custodian shall have no duty or responsibility to solicit or obtain any valuation from the Account Owner or other third party. The Custodian must receive the Year End FMV no later than the following January 15<sup>th</sup>. If the Custodian does not receive a Year End FMV for any asset by the following January 15<sup>th</sup>, the Custodian shall be entitled to use the Latest FMV (defined below) provided to the Custodian as that Year End FMV. The Latest FMV of an asset shall be the most recent updated FMV provided to the Custodian by the Account Owner or third party. If no updated FMV has been provided, the Latest FMV shall be (1) the original purchase price if the asset was purchased through the Custodial Account, (2) the FMV reported to the Custodian by

the prior custodian if the asset was transferred from another custodian, (3) the value reported to the Custodian by the Account Owner if the asset was rolled over from a qualified plan or via a 60-day rollover or (4) in the case of a conversion or recharacterization involving the Custodial Account, the FMV at the time of the conversion or recharacterization.

If the Account Owner fails to provide the Custodian with a Year End FMV for any asset for more than 36 months, the Custodian may, but shall not be required to, distribute such asset to the Account Owner at the asset's Latest FMV. In such case, the Custodian shall not be responsible for and the Account Owner agrees to hold the Custodian harmless for any loss, damage, tax, or other consequences due to or related to such distribution.

If a Fair Market Value of an asset is required due to a special circumstance, such as a court order, the Custodian may, but shall not be required to, obtain a valuation for such asset from an independent third party. In such case, the cost of obtaining the valuation shall be paid by the Account Owner or from the Custodial Account.

The Account Owner hereby agrees and affirms to the Custodian that the Custodian may rely, for all purposes, on the FMV of an asset provided to the Custodian as an accurate FMV, whether such FMV was provided directly by the Account Owner, the investment sponsor, or other third party or whether no updated valuation was provided and Latest FMV was used. Further, the Account Owner agrees to hold the Custodian harmless for any loss, damage, tax, or other consequences due to the Custodian's reporting such FMV or transaction dependent upon such FMV.

**9.07 Hold Harmless and Indemnification**

The Custodian shall not be responsible for and shall have no liability for any taxes, penalties, judgments, expenses or any other costs incurred by the Custodial Account or the Account Owner. The Account Owner, his authorized agents and/or representatives, and designated beneficiaries shall at all times fully indemnify the Custodian, its agents, including but not limited to the Administrator, their affiliates, successors and assigns and hold them harmless from and against any and all liabilities and/or damages that may arise in connection with this agreement, including but not limited to those arising from any action taken by the Custodian, its agents, their affiliates, successors or assigns at the direction of the Account Owner, his authorized agents and/or representatives, or designated beneficiaries, except liabilities or damages arising from the gross negligence or willful misconduct of the Custodian, its agents, their affiliates, successors or assigns. Damages shall include but shall not be limited to losses, expenses, costs, including court costs and attorneys fees, taxes and penalties, including taxes and penalties imposed because of prohibited transactions or disqualification of the Custodial Account.

**9.08 Expenses and Fees**

(a) The Custodian and its agents shall be entitled to and may charge the Account Owner or the Custodial Account fees for custodial or administrative services provided under this agreement, including, but not limited to, the fees provided for in the Custodian's fee schedule and reasonable fees for services requested and directed by the Account Owner or this authorized representative which are not included in the Custodian's schedule of services and fees. Such fees may be paid from the Custodial Account or they may be paid by the Account Owner. By signing the IRA Account Application, the Account Owner acknowledges that he/she has had the opportunity to review the Custodian's fee schedule and agrees to such fees, regardless of whether the Account Owner has signed the fee agreement. The Custodian may change its fee schedule at any time. Any such change shall be effective after thirty (30) days written notice to the Account Owner. The Custodian and its agents may charge the Account Owner or the Custodial Account a reasonable fee for its services related to, and for all reasonable costs and expenses incurred by the Custodian or its agents in connection with any litigation, mediation, arbitration, investigation, subpoena, or request for information by a government or regulatory agency involving the Custodial Account or any investment or asset ever held in the Custodial Account. Such fees shall be paid from the Custodial Account or, if not paid, they shall be paid by the Account Owner. A first lien is established against the IRA account for any and all unpaid fees and expenses due the Custodian and/or its agents. At its discretion, the Custodian and/or its agents may cease providing services to the IRA account including but not limited to the execution of any and all transaction requests, until all fees and expenses are paid. At its discretion, the Custodian or any of its agents may sell any or all of the investments in the Custodial Account for payment of any unpaid fees and expenses due and the Account Owner agrees not to hold the Custodian or its agents liable for any losses or other resulting consequences. In the event that any fees remain unpaid, Custodian shall have the right to bring suit against the Custodial Account and/or the Account Owner pursuant to Section 9.01(m) of this agreement. **In addition, the Custodian will receive fees from the interest paid by the Depository Bank(s) for providing subaccounting and recordkeeping services related to the Cash Account. The interest earned on the Cash Account will be allocated monthly as follows: (1) All interest up to the Base Rate (as defined below) will be credited to the Cash Account, then (2) all interest, if any, up to 2% in excess of the Base Rate will be retained by the Custodian, then (3) 50% all remaining interest, if any, will be credited to the Cash Account and 50% will be retained by the Custodian. The Base Rate is the rate published by the FDIC for a Non-Jumbo one month CD for the week that contains the last day of the prior month. FDIC rates are published on FDIC website <http://www.fdic.gov/regulations/resources/rates/index.html>.**



qualified to act as Custodian.

- (b) The Custodian or Administrator may, at its discretion, allow for payment of fees with a valid credit card. In such case, and if the Account Owner so chooses, the Account Owner shall furnish the Custodian or Administrator with a valid credit card account and information and authorize the Custodian or its agents to charge its fees and expenses as provided in a separate agreement.
- (c) The Custodian or Administrator, may, at its discretion, allow for payment of fees by debiting the Account Owner's bank account. In such case, and if the Account Owner so chooses, the Account Owner shall furnish the Custodian or Administrator the Account Owner's bank account information and authorize the Custodian or its agents to charge its fees and expenses as provided in a separate agreement.

#### **9.09 Resignation or Removal of Custodian; Appointment of Successor Custodian**

- (a) **Resignation of Custodian:** The Custodian may resign as custodian by giving thirty (30) days prior written notice to the Account Owner or to the Account Owner's beneficiaries. For purposes of this Section 9.09, the term Account Owner shall also include the beneficiary or beneficiaries of the Account Owner. Upon the resignation of the Custodian, the Account Owner may appoint a Successor Custodian and request and direct a transfer of the Custodial Account to the Successor Custodian or request and direct the Custodian to distribute the Custodial Account to the Account Owner. If, after the thirty (30) days written notice, the Account Owner fails to request and direct a transfer to a Successor Custodian or to request and direct a distribution to the Account Owner, the Custodian is hereby authorized: (1) to distribute the Custodial Account to the Account Owner regardless of the tax consequences to the Account Owner and the Custodian shall incur no liability for any consequences, tax or otherwise, of such distribution, or (2) to appoint a successor custodian and transfer the assets in the Custodial Account to such successor custodian.
- (b) **Removal of Custodian:** The Account Owner may remove the Custodian by giving thirty (30) days prior written notice to the Custodian, in a form acceptable to the Custodian. Such written notice must indicate that the Account Owner either (1) requests and directs that all the assets of the Custodial Account be transferred to a Successor Custodian that is qualified and willing to act as Custodian and receive the assets or (2) requests and directs a total distribution of all the assets of the Custodial Account to the Account Owner. Upon receipt of such written direction from the Account Owner, the Custodian shall distribute or transfer the assets as directed. If the IRS determines the Custodian is no longer qualified to act as Custodian and requires the Account Owner to appoint a Successor Custodian, the thirty (30) days prior written notice shall not be required.
- (c) **Transition to Successor Custodian:** The terminating Custodian (i.e., the Custodian that is resigning or being removed) shall continue to be permitted to exercise the powers granted under this Agreement as necessary to transfer the assets of the Custodial Account to the Successor Custodian or to distribute such assets to the Account Owner. The terminating Custodian shall be entitled to withhold from the assets being transferred or distributed amounts to provide for (1) payment of unpaid fees due the Custodian or its agents, (2) payment of any fees charged by the Custodian related to the removal of the Custodian, including, but not limited to account termination fees, fees for re-registration of assets, check fees, and wire fees, (3) payment of any expenses incurred by the Custodian or the Custodial Account related to the replacement of the Custodian and settlement of the account, including, but not limited to charges by transfer agents or other third parties, (4) payment of any taxes owed by the Custodial Account, such as withholding amounts. If the funds in the Custodial Account are insufficient to provide for the payment of fees and expenses due the terminating Custodian, the Account Owner shall be responsible for and shall pay any deficiency prior to transfer or distribution of the assets of the Custodial Account; however, if the assets of the Custodial Account are transferred or distributed without payment of such deficiency, the Account Owner or Successor Custodian shall be responsible for payment and shall be obligated to pay such deficiency. If funds or assets are received by the terminating Custodian after the Custodial Account has been closed or after the assets have been transferred or distributed, the terminating Custodian may withhold reasonable fees for handling such funds or assets. The Successor Custodian, whether appointed by the terminating Custodian or the Account Owner, shall not be liable for any action taken or not taken by the terminating Custodian or any other predecessor custodian. If a Successor Custodian has been appointed by the terminating custodian, the Successor Custodian shall assume and acquire all the powers and duties conferred under this Agreement. Upon transfer or distribution of all the assets of the Custodial Account, the terminating custodian shall have fully and completely discharged its duties and obligations and shall be released and free of any and all liability with regard to the Custodial Account, unless the Account Owner or Successor Custodian notifies the terminating Custodian of any outstanding issues regarding the account within forty-five (45) days of the notice of terminating Custodian's removal or resignation.
- (d) **Sale, Merger or Consolidation of Custodian:** If the Custodian ceases to operate as an entity because of a merger into, acquisition by, or consolidation with another entity, then such other entity shall become the Custodian of the Custodial Account without the Account Owner's approval, provided such entity is

#### **9.10 Notices**

Any and all notices or other communications provided to the Account Owner by the Custodian shall be sent (1) by regular mail to the last known address of the Account Owner or (2) if the Account Owner has provided an e-mail address to the Custodian, by e-mail to the most recent email address provided by the Account Owner and shall be considered delivered as of the date of the mailing or e-mail for the purposes of this Agreement. The Account Owner shall be responsible to notify the Custodian in writing of any change of address. Any and all notices or other communications directed and given to the Custodian under this Agreement shall be deemed delivered only when actually received, in writing, by the Custodian. Such notices or communications must be sent by US Mail, delivery or courier service or hand delivered in person. The Custodian may, at its discretion accept delivery by e-mail or facsimile.

#### **9.11 Applicable Law**

Except to the extent that it is governed by or subject to the Internal Revenue Code and Regulations or other federal law, this agreement shall be governed by the laws of the State of South Dakota. In the event that any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this agreement, but this agreement shall be construed as if such invalid, illegal or unenforceable provisions had never been contained herein, unless the deletion of such provision or provisions would result in such a material change so as to cause completion of the transactions contemplated herein to be unreasonable.

#### **9.12 Account Owner's Representations**

- (a) The Account Owner represents and warrants that any information that the Account Owner or his authorized agent or representative has given or will give with respect to this Custodial Account is or will be complete and accurate and that the Custodian is entitled to rely upon such information.
- (b) The Account Owner represents and warrants that any directions provided to the Custodian by the Account Owner, or Account Owner's authorized agent or representative, or any actions that the Account Owner, or Account Owner's authorized agent takes will be proper under this Agreement.

#### **9.13 Account Owner's Acknowledgements and Agreements**

By signing the account application, the Account Owner acknowledges and agrees to all the provisions of this Custodian Agreement. For purposes of emphasis and reminder, the Account Owner's acknowledgment and agreement with certain provisions are summarized and reiterated in this Section 9.13. Any provision that appears elsewhere in this Custodian Agreement but not in this Section 9.13 shall still apply and shall not be deemed to have been deleted or nullified because it is not included in this Section 9.13.

- (a) The Account Owner acknowledges and agrees that the Custodian is entitled to rely upon any directions provided to the Custodian by the Account Owner or the Account Owner's authorized agent or representative.
- (b) The Account Owner agrees that the Custodian shall not be responsible for any losses of any kind that may result from Custodian's following directions given to the Custodian by the Account Owner or the Account Owners authorized agent.
- (c) The Account Owner acknowledges and agrees that the Custodian shall not be responsible any losses of any kind resulting from the actions or failure to act on the part of the Account Owner or the Account Owner's authorized agent or representative.
- (d) The Account Owner acknowledges and agrees that neither the Custodian nor any of its agents provides investment management or investment, legal or tax advice.
- (e) The Account Owner acknowledges and agrees that neither the Custodian nor any of its agents is a fiduciary with regard to the Custodial Account.
- (f) The Account Owner acknowledges and agrees that the Account Owner has the sole responsibility for the investment of the Custodial Account assets with the Custodian and that the Custodian and its agents shall have NO LIABILITY for any losses, expenses, damages (of any kind), costs, including court costs and attorney fees, or taxes, including tax resulting from prohibited transactions or disqualification of the Custodial Account resulting from transactions executed by the Custodian or its agents and authorized by the Account Owner or the Account Owner's power of attorney or other authorized agent or representative.
- (g) The Account Owner acknowledges and agrees that it is solely the responsibility of the Account Owner to perform the due diligence with regard to any investment or investment sponsor, including but not limited to, obtaining and reading any applicable prospectus, private placement memorandum, offering circular or similar document prior to authorizing the Custodian and/or its agents to make any investment on behalf of the Custodial Account.
- (h) The Account Owner acknowledges and agrees that neither the Custodian nor any of its agents has any duty to review or evaluate any investment or any

**sponsor of any investment anticipated or made on behalf of the Custodial Account.** The Account Owner further acknowledges and agrees that **neither the Custodian nor any of its agents will review or evaluate any investment or any sponsor of any investment anticipated or made on behalf of the Custodial Account.**

- (i) The Account Owner agrees to defend and indemnify the Custodian and its agents and to hold them harmless from and against **all losses, expenses, damages (of any kind), costs, including court costs and attorney fees, or taxes, including tax resulting from prohibited transactions or disqualification of the Custodial Account** resulting from transactions executed by the Custodian and/or its agents and authorized by the Account Owner, his/her power of attorney or other authorized representative in connection with any investment held in the Custodial Account.
- (j) The Account Owner acknowledges and agrees that it is solely the responsibility of the Account Owner to understand and comply with the eligibility requirements for establishing an IRA, making rollover contributions or transfers and for making all of the investments that are held in the Custodial Account or that will be made in the future.
- (k) The Account Owner acknowledges and agrees that neither the Custodian nor any of its agents has any responsibility for tax consequences due to additions to or distributions from the Custodial Account.
- (l) The Account Owner acknowledges and agrees that (1) the Account Owner is solely responsible for providing the Custodian with the Fair Market Value of the assets held in the Custodial Account and for the accuracy of the Fair Market Value; (2) the Custodian is in no way responsible for the accuracy of the Fair Market Value reported to the Account Owner or the IRS; (3) the fact that the Custodian reports the FMV provided to it by the Account Owner (or by a third party authorized by the Account Owner to provide the FMV to the Custodian) to the Account Owner, the IRS, or other party shall in no way imply or be interpreted to mean that the Custodian has independently determined the FMV being reported or that the Custodian is guaranteeing the FMV or that the asset can be sold for the FMV being reported; (4) the Custodian has no responsibility for the tax consequences of any taxable event based on the FMV of any asset held in the Account, including but not limited to required minimum distributions, normal or early distributions or Roth Conversions.
- (m) The Account Owner agrees to notify the Custodian if a prohibited transaction occurs with regard to the Custodial Account.
- (n) The Account Owner acknowledges and agrees that it is the Account Owner's responsibility to provide the Custodian with the Year End FMV (fair market value) for each investment in the Custodial Account.
- (o) The Account Owner represents that he/she understands the requirements of Internal Revenue Code Section 401(a)(9) Required Minimum Distributions with respect to IRAs, including the severe penalties (50% excise tax) for not making timely Required Minimum Distributions.
- (p) The Account Owner acknowledges and agrees that the Account Owner is solely responsible for determining the amount of any Required Minimum Distribution and for requesting timely distribution of any Required Minimum Distributions.
- (q) The Account Owner acknowledges and agrees that the Account Owner is solely responsible for determining whether any Unrelated Business Taxable Income is generated by any investment in the Custodial Account that Account Owner is responsible for the proper filing of Form 990-T and payment of any required tax and that the tax must be paid by the Custodial Account and not by the Account Owner.
- (r) The Account Owner acknowledges and agrees that, except to the extent that it is governed by or subject to the Internal Revenue Code and Regulations or other federal law, this agreement shall be governed by the laws of the State of South Dakota.

- (s) Under penalty of perjury, the Account Owner declares and certifies that this agreement is identical, word for word, to the agreement provided by the Custodian, via its website or by any other means, and has not been altered in any manner whatsoever by the Account Owner, or to the knowledge of the Account Owner, by any third party. In the event that this agreement has been modified, with or without of the Account Owner's knowledge, the Account Owner agrees that any such modification shall be null and void and that the language of the agreement as it was provided by the Custodian shall override any conflicting language.

#### **General Instructions**

(Section references are to the Internal Revenue Code unless otherwise noted.)

#### **Purpose of Form**

Form 5305-RA is a model custodial account agreement that meets the requirements of section 408A and has been pre-approved by the IRS. A Roth individual retirement account (Roth IRA) is established after the form is fully executed by both the individual (Account Owner) and the trustee. This account must be created in the United States for the exclusive benefit of the Account Owner and his or her beneficiaries.

**Do not** file Form 5305-RA with the IRS. Instead, keep it with your records.

Unlike contributions to traditional individual retirement arrangements, contributions to a Roth IRA are not deductible from the Account Owner's gross income; and distributions after 5 years that are made when the Account Owner is 59 1/2 years of age or older or on account of death, disability, or the purchase of a home by a first-time homebuyer (limited to \$10,000), are not includible in gross income. For more information on Roth IRAs, including the required disclosures the trustee must give the Account Owner, see **Pub. 590**, Individual Retirement Arrangements (IRAs).

#### **Definitions**

**IRA Conversion Contributions:** IRA Conversion Contributions are amounts rolled over, transferred, or considered transferred from a nonRoth IRA to a Roth IRA. A nonRoth IRA is an individual retirement account or annuity described in section 408(a) or 408(b), other than a Roth IRA.

**Custodian:** The Custodian must be a bank or savings and loan association, as defined in section 408(n), or any person who has the approval of the IRS to act as Custodian.

**Account Owner:** The Account Owner is the person who establishes the custodial account.

#### **Specific Instructions**

**Article I.** The Account Owner may be subject to a 6% tax on excess contributions if **(1)** contributions to other individual retirement arrangements of the Account Owner have been made for the same tax year, **(2)** the Account Owner's adjusted gross income exceeds the applicable limits in Article II for the tax year, or **(3)** the Account Owner's and spouse's compensation is less than the amount contributed by or on behalf of them for the tax year. The Account Owner should see the disclosure statement or Pub. 590 for more information.

**Article V.** This article describes how distributions will be made from the Roth IRA after the Account Owner's death. Elections made pursuant to this article should be reviewed periodically to ensure they correspond to the Account Owner's intent. Under paragraph 3 of Article V, the Account Owner's spouse is treated as the owner of the Roth IRA upon the death of the Account Owner, rather than as the beneficiary. If the spouse is to be treated as the beneficiary, and not the owner, an overriding provision should be added to Article IX.

**Article IX.** Article IX and any that follow it may incorporate additional provisions that are agreed to by the Account Owner and Custodian to complete the agreement. They may include, for example, definitions, investment powers, voting rights, exculpatory provisions, amendment and termination, removal of the Custodian, Custodian's fees, state law requirements, beginning date of distributions, accepting only cash, treatment of excess contributions, prohibited transactions with the Account Owner, etc. Attach additional pages if necessary.

# TRADITIONAL IRA DISCLOSURE STATEMENT

## RIGHT TO REVOKE YOUR IRA ACCOUNT

You may revoke your IRA within 7 days after you sign the IRA Adoption Agreement by hand-delivering or mailing a written notice to the name and address indicated on the IRA Adoption Agreement. If you revoke your account by mailing a written notice, such notice must be postmarked by the 7th day after you sign the Adoption Agreement. If you revoke your IRA within the 7 day period you will receive a refund of the entire amount of your contributions to the IRA without any adjustment for earnings or any administrative expenses. If you exercise this revocation, we are still required to report the contribution on Form 5498 (except transfers) and the revoked distribution on Form 1099-R. (If your IRA is established under an automatic direct rollover agreement with a retirement plan, you may revoke your IRA within 7 days after you receive this disclosure statement. This disclosure statement will be deemed to have been received by you 7 days after the date of mailing.)

## GENERAL REQUIREMENTS OF A TRADITIONAL IRA

- Your contributions must be made in cash, unless you are making a rollover contribution and the Custodian accepts non-cash rollover contributions.
- The annual contributions you make on your behalf may not exceed the lesser of 100% of your compensation or the "applicable annual dollar limitation" (defined below), unless you are making a rollover, transfer, or SEP contribution. If contributions are being made under an employer's SIMPLE Retirement Plan, you must establish a separate SIMPLE-IRA document to which only SIMPLE contributions may be made. This type of IRA is called a "SIMPLE-IRA". "SIMPLE-IRA" contributions may not be made into this account. Roth IRA contributions may not be made into this account.
- Regular, annual contributions cannot be made for any year beginning the year you attain the age of 70 1/2.
- Your regular annual contributions for any taxable year may be deposited at any time during that taxable year and up to the due date for the filing of your Federal income tax return for that taxable year, no extensions. This generally means April 15th of the following year.
- The Custodian of your IRA must be a bank, savings and loan association, credit union or a person who is approved to act in such a capacity by the Secretary of the Treasury.
- No portion of your IRA funds may be invested in life insurance contracts.
- Your interest in your IRA is nonforfeitable at all times.
- The assets in your IRA may not be commingled with other property except in a common trust fund or common investment fund.
- You may not invest the assets of your IRA in collectibles (as described in Section 408(m) of the Internal Revenue Code.) A collectible is defined as any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or any other tangible personal property specified by the IRS. However, if the Custodian permits, specially minted US gold, silver and platinum coins and certain state-issued coins are permissible IRA investments. You may also invest in certain gold, silver, platinum or palladium bullion. Such bullion must be permitted by the Custodian and held in the physical possession of the IRA Custodian.
- Your interest in your IRA must begin to be distributed to you by the April 1st following the calendar year you attain the age of 70 1/2. The methods of distribution, election deadlines, and other limitations are described in detail below.

## WHO IS ELIGIBLE TO ESTABLISH A TRADITIONAL IRA?

You are permitted to make a regular contribution to your IRA for any taxable year prior to the taxable year you attain age 70 1/2, and if you receive compensation for such taxable year. Compensation includes salaries, wages, tips, commissions, bonuses, alimony, royalties from creative efforts and "earned income" in the case of self-employeds. The amount of your regular, annual contribution that is deductible depends upon whether or not you are an active participant in a retirement plan maintained by your employer; your modified adjusted gross income (Modified AGI); your marital status; and your tax filing status.

## ACTIVE PARTICIPANT

You are considered an active participant if you participate in your employer's qualified pension, profit-sharing, or stock bonus plan qualified under Section 401(a) of the Internal Revenue Code ("the Code"); qualified annuity under Section 403(a) of the Code; a simplified employee pension plan (SEP) under Section 408(k) of the Code; a retirement plan established by a government for its employees (this does not include a Section 457 plan); Tax-sheltered annuities (TSA) or custodial accounts under Section 403(b) of the Code; pre-1959 pension trusts under Section 501(c)(18) of the Code; and SIMPLE retirement plans under Section 408(p) of the Code.

If you are not sure whether you are covered by an employer-sponsored retirement plan, check with your employer or check your Form W-2 for the year in question. The W-2 form will have a check in the "retirement plan" box if you are covered by a retirement plan. You can also obtain IRS Notice 87-16 for more

information on active participation in retirement plans for IRA deduction purposes.

## CONTRIBUTIONS

**Regular Contributions** - The maximum amount you may contribute for any one year is the lesser of 100% of your compensation or the "applicable annual dollar limitation" described below. This is your contribution limit. The deductibility of regular IRA contributions depends upon your marital status, tax filing status, whether or not you are an "active participant" and your Modified AGI.

### Applicable Annual Dollar Limitation

<u>Tax Year</u>	<u>Contribution Limit</u>
2012	\$5,000
2013	\$5,500
2014	\$5,500

The annual limits for 2015 and later are subject to cost-of living increases in increments of \$500, rounded to the lower increment.

**Catch-up Contributions** - If an individual has attained the age of 50 before the close of the taxable year for which an annual contribution is being made and meets the other eligibility requirements for making regular traditional IRA contributions, the annual IRA contribution limit for that individual would be increased as follows:

<u>Tax Year</u>	<u>Normal Limit</u>	<u>Additional Catch-up</u>	<u>Total Contribution</u>
2012	\$5,000	\$1,000	\$6,000
2013	\$5,500	\$1,000	\$6,500
2014	\$5,500	\$1,000	\$6,500

The additional catch-up amount for traditional IRAs is not subject to COLAs. Therefore, the additional catch-up amount will remain at \$1,000 with no further increases to the catch-up amount.

**Deductibility for Nonactive Participants** - If you (and your spouse) are not an active participant, then the applicable annual dollar limitation is also your deduction limit for Federal income tax purposes.

**Deductibility for Active Participants** - Unmarried Active Participant (or a Married Person filing a separate tax return who did not live with their spouse at any time during the year) - For 2014, if you are unmarried and your Modified AGI is \$60,000 or less you may deduct the total amount contributed. If your Modified AGI is \$70,000 or more, no deduction is permitted. If your Modified AGI is over \$60,000 but less than \$70,000, then a calculation must be made to determine your reduced deductible limit for the year. The IRS has provided worksheets for this calculation in Publication 590 and the Form 1040 and 1040A instruction booklets.

Married Active Participant Filing a Joint Tax Return - For 2014, if you file a joint tax return with your spouse and your combined Modified AGI is \$96,000 or less you may deduct the total amount contributed. If your combined Modified AGI is \$116,000 or more, no deduction is permitted. If your Modified AGI is over \$96,000 but less than \$116,000, then a calculation must be made to determine your reduced deductible limit for the year. The IRS has provided worksheets for this calculation in Publication 590 and the Form 1040 and 1040A instruction booklets.

Married Active Participant Filing a Separate Return (who lived together at any time during the year) - If you have a separate Modified AGI of more than \$10,000 no deduction is permitted if either you or your spouse was an active participant for the year. If your or your Spouse's separate Modified AGI is more than \$0 but less than \$10,000, then each spouse's deductible limit is reduced for every \$1 of Modified AGI between \$0 and \$10,000. The IRS has provided worksheets for this calculation in Publication 590 and the Form 1040 and 1040A instruction booklets.

Deductibility of Regular Contributions For Tax Years After 2011 - For contributions made for taxable years beginning after 12/31/2011, the AGI dollar ranges for certain active participants in employer-sponsored plans are as follows:

	<u>Married Participants</u> <u>Filing Jointly</u>	<u>Single</u> <u>Participants</u>	<u>Married Participants</u> <u>Filing Separately*</u>
2012	\$92,000 - \$112,000	\$58,000 - \$68,000	\$0 - \$10,000
2013	\$95,000 - \$115,000	\$59,000 - \$69,000	\$0 - \$10,000
2014	\$96,000 - \$116,000	\$60,000 - \$70,000	\$0 - \$10,000

\* This AGI dollar range also applies to a nonactive participant spouse who files separately, where his or her spouse is an active participant.

Special Deduction Rule for Spouse Who is not an Active Participant - In the case where an IRA participant is not an active participant in an employer plan at any

time during a taxable year but whose spouse is an active participant, a special AGI range applies in calculating the nonactive participant's IRA deduction. In this case, the AGI range for deductible IRA contributions is \$181,000 - \$191,000 for 2014. However, in order to use this special deduction rule, such spouse must file a joint income tax return with their spouse who is the active participant.

**Spousal IRAs** - If during any year you receive compensation and your spouse receives no compensation (or receives compensation), you may make contributions to both your IRA and your spouse's IRA. If you are eligible then you may contribute 100% of your combined compensation divided any way you wish so long as no more than the applicable annual dollar limitation is contributed into either account. You and your spouse must file a joint tax return and have unequal compensations to take advantage of this spousal contribution limit.

If you are over the age of 70 1/2 and your spouse is under age 70 1/2, then a regular contribution may still be made for the year into the IRA established by your spouse. Such contribution, however, is limited to the lesser of 100% of your combined compensation or the applicable annual dollar limitation.

If you or your spouse are an active participant in an employer-sponsored plan, then the IRA deduction for your IRA and your spouse's IRA is based upon the AGI "phase-out" ranges in exactly the same manner as the phase-out under the "Married Active Participant Filing Joint Tax Returns" or under the "Special Deduction Rule for Spouse Who is not an Active Participant", whichever applies, as explained above.

**\$200 Minimum Deduction** - If you fall into any of the categories listed above, your minimum allowable deduction will be \$200 until phased out under the appropriate marital status. In other words, if your deductible amount calculated under the appropriate dollar amounts above results in a deduction between \$0 and \$200, your permitted deduction is \$200 instead of the calculated deduction.

**Nondeductible IRA Contributions** - You may make a nondeductible IRA contribution in one of two ways. First, you are permitted to treat any regular IRA contributions that are not deductible due to your active participation status as explained above as nondeductible contributions. Secondly, you are permitted to treat an otherwise deductible IRA contribution as a nondeductible contribution. Your total contribution for the year however, is still limited to the lesser of 100% of your compensation or the applicable annual dollar limitation.

Nondeductible IRA contributions represent money in your IRA which has already been taxed. Therefore, when you receive a distribution from any of your traditional IRAs (including SEP IRAs and SIMPLE IRAs), a portion of each distribution will be treated as a tax-free return of your nondeductible contributions. You are responsible for indicating the amount of nondeductible IRA contributions you make for a year on IRS Form 8606 which is attached to your Federal income tax return. You should also be aware that there is a penalty of \$100 if you should overstate the nondeductible amount unless you can show it was due to a reasonable cause. There is also a \$50 penalty if you do not file the IRS Form 8606 for years that you are required to do so.

If you make a nondeductible IRA contribution for a year and you decide not to treat it as a nondeductible contribution, you must withdraw the contribution plus earnings attributable to the nondeductible contribution on or before the tax filing deadline, including extensions, for the year during which the contribution was made. You may not take a deduction for such amounts. Such earnings will be taxable to you in the year in which the contribution was made and may be subject to the 10% additional tax if you are under the age of 59 1/2.

**Simplified Employee Pension Plan (SEP) Contributions** - Your employer may make a SEP contribution on your behalf into this IRA up to 25% of your compensation (15% of your compensation for tax years prior to 2002). This limit is a per employer limit. Therefore if you work for more than one employer who maintains a SEP plan, you may receive up to 25% of your compensation from each employer. Your employer may contribute to this IRA or any other IRA on your behalf under a SEP plan even if you are age 70 1/2 or over, and even if you are covered under a qualified plan for the year.

There is a limit on the amount of your compensation that will be considered as your compensation in any year. This compensation limit is \$255,000 for 2013 and \$260,000 for 2014 and is subject to cost-of-living increases in increments of \$5,000. There is also a dollar limit on the amount of SEP contribution your employer may make on your behalf. The contribution limit is \$51,000 for 2013 and \$52,000 for 2014. Therefore, the maximum SEP contribution limit for 2014 is \$52,000 (.25% X \$260,000, capped at \$52,000). The maximum dollar contribution limit is subject to cost-of-living increases.

## EXCESS CONTRIBUTIONS

Generally an excess IRA contribution is any contribution which exceeds the applicable contribution limits, and such excess contribution is subject to a 6% excise tax penalty on the principal amount of the excess each year until the excess is corrected. You must file IRS Form 5329 to report this excise tax.

**Method #1: Withdrawing Excess in a Timely Manner** - This 6% penalty may be avoided if the excess amount plus the earnings attributable to the excess are

distributed by your tax filing deadline including extensions for the year during which the excess contribution was made, and you do not take a deduction for such excess amount. If you decide to correct your excess in this manner, the principal amount of the excess returned is not taxable, however, the earnings attributable to the excess are taxable to you in the year in which the contribution was made. In addition, if you are under age 59 1/2, the earnings attributable are subject to a 10% premature distribution penalty. This is the only method of correcting an excess contribution that will avoid the 6% penalty!

**Method #2: Withdrawing Excess After Tax Filing Due Date** - If you do not correct your excess contribution under Method #1 prescribed above, then you may withdraw the principal amount of the excess (no earnings need be distributed). The 6% penalty will, however, apply first to the year in which the excess was made and each subsequent year until it is withdrawn.

**Excess Amount May be Taxable** - If the principal amount of your excess contribution is withdrawn after your tax filing deadline for the year during which the contribution was made in accordance with Method #2, it is not taxable unless the total amount of contributions you made during the year the excess was made exceeded the applicable annual dollar limitation. If the aggregate contribution is greater than the applicable annual dollar limitation, the principal amount of the excess withdrawn under Method #2 is taxable and is subject to the 10% additional tax if you are not yet age 59 1/2.

**Method #3: Undercontributing in a Subsequent Year** - Another method of correcting an excess contribution is to treat a prior year excess as a regular contribution in a subsequent year where you have an unused contribution limit for such subsequent year. Basically, all you do is undercontribute in the first subsequent year where you have an unused contribution limit until your excess amount is used up. However, once again, you will be subject to the 6% penalty in the first year and each subsequent year on any excess contribution that remains as of the end of each year.

## ROLLOVERS AND RECHARACTERIZATIONS

**Rollover Contribution from Another Traditional IRA** - A rollover from another traditional IRA is any amount you receive from one traditional IRA and redeposit (roll over) some or all of it over into another traditional IRA. You are not required to roll over the entire amount received from the first traditional IRA. However, any amount you do not roll over will be taxed at ordinary income tax rates for Federal income tax purposes.

### The following special rules also apply to rollovers between IRAs:

- The rollover must be completed no later than the 60th day after the day the distribution was received by you. However, if the reason for distribution was for qualified first time home buyer expenses and there has been a delay or cancellation in the acquisition of such first home, the 60 day rollover period is increased to 120 days. This 60 day rollover period is also extended in cases of disaster or casualty beyond the reasonable control of the taxpayer.
- You may have only one IRA to IRA rollover during a 12 consecutive month period measured from the date you received a distribution from an IRA which was rolled over to another IRA. (See IRS Publication 590 for more information).
- The same property you receive in a distribution must be the same property you roll over into the second IRA. For example, if you receive a distribution from an IRA of property, such as stocks, that same stock must be the property that is rolled over into the second IRA.
- You are required to make an irrevocable election indicating that this transaction will be treated as a rollover contribution.
- You are not required to receive a complete distribution from your IRA in order to make a rollover contribution into another IRA, nor are you required to roll over the entire amount you received from the first IRA.
- If you inherit an IRA due to the death of the participant, you may not roll this IRA into your own IRA unless you are the spouse of the decedent.
- If you are age 70 1/2 or older and wish to roll over to another IRA, you must first satisfy the required minimum distribution for that year and then the rollover of the remaining amount may be made.
- Rollovers from a SEP IRA or an Employer IRA follow the IRA to IRA rollover rules since your contributions under these types of plans are funded directly into your own traditional IRA.

**Rollovers From SIMPLE IRA Plans** - A SIMPLE IRA is a separate IRA that may only receive contributions under an Employer-sponsored SIMPLE IRA Retirement Plan. These contributions must remain segregated in a SIMPLE IRA account for a two-year period measured from the initial contribution made into your SIMPLE IRA under the Employer's SIMPLE IRA plan. A rollover or transfer from a SIMPLE IRA to any other IRA may not occur until this initial two-year period has been satisfied. Rollovers or transfers between SIMPLE IRA plans are permitted without waiting the two-year period. All of the IRA to IRA rollover rules generally apply to rollovers between SIMPLE IRAs.

**Recharacterizations** - You may be able to recharacterize certain contributions under the following two different circumstances:

1. By recharacterizing a current year regular contribution plus earnings explained in this section; or
2. By recharacterizing a conversion made to a Roth IRA by transferring the

amount plus earnings back to a traditional IRA discussed in the next section under the heading "Conversion from a Traditional IRA to a Roth IRA".

If you decide by your tax filing deadline (including extensions) of the year for which the contribution was made to transfer a current year contribution plus earnings from your traditional IRA to a Roth IRA, no amount will be included in your gross income as long as you did not take a deduction for the amount of the contribution. You may also recharacterize a current year contribution plus earnings from your Roth IRA to a traditional IRA by your tax filing deadline including extensions of the year for which the contribution was made. A regular contribution that is appropriately recharacterized from your Roth IRA to a traditional IRA may be deductible depending upon the deductibility rules previously discussed. In order to recharacterize a regular contribution from one type of IRA to another type of IRA, you must be eligible to make a regular contribution to the IRA to which the contribution plus earnings is recharacterized. All recharacterizations must be accomplished as a direct transfer, rather than a distribution and subsequent rollover. You are also required to report recharacterizations to the IRS in accordance with the instructions to IRS Form 8606. Any recharacterized contribution (whether a regular contribution or a conversion) cannot be revoked after the transfer. You are required to notify both trustees (or custodians) and to provide them with certain information in order to properly effectuate such a recharacterization.

**Conversion from a Traditional IRA to a Roth IRA** - You are permitted to make a qualified rollover contribution from a traditional IRA to a Roth IRA if your Modified AGI for the year during which the distribution is made does not exceed \$100,000 and you are not a married person filing a separate tax return. This is called a "conversion" and may be done at any time without waiting the usual 12 months. Modified AGI for purposes of a conversion does not include any distributions from a traditional IRA that are converted to a Roth IRA and included in income. Modified AGI is determined before deductible traditional IRA contributions. Effective for distributions after December 31, 2004, modified AGI also does not include any amounts that are required minimum distributions pursuant to section 408(a)(6), but only for purposes of determining eligibility for conversion contributions. You are also permitted to recharacterize a conversion made to a Roth IRA if the amount plus earnings is transferred back to a traditional IRA before the tax filing deadline including extensions for the year that the original conversion came from a traditional IRA.

**Taxation in Completing a Conversion from a Traditional IRA to a Roth IRA** - If you complete a conversion from a traditional IRA to a Roth IRA, the conversion amount (to the extent taxable) is generally included in your gross income for the year during which the distribution is made from your traditional IRA that is converted to a Roth IRA. However, the 10% additional income tax for premature distributions does not apply.

For taxable conversions made during 1998, you may include the taxable amount of the traditional IRA distribution in income "ratably" over a four-tax-year period beginning in 1998, or include the entire taxable amount of the traditional IRA distribution in income the year of the conversion. Any taxable conversions from a traditional IRA to a Roth IRA after 1998 will be fully includible in your gross income the year in which you receive the distribution from your traditional IRA that is converted to a Roth IRA.

**Reconversions** - Once an amount has been properly converted, and is then recharacterized back to a traditional IRA, any subsequent conversion of that amount is called a "reconversion". In general, for reconversions beginning in 2000 and thereafter, you may reconvert an amount at any time after the later of (1) the tax year following the tax year during which the original conversion of that amount occurred; or (2) 30 days following the date that the original conversion of that amount was recharacterized back to a traditional IRA. Since adverse tax consequences could arise, it is recommended that you seek the advice of your own tax advisor.

With respect to 1998 conversions, if the taxpayer dies before including the taxable amounts in income over a 4-year period, all remaining amounts will be included in gross income on the return filed on behalf of the decedent for the taxable year of death. However, if the surviving spouse of such deceased Roth IRA participant is the sole beneficiary of all of the individual's Roth IRAs, the surviving spouse may elect to continue including the remaining amount in income over the 4-year period as if the surviving spouse were the Roth IRA owner. If a distribution is deemed from a 1998 conversion amount and the taxpayer is spreading the distribution over four years, a special rule applies. If such distribution occurs before all taxable conversion amounts have been included in gross income, such distribution is accelerated in gross income for that year in addition to that year's one-fourth amount until the original taxable conversion amount has been includible in gross income.

**Qualified Rollover Contribution** - This term includes: (a) Rollovers between Roth IRA accounts; and (b) Traditional IRA to a Roth IRA. Qualified Rollovers must meet the general IRA rollover rules, except that the 12 month rollover restriction does not apply to rollovers (conversions) between a traditional IRA and a Roth IRA. However, the 12- month rule does apply to rollovers between Roth IRAs. Rollovers from employer-sponsored plans, such as qualified plans and 403(b)s, to a Roth IRA are not permitted. However, you could roll over from the employer's plan to a traditional IRA, and then roll over (convert) to a Roth IRA if

you meet the conversion eligibility requirements discussed earlier.

**Rollovers From Employer-Sponsored Plans** - Employer-Sponsored Plans Eligible for Rollovers to Traditional IRAs - Rollovers to traditional IRAs are permitted if you have received an eligible rollover distribution from one of the following:

- A qualified plan under Section 401(a);
- A qualified annuity under Section 403(a);
- A Tax-Sheltered Annuity (TSA) or Custodial Account under Section 403(b);
- A governmental section 457(b) plan; or
- The Federal Employees' Thrift Savings Plan.

**Eligible Rollover Distributions** - An eligible rollover distribution from one of the employer-sponsored plans listed above generally include any distribution that is not:

1. part of a series of substantially equal payments that are made at least once a year and that will last for:
  - your lifetime (or your life expectancy), or
  - your lifetime and your beneficiary's lifetime (or joint life expectancies), or
  - a period of ten years or more.
2. attributable to your required minimum distribution for the year
3. amounts attributable to any hardship distribution
4. deemed distributions of any defaulted participant loan
5. certain corrective distributions and ESOP dividends

**Rollovers of After-Tax Employee Contributions** - Beginning for eligible rollover distributions you receive after December 31, 2001, you can roll over your after-tax employee contributions to a traditional IRA either as a 60-day rollover or as a direct rollover. If you roll over your after-tax employee contributions to a traditional IRA, you are required to keep track of these amounts as required by the IRS according to their instructions. This will enable you to calculate the nontaxable amount of any future distributions from your traditional IRAs. Once you roll over your after-tax employee contributions to a traditional IRA, these amounts cannot later be rolled over to an employer plan.

**Direct Rollover to Another Plan** - You can elect a direct rollover of all or any portion of your payment that is an "eligible rollover distribution", as described above. In a direct rollover, the eligible rollover distribution is paid directly from the Plan to a traditional IRA or another employer plan that accepts rollovers. If you elect a direct rollover, you are not taxed on the payment until you later take it out of the IRA or the employer plan, and you will not be subject to the 20% mandatory Federal income tax withholding otherwise applicable to Eligible Rollover Distributions that are paid directly to you. Your employer is required to provide you with a Notice regarding the effects of electing or not electing a direct rollover to an IRA or another employer plan. Although a direct rollover is accomplished similar to a transfer, the IRA Custodian must report the direct rollover on Form 5498 as a rollover contribution.

**Eligible Rollover Distribution Paid to You** - If you choose to have your eligible rollover distribution paid to you (instead of electing a direct rollover), you will receive only 80% of the payment, because the plan administrator is required to withhold 20% of the payment and send it to the IRS as Federal income tax withholding to be credited against your taxes. However, you may still roll over the payment to an IRA within 60 days after receiving the distribution. The amount rolled over will not be taxed until you take it out of the IRA. If you want to roll over 100% of the payment to an IRA, you must replace the 20% that was withheld from other sources. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over. In either event, the 20% that was withheld can be claimed on your Federal income tax return as a credit toward that year's tax liability.

**Conduit IRAs** - A direct rollover (or rollover within 60 days) of any eligible rollover distribution may generally be treated as a "Conduit IRA", provided that a separate IRA is established for purposes of retaining the ability to later roll these funds back into an employer's plan that accepts the rollover. The conduit IRA need not be completely distributed in order for a rollover back to an employer's plan that accepts rollovers. In addition, a surviving spouse may also treat such conduit IRA for purposes of rolling over into the surviving spouse's employer plan that accepts rollovers.

**Rollovers from Traditional IRAs into Employer-Sponsored Plans** - Beginning for distributions made after December 31, 2001, traditional IRAs are permitted to be rolled over into an employer's plan. The employer's plan must accept these types of rollovers. The maximum amount that can be rolled over from a traditional IRA to an employer's plan that accepts these rollovers cannot exceed the amount that would be taxable. Any amount in a traditional IRA that represents the principal amount of a nondeductible IRA contribution or a rollover of after-tax employee contributions to a traditional IRA may not be rolled over to an employer's plan. The types of IRAs that can be rolled over to an employer's plan that accepts these rollovers include regular traditional IRAs, rollover "conduit" IRAs, SEP IRAs and SIMPLE IRAs (after the two-year waiting period has been satisfied applicable to SIMPLE IRAs). In determining the maximum amount eligible to be rolled over from an IRA to an employer's plan, you must treat all of these types of IRAs as one IRA. Only the taxable amount is eligible to be rolled over. If you are interested in rolling over your traditional IRAs into your employer's plan, you should contact the plan administrator of your employer's

plan for additional information.

**Special Rules for Surviving Spouses, Alternate Payees, and Other Beneficiaries** - If you are a surviving spouse, you may choose to have an eligible rollover distribution paid in a direct rollover to a traditional IRA, your own employer's plan that accepts rollovers, or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to a traditional IRA or to your employer's plan that accepts rollovers. If you are the spouse or former spouse alternate payee with respect to a Qualified Domestic Relations Order (QDRO), you may have the payment paid as a direct rollover or paid to you which you may roll over to a traditional IRA or your own employer's plan that accepts rollovers. If you are a beneficiary other than the surviving spouse or you are a non-spouse alternate payee with respect to a QDRO, you cannot choose a direct rollover and you cannot roll over the payment yourself.

**The following additional rules apply to a rollover from an employer-sponsored plan to a traditional IRA:**

- The rollover must be completed no later than the 60th day after the day the distribution was received by you.
- You are required to make an irrevocable election indicating that this transaction will be treated as a rollover contribution.
- You are not required to roll over the entire amount you received from the employer's plan.
- If you are age 70 1/2 or older and wish to roll over your employer's plan to a traditional IRA, you must first satisfy the minimum distribution requirement for that year and then the rollover of the remaining amount may be made.
- If your distribution consists of property (i.e., stocks) you may either roll over the same property (the same stock) or you may sell the distributed property and roll over the proceeds from the sale. This is true whether the proceeds from the sale are more or less than the fair market value of the property on the date of distribution. You may not keep the property received in the distribution and roll over cash which represents the fair market value of the property.

## DISTRIBUTIONS

**Taxation of Distributions** - When you start withdrawing from your IRA, you may take the distributions in periodic payments, random withdrawals or in a single sum payment. Generally all amounts distributed to you from your IRA are included in your gross income in the taxable year in which they are received. However, if you have made nondeductible contributions to your IRA or rollover over after-tax employee contributions from your employer's plan (collectively referred to as "basis"), the nontaxable portion of any distribution from any of your IRAs (except Roth IRAs), if any, will be a percentage based upon the ratio of your unrecovered "basis" to the aggregate of all IRA balances, including SEP, SIMPLE and rollover contributions, as of the end of the year in which you take the distribution, plus distributions from the account during the year. All taxable distributions from your IRA are taxed at ordinary income tax rates for Federal income tax purposes and are not eligible for any favorable tax treatment.

**Premature Distributions** - If you are under age 59 1/2 and receive a distribution from your IRA account, a 10% additional income tax will apply to the taxable portion of the distribution unless the distribution is received due to death; disability; a series of substantially equal periodic payments at least annually over your life expectancy or the joint life expectancy of you and your designated beneficiary; medical expenses in excess of 7 1/2% of your adjusted gross income; health insurance premiums paid by certain unemployed individuals; qualified acquisition costs of a first time homebuyer; qualified higher education expenses; a qualifying rollover distribution; the timely withdrawal of the principal amount of an excess or nondeductible contribution; or due to an IRS levy.

If you request a distribution in the form of a series of substantially equal payments, and you modify the payments before 5 years have elapsed and before attaining age 59 1/2, the 10% additional income tax will apply retroactively to the year payments began through the year of such modification.

**Age 70 1/2 Required Minimum Distributions** - You are required to begin receiving minimum distributions from your IRA by your required beginning date (the April 1 of the year following the year you attain age 70 1/2). The year you attain age 70 1/2 is referred to as your "first distribution calendar year". Your minimum distribution for each year beginning with the calendar year you attain the age of 70 1/2 is generally based upon the value of your account at the end of the prior year divided by the factor for your age derived from the Uniform Lifetime Distribution Period Table regardless of who or what entity is your named beneficiary. This uniform table assumes you have a designated beneficiary exactly 10 years younger than you. However, if your spouse is your sole beneficiary and is more than 10 years younger than you, your required minimum distribution for each year is based upon the joint life expectancies of you and your spouse. The account balance that is used to determine each year's required minimum amount is the fair market value of each IRA you own as of the prior December 31st, adjusted for outstanding rollovers (or transfers) as of such prior December 31st and recharacterizations that relate to a conversion or failed conversion made in the prior year.

However, no payment will be made from this IRA until you provide the Custodian with a proper distribution request acceptable by the Custodian. Upon receipt of such distribution request, you may switch to a joint life expectancy in determining

the required minimum distribution if your spouse was your sole beneficiary as of the January 1st of the calendar year that contains your required beginning date and such spouse is more than 10 years younger than you. The required minimum distribution for the second distribution calendar year and for each subsequent distribution calendar year must be made by December 31 of each such year.

In any distribution calendar year you may take more than the required minimum. However, if you take less than the required minimum with respect to any distribution calendar year, you are subject to a Federal excise tax penalty of 50% of the difference between the amount required to be distributed and the amount actually distributed. If you are subject to that tax, you are required to file IRS Form 5329.

**Reporting the Required Minimum Distribution** - Beginning for minimum distributions that are required for calendar 2003, the custodial account must provide a statement to each IRA owner who is subject to required minimum distributions that contains either the amount of the minimum or an offer by the Custodian to perform the calculation if requested by the IRA owner. The statement must inform the IRA owner that required minimum distributions apply and the date by which such amount must be distributed. The statement must further inform the IRA owner that beginning in 2004, the Custodian must report to the IRS that the IRA owner is required to receive a minimum for the calendar year.

**Death Distributions** - If you die before your required beginning date and you have a designated beneficiary, the balance in your IRA will be distributed to your beneficiary over the beneficiary's single life expectancy. These distributions must commence no later than December 31st of the calendar year following the calendar year of your death. However, if your spouse is your sole beneficiary, these distributions are not required to commence until the December 31st of the calendar year you would have attained the age of 70 1/2, if that date is later than the required commencement date in the previous sentence. If you die before your required beginning date and you do not have a designated beneficiary, the balance in your IRA must be distributed no later than the December 31st of the calendar year that contains the fifth anniversary of your death.

If you die on or after your required beginning date and you have a designated beneficiary, the balance in your IRA will be distributed to your beneficiary over the beneficiary's single life expectancy. These distributions must commence no later than December 31st of the calendar year following the calendar year of your death. If you die on or after your required beginning date and you do not have a designated beneficiary, the balance in your IRA must be distributed over a period that does not exceed your remaining single life expectancy determined in the year of your death. However, the required minimum distribution for the calendar year that contains the date of your death is still required to be distributed. Such amount is determined as if you were still alive throughout that year. If your spouse is your sole beneficiary, your spouse may elect to treat your IRA as his or her own IRA, whether you die before or after your required beginning date. If you die after your required beginning date and your spouse elects to treat your IRA as his or her own IRA, any required minimum that has not been distributed for the year of your death must still be distributed to your surviving spouse and then the remaining balance can be treated as your spouse's own IRA.

## PROHIBITED TRANSACTIONS

If you or your beneficiaries engage in a prohibited transaction (as defined under Section 4975 of the Internal Revenue Code) with your IRA, it will lose its tax exemption and you must include the value of your account in your gross income for that taxable year. If you pledge any portion of your IRA as collateral for a loan, the amount so pledged will be treated as a distribution and will be included in your gross income for that year.

## PENALTIES

If you are under age 59 1/2 and receive a premature distribution from your IRA, an additional 10% income tax will apply on the taxable amount of the distribution unless an exception applies. If you make an excess contribution to your IRA and it is not corrected on a timely basis, an excise tax of 6% is imposed on the excess amount. This tax will apply each year to any part or all of the excess which remains in your account. If you are age 70 1/2 or over or if you should die, and the appropriate required minimum distributions are not made from your IRA, an additional tax of 50% is imposed upon the difference between what should have been distributed and what was actually distributed.

You must file IRS Form 5329 with the Internal Revenue Service for any year an additional tax is due. You must file IRS Form 8606 for any year you make a nondeductible IRA contribution, rollover over after-tax employee contributions from your employer's plan, convert from your traditional IRA to a Roth IRA or recharacterize a contribution to your traditional IRA. The penalty for not filing Form 8606, when required, is \$50.

## INCOME TAX WITHHOLDING

All withdrawals from your IRA (except a direct transfer to another traditional IRA or any recharacterization) are subject to Federal income tax withholding. You may, however, elect not to have withholding apply to your IRA distribution in most

cases. If withholding does apply to your distribution, the applicable rate of withholding is 10% of the amount of the distribution. In addition to Federal income tax withholding, distributions from IRAs may also be subject to state income tax withholding.

## **TRANSFERS**

A direct transfer of all or a portion of your funds is permitted from this IRA to another traditional IRA or visa versa. Transfers do not constitute a distribution since you are never in receipt of the funds. The monies are transferred directly to the new trustee or custodian. If you should transfer all or a portion of your IRA to your former spouse's IRA under a divorce decree (or under a written instrument incident to divorce) or separation instrument, you will not be deemed to have made a taxable distribution, but merely a transfer. The portion so transferred will be treated at the time of the transfer as the IRA of your spouse or former spouse. If your spouse is the beneficiary of your IRA, in the event of your death, your spouse may "assume" your IRA. The assumed IRA is then treated as your surviving spouse's IRA.

## **FEDERAL ESTATE AND GIFT TAXES**

Generally there is no specific exclusion for IRAs under the estate tax rules. Therefore, in the event of your death, your IRA balance will be includible in your gross estate for Federal estate tax purposes. However, if your surviving spouse is the beneficiary of your IRA, the amount in your IRA may qualify for the marital deduction available under Section 2056 of the Internal Revenue Code. A transfer of property for Federal gift tax purposes does not include an amount which a beneficiary receives from a IRA plan.

## **IRS APPROVAL AS TO FORM**

This IRA Trust Agreement has been approved by the Internal Revenue Service as to form. This is not an endorsement of the plan in operation or of the investments offered.

## **ADDITIONAL INFORMATION**

You may obtain further information on IRAs from your District Office of the Internal Revenue Service. In particular you may wish to obtain IRS Publication 590 (Individual Retirement Arrangements).

## **FINANCIAL DISCLOSURE**

**In General:** IRS regulations require the Custodian to provide you with a financial projected growth of your IRA account based upon certain assumptions.

**Growth in the Value of Your IRA:** Growth in the value of your IRA is neither guaranteed nor projected. The value of your IRA will be computed by totaling the fair market value of the assets credited to your account. At least once a year the Custodian will send you a written report stating the current value of your IRA assets. The Custodian shall disclose separately a description of:

- (a) The type and amount of each charge;
- (b) the method of computing and allocating earnings, and
- (c) any portion of the contribution, if any, which may be used for the purchase of life insurance.

**Custodian Fees:** The Custodian may charge reasonable fees or compensation for its services and it may deduct all reasonable expenses incurred by it in the administration of your IRA, including any legal, accounting, distribution, transfer, termination or other designated fees. Any charges made by the Custodian will be separately disclosed on an attachment hereto. Such fees may be charged to you or directly to your trust account. In addition, depending on your choice of investment vehicles, you may incur brokerage commissions attributable to the purchase or sale of assets.

# Roth IRA Disclosure Statement

## RIGHT TO REVOKE YOUR ROTH IRA ACCOUNT

You may revoke your Roth IRA within 7 days after you sign the Roth IRA Adoption Agreement by hand-delivering or mailing a written notice to the name and address indicated on the Roth IRA Adoption Agreement. If you revoke your account by mailing a written notice, such notice must be postmarked by the 7th day after you sign the Adoption Agreement. If you revoke your Roth IRA within the 7 day period you will receive a refund of the entire amount of your contributions to the Roth IRA without any adjustment for earnings or any administrative expenses. If you exercise this revocation, we are still required to report the contribution on Form 5498 (except transfers) and the revoked distribution on Form 1099-R. (If your IRA is established under an automatic direct rollover agreement with a retirement plan, you may revoke your IRA within 7 days after you receive this disclosure statement. This disclosure statement will be deemed to have been received by you 7 days after the date of mailing.)

## GENERAL REQUIREMENTS OF A ROTH IRA

- Your contributions must be made in cash, unless you are making a qualified rollover contribution and the Custodian accepts non-cash rollover contributions.
- The annual contributions you make on your behalf to all of your Roth IRAs and traditional IRAs may not exceed the lesser of 100% of your compensation or the "applicable annual dollar limitation" (defined below), unless you are making a rollover or transfer contribution from a traditional IRA or another Roth IRA.
- Your regular annual Roth IRA contributions for any taxable year may be deposited at any time during that taxable year and up to the due date for the filing of your Federal income tax return for that taxable year, no extensions. This generally means April 15th of the following year.
- The Custodian of your Roth IRA must be a bank, savings and loan association, credit union or a person who is approved to act in such a capacity by the Secretary of the Treasury.
- No portion of your Roth IRA funds may be invested in life insurance contracts.
- Your interest in your Roth IRA is nonforfeitable at all times.
- The assets in your Roth IRA may not be commingled with other property except in a common trust fund or common investment fund.
- You may not invest the assets of your Roth IRA in collectibles (as described in Section 408(m) of the Internal Revenue Code.) A collectible is defined as any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or any other tangible personal property specified by the IRS. However, if the Custodian permits, specially-minted US gold, silver, and platinum coins and certain state-issued coins are permissible Roth IRA investments. Beginning on 1/1/98, you may also invest in certain gold, silver, platinum or palladium bullion, if the trustee or custodian permits. Such bullion must be in the physical possession of the Roth IRA trustee or custodian.

## WHO IS ELIGIBLE TO ESTABLISH A ROTH IRA?

You are permitted to make regular contributions to your Roth IRA for any taxable year if you receive compensation for such taxable year. Compensation includes salaries, wages, tips, commissions, bonuses, alimony, royalties from creative efforts and "earned income" in the case of self-employed. The amount which is permitted to be contributed depends upon your modified adjusted gross income (Modified AGI); your marital status; and your tax filing status discussed below.

## CONTRIBUTIONS TO A ROTH IRA

**Regular Roth Contributions** - The maximum amount you may contribute for any year is the lesser of 100% of your compensation or the "applicable annual dollar limitation" (described below). Your actual contribution limit depends upon your marital status, tax filing status, and your Modified AGI.

### Applicable Annual Dollar Limitation

Tax Year	Contribution Limit
2012	\$5,000
2013	\$5,500
2014	\$5,500

The annual limits for 2015 and later are subject to cost-of living increases in increments of \$500, rounded to the lower increment.

**Catch-up Contributions** - If an individual has attained the age of 50 before the close of the taxable year for which an annual contribution is being made and meets the other eligibility requirements for making regular Roth IRA contributions, the annual Roth IRA contribution limit for that individual would be increased as follows:

Tax Year	Normal Limit	Additional Catch-up	Total Contribution
2012	\$5,000	\$1,000	\$6,000

2013	\$5,500	\$1,000	\$6,500
2014	\$5,500	\$1,000	\$6,500

The additional catch-up amount for Roth IRAs is not subject to COLAS. Therefore, the additional catch-up amount will remain at \$1,000 with no further increases to the catch-up amount.

All regular contributions (including catch-up contributions) to a Roth IRA are nondeductible. The maximum amount you may contribute to a Roth IRA is reduced by any contributions you make to all of your traditional IRAs for the same tax year. In other words, the total maximum combined annual contribution to a traditional IRA and a Roth IRA for 2014 is \$5,500 (\$6,500 if you are age 50 or older).

**Unmarried Taxpayer** (or a Married Person filing a separate return who did not live with their spouse at any time during the year) – For 2014, if you are unmarried and your Modified AGI is \$114,000 or less, you may contribute up to the maximum Applicable Annual Dollar Limitation, plus the additional catch-up amount, if applicable, to your Roth IRA. If your Modified AGI is \$129,000 or more, no contribution is permitted. If your Modified AGI is over \$114,000 but less than \$129,000, then a calculation must be made to determine your Roth IRA contribution limit for the year. The IRS has provided worksheets for this calculation in Publication 590.

**Married Person Filing Joint Tax Return** – For 2014, if you file a joint tax return with your spouse and your combined Modified AGI is \$181,000 or less, you may contribute up to the Applicable Annual Dollar Limitation, plus the additional catch-up amount, if applicable, to your Roth IRA. If your combined Modified AGI is \$191,000 or more, no contribution is permitted. If your Modified AGI is over \$181,000 but less than \$191,000, then a calculation must be made to determine your Roth IRA contribution limit for the year. The IRS has provided worksheets for this calculation in Publication 590.

**Married Persons Filing Separate Returns** (who lived together at any time during the year) - If you have a separate Modified AGI of more than \$10,000, no contribution is permitted to your Roth IRA. For 2014, if your or your Spouse's separate Modified AGI is more than \$0 but less than \$10,000, then the Roth IRA contribution limit is reduced. The IRS has provided worksheets for this calculation in Publication 590.

**Spousal Roth IRAs**- If you and your spouse file a joint tax return and have unequal compensation (including no compensation for one spouse) you may establish separate Roth IRAs for each spouse. The total annual contribution limit for both Roth IRAs may not exceed 100% of the combined compensation for both spouses, but neither Roth IRA may accept more than the Applicable Annual Dollar Limitation per spouse, plus the additional catch-up amount, if applicable.

The maximum Roth IRA contribution for the spouse is then reduced by:

- regular traditional IRA contributions made on behalf of such spouse; and
- Roth IRA contributions made on behalf of such spouse.

This annual limit may be further reduced if the modified AGI exceeds the levels discussed above.

**\$200 Minimum Roth IRA Contribution** - If you fall into any of the categories listed above, your minimum allowable Roth IRA contribution will be \$200 until phased out under the appropriate marital status. In other words, if your Roth IRA contribution amount calculated under the appropriate dollar amounts discussed above results in a contribution between \$0 and \$200, your permitted contribution is \$200 instead of the calculated amount. If the result is not a multiple of \$10, round up to the nearest \$10.

**Modified AGI** - Modified AGI does not include any distributions from a traditional IRA that are converted to a Roth IRA and included in income. Modified AGI is determined before deductible traditional IRA contributions. Effective for distributions after December 31, 2004, modified AGI does not include any amounts that are required minimum distributions pursuant to section 408(a)(6) only for purposes of determining eligibility for conversion contributions.

**Other Contributions** - Your Roth IRA may not accept employer contributions made under a SEP or SIMPLE plan and traditional IRA contributions. However, certain rollovers and transfers as described below may be made.

**Miscellaneous Contribution Rules** - Contributions are permitted after you attain age 70 1/2, so long as you have compensation and meet the AGI limits described above. Contributions are permitted regardless of whether you are an active participant in an employer-sponsored plan.

## EXCESS CONTRIBUTIONS TO A ROTH IRA



Generally, an excess Roth IRA contribution is any contribution which exceeds the contribution limits. Such excess amount is subject to a 6% excise tax on the principal remaining amount of the excess each year until the excess is corrected.

**Method of Withdrawing Excess in a Timely Manner** - This 6% excise tax may be avoided, if the excess amount plus the earnings attributable to the excess are distributed to you by your tax filing deadline including extensions for the year during which the excess contribution was made. If you decide to correct your excess in this manner, the principal amount of the excess returned to you is not taxable, however, the earnings attributable to the excess are taxable to you in the year in which the contribution was made. In addition, if you are under age 59 1/2, the earnings attributable to the excess amount are subject to a 10% additional income tax. This is the only method of correcting an excess contribution that will avoid the 6% excise tax!

**Undercontribution Method** - If an excess is not corrected by the tax filing deadline, including extensions, for the year during which the excess contribution was made, such excess contribution may be applied, on a year-by-year basis, against the annual limit for regular Roth IRA contributions. However, in order to "carry over" the excess contribution and treat it as a contribution made for a subsequent year, the participant must meet the eligibility requirements for the subsequent year. In addition, the taxpayer is subject to the 6% excise tax for the initial year and each subsequent year until the excess is used up.

## CONTRIBUTION RECHARACTERIZATIONS

You may be able to recharacterize certain contributions under the following two different circumstances:

- (1) By recharacterizing a current year regular contribution plus earnings explained in this section; or
- (2) By recharacterizing a conversion made to a Roth IRA by transferring the amount plus earnings back to a traditional IRA discussed in the next section under the heading "Conversion from a Traditional IRA to a Roth IRA".

If you decide by your tax filing deadline (including extensions) of the year for which the contribution was made to transfer a current year contribution plus earnings from your traditional IRA to a Roth IRA, no amount will be included in your gross income as long as you did not take a deduction for the amount of the contribution. You may also recharacterize a current year contribution plus earnings from your Roth IRA to a traditional IRA by your tax filing deadline including extensions of the year for which the contribution was made.

In order to recharacterize a regular contribution from one type of IRA to another type of IRA, you must be eligible to make a regular contribution to the IRA to which the contribution plus earnings is recharacterized. All recharacterizations must be accomplished as a direct transfer, rather than a distribution and subsequent rollover.

You are also required to report recharacterizations to the IRS in accordance with the instructions to IRS Form 8606. Prior year excess contributions made to an IRA that are carried over to a subsequent year cannot be recharacterized as a current year contribution to another IRA. Only actual contributions made for a taxable year may be recharacterized. Any recharacterized contribution (whether a regular contribution or a conversion) cannot be revoked after the transfer.

You are required to notify both trustees (or custodians) and to provide them with certain information in order to properly effectuate such a recharacterization. A traditional "conduit" IRA that is converted to a Roth IRA, but subsequently recharacterized back to a traditional IRA retains its status as a "conduit" IRA. Amounts in a SEP IRA (or SIMPLE IRA) that are converted to a Roth IRA can be recharacterized back to a SEP IRA (or SIMPLE IRA), including the original SEP IRA (or SIMPLE IRA). An election to recharacterize may be made on behalf of a deceased IRA owner by the executor, administrator, or other person charged with the duty of filing the decedent's final Federal income tax return. A recharacterization is not a designated distribution; and therefore, is not subject to Federal income tax withholding.

## ROLLOVER ROTH IRAs

**Rollover Contribution from Another Roth IRA** - A rollover contribution from another Roth IRA is any amount you receive from one Roth IRA and within 60 days roll some or all of it over into another Roth IRA. You are not required to roll over the entire amount received from the first Roth IRA. However, any taxable amount (generally earnings) you do not roll over will be taxed at ordinary income tax rates for Federal income tax purposes and may be subject to the 10% additional income tax.

The following special rules also apply to rollovers between Roth IRAs:

- The rollover must be completed no later than the 60th day after the day the distribution was received by you from the first Roth IRA. However, if the reason for distribution was for qualified first time home buyer expenses and there has been a delay or cancellation in the acquisition of such first home, the 60 day rollover period is increased to 120 days. This 60 day rollover period

is also extended in cases of disaster or casualty beyond the reasonable control of the taxpayer.

- You may have only one Roth IRA to Roth IRA rollover during a 12 consecutive month period measured from the date you received a distribution from a Roth IRA which was rolled over to another Roth IRA. (See IRS Publication 590 for more information.)
- The same property you receive in a distribution from the first Roth IRA must be the same property you roll over into the second Roth IRA. For example, if you receive a distribution from a Roth IRA of property, such as stocks, that same stock must be the property rolled over into the second Roth IRA.
- You are required to make an irrevocable election indicating that this transaction will be treated as a rollover contribution.
- You are not required to receive a complete distribution from your Roth IRA in order to make a rollover contribution into another Roth IRA, nor are you required to roll over the entire amount you received from the first Roth IRA into the second Roth IRA.
- If you inherit a Roth IRA due to the death of the participant, you may not roll this Roth IRA into your own Roth IRA unless you are the spouse of the deceased Roth IRA participant.

**Rollovers From Employer-Sponsored Plans** You may roll over all or part of a designated Roth account (Roth 401(k)) from an employer-sponsored plan to a Roth IRA. In addition, you may roll over all or part of an eligible distribution (non-Roth) account from an employer-sponsored plan to a Roth. Non-Roth amounts rolled over to a Roth IRA must be included in your gross income to the extent they would have been included in your income had you not rolled them over into a Roth IRA, except that the 10% premature distribution penalty does not apply. You should consult your tax advisor if you are considering a rollover.

**Conversion from a Traditional IRA to a Roth IRA** - You are permitted to make a qualified rollover contribution from a traditional IRA to a Roth. This is called a "conversion" and may be done at any time without waiting the usual 12 months. You are also permitted to recharacterize a conversion made to a Roth IRA if the amount plus earnings is transferred back to a traditional IRA before your tax filing deadline including extensions for the year the amount was distributed from the traditional IRA that was converted to the Roth IRA.

**Taxation in Completing a Conversion from a Traditional IRA to a Roth IRA** - If you complete a conversion from a traditional IRA to a Roth IRA, the conversion amount (to the extent taxable) is generally included in your gross income for the year during which the distribution is made from your traditional IRA that is converted to a Roth IRA. However, the 10% additional income tax for premature distributions does not apply.

**Reconversions** - Once an amount has been properly converted and then is recharacterized back to a traditional IRA, any subsequent conversion of that amount is called a "reconversion". Effective January 1, 2000, an IRA owner who converts an amount from a traditional IRA to a Roth IRA during any taxable year and then recharacterizes that amount back to a traditional IRA may not reconvert that amount from the traditional IRA to a Roth IRA before the later of: (a) the taxable year following the taxable year in which the amount was first converted to a Roth IRA; or, (b) the end of the 30-day period beginning on the day on which the IRA owner recharacterizes the amount from the Roth IRA back to a traditional IRA. Any amount previously converted is adjusted for subsequent net income in determining the amount subject to the limitation on subsequent reconversions. Since adverse tax consequences could arise, it is recommended that you seek the advice of your own tax advisor.

**Death of Taxpayer** - With respect to 1998 conversions, if the taxpayer dies before including the taxable amounts in income over a 4-year period, all remaining taxable amounts will be included in gross income on the return filed on behalf of the decedent for the taxable year of death. However, if the surviving spouse of such deceased Roth IRA participant is the sole beneficiary of all of the decedent's Roth IRAs, the surviving spouse may elect to continue including the remaining amount in income over the 4-year period as if the surviving spouse were the distributee.

**Income Acceleration** - If a distribution is deemed from a 1998 conversion amount and the taxpayer is spreading the distribution over four years, a special rule applies. If such distribution occurs before all taxable conversion amounts have been included in income, such distribution is accelerated in income for that year in addition to that year's one-fourth amount until the original taxable conversion amount has been includable in income.

**Change in Status** - A change in filing status or a divorce does not affect the application of the 4-year spread for 1998 conversions. Thus, if a married Roth IRA participant who is using the 4-year spread and who was married in 1998 subsequently files separately or divorces before the full taxable conversion has been included in gross income, the remainder of the taxable conversion must be included in the owner's gross income over the remaining years in the 4-year period, unless accelerated due to a distribution or death.

**Substantially Equal Payments** - If a taxpayer converts a traditional IRA to a Roth IRA where the traditional IRA was subject to the substantially equal periodic payment exception, the same periodic payments must continue from the Roth IRA. However, for 1998 conversions where the taxpayer is using the 4-year

spread rule, the payments from the Roth IRA will be subject to the income acceleration rule. Thus, in addition to the normal 1/4th amount, the substantially equal amount is also includible in the participant's gross income for each year until the full taxable conversion has been so included.

**Types of IRAs Permitted to be Converted** - Traditional regular IRAs, Rollover "conduit" IRAs, and SEP IRAs may be converted to a Roth IRA, so long as the taxpayer meets the eligibility requirements. A SIMPLE IRA may also be converted to a Roth IRA, but only after such SIMPLE IRA is no longer subject to the 2-year holding period applicable to SIMPLE IRAs.

**Required Minimum Distributions** - If the IRA owner is age 70 1/2 or older, the required minimum amount must first be distributed to the owner before any of the remaining amount can be converted to the Roth IRA, if eligible.

## DISTRIBUTIONS FROM A ROTH IRA

### Taxation of Distributions

"Qualified distributions" are neither subject to Federal income tax nor the 10% additional income tax for premature distributions. Nonqualified distributions are taxable to the extent such distribution is attributable to the income earned in the account. When you start withdrawing from your Roth IRA, you may take the distributions in regular payments, random withdrawals or in a single sum payment.

**Qualified Distributions** - A Qualified Distribution is one that is both made:

1. on or after you attain age 59 1/2;
2. to a beneficiary after your death;
3. on account of you becoming disabled (defined under Section 72(m)(7) IRC); or
4. for qualified first time homebuyer expenses.

**AND** made after the end of the five year period beginning with the taxable year for which you first make any contribution to a Roth IRA.

If your first contribution is a conversion from a traditional IRA to a Roth IRA, the five year period begins with the year in which the conversion was made from the traditional IRA. If your first contribution is a regular contribution, the five year period begins with the year for which the contribution was made. You may maintain only one Roth IRA plan which accepts regular contributions and conversions. Additional contributions or conversions in subsequent years will not start the running of another five year period for purposes of determining whether or not you have received a "Qualified Distribution". If the entire Roth IRA account balance is distributed before any other Roth IRA contributions are made, the 5-year aging period does not start over when future contributions are made.

However, if any of the following situations occur, the 5-year aging period has not yet started:

- (a) the initial Roth IRA contribution is revoked within its first 7-day period;
- (b) the initial Roth IRA contribution is recharacterized to a traditional IRA; or
- (c) an excess contribution, plus earnings, is timely distributed in accordance with section 408(d)(4), by the tax filing deadline including extensions, unless other eligible contributions were made.

**Nonqualified Distributions** - Distributions from a Roth IRA which are made as a nonqualified distribution are treated as made from contributions to the Roth IRA to the extent that such distribution, when added to all previous distributions from the Roth IRA (whether or not they were qualified distributions), and reduced by the taxable amount of such previous distributions, does not exceed the aggregate amount of contributions to the Roth IRA.

In other words, nonqualified distributions are treated as taken from the nontaxable portion first (the contributions) until the aggregate distributions exceed the aggregate contributions. When the aggregate distributions exceed the aggregate contributions, then the earnings will be treated as part of the distribution for taxation purposes. The portion of the nonqualified distribution that represents earnings will be taxable and subject to the 10% additional income tax for premature distributions, unless an exception applies. You are responsible for keeping records on the contributions you make to your Roth IRA and for figuring any taxable, nonqualified distributions from your Roth IRA.

**Distributions Made Before the End of the Five Year Period** Distributions taken before the end of the five year period are taxable (to the extent you receive the earnings attributable) and are subject to the 10% additional income tax if the participant is not age 59 1/2. However, the 10% additional income tax is avoided if the distribution meets any one of the exceptions under Section 72(t).

**Recapture of the 10% Additional Tax** - The 10% additional tax on early distributions will apply to conversions if the taxpayer is deemed to withdraw any portion of the taxable conversion amount before the end of the five year period commencing the year of conversion contribution, unless an exception under Section 72(t) applies. This is true even if none of the distribution is otherwise taxable.

**Basis Recovery Rules for Distributions from Different IRA Plans** - The taxation of distributions from a Roth IRA shall be treated separately from the taxation of a distribution from other IRA plans. In other words, nondeductible contributions made to your traditional IRA will continue to be recovered tax-free on a ratable basis.

**Ordering Rules** - Distributions from any of your Roth IRAs are to be "deemed" withdrawn in the following order: first from regular Roth IRA contributions; second from converted amounts on a first-in, first-out basis (with the taxable conversion amount first and then the nontaxable conversion amount); and last from the earnings. In determining these ordering rules, any amount distributed from an individual's Roth IRA is determined as of the end of a taxable year and exhausting each category before moving to the next category. The taxpayer will be required to keep track of these ordering provisions by using IRS Form 8606.

**Multiple Beneficiaries** - At the Roth IRA owner's death and where multiple beneficiaries are named, each type of contribution must be allocated to each beneficiary on a prorata basis. Thus, for example, if a Roth IRA owner dies when the Roth IRA contains a regular contribution of \$2,000, a conversion contribution of \$6,000 and earnings of \$1,000, and the owner leaves his Roth IRA equally to four children, each child will receive one quarter of each type of contribution. Pursuant to the ordering rules, an immediate distribution of \$2,000 to one of the children will be deemed to consist of \$500 of regular contributions, and \$1,500 of conversion contributions.

For purposes of the ordering rules upon distribution, a beneficiary's inherited Roth IRAs may not be aggregated with any other Roth IRAs maintained by such beneficiary, except for other Roth IRAs that the beneficiary inherited from the same decedent. However, if the surviving spouse is the sole beneficiary of a Roth IRA and such surviving spouse elects to treat the Roth IRA as his or her own Roth IRA, the spouse can aggregate contributions with his or her other Roth IRAs for purposes of determining the ordering rules when distributions are taken. The term "spouse as sole beneficiary" means either the only primary beneficiary of the entire plan, or the only primary beneficiary of a segregated portion of the plan determined as of the December 31st of the calendar year following the year of death.

**Premature Distributions** - If you are under age 59 1/2 and receive a "nonqualified" distribution from your Roth IRA, a 10% additional income tax will apply to the taxable portion (generally the earnings portion) of the distribution unless the distribution is received due to death; disability; a qualifying rollover distribution; the timely withdrawal of the principal amount of an excess; substantially equal periodic payments; certain medical expenses; health insurance premiums paid by certain unemployed individuals; qualified higher education expenses; qualified first time homebuyer expenses; or beginning in 2000, due to an IRS levy.

**Required Distributions** - Unlike a traditional IRA, you are not required to begin distributions when you attain age 70 1/2. Also, the incidental death benefit requirements (referred to as MDIB) do not apply to the Roth IRA.

**Death Distributions** - If you die and you have a designated beneficiary, the balance in your Roth IRA will be distributed to your beneficiary over the beneficiary's single life expectancy. These distributions must commence no later than December 31st of the calendar year following the calendar year of your death. However, if your spouse is your sole beneficiary, these distributions are not required to commence until the December 31st of the calendar year you would have attained the age of 70 1/2, if that date is later than the required commencement date in the previous sentence. If you die and you do not have a designated beneficiary, the balance in your Roth IRA must be distributed no later than the December 31st of the calendar year that contains the fifth anniversary of your death.

## PROHIBITED TRANSACTIONS WITH A ROTH IRA

If you or your beneficiary engage in a prohibited transaction (as defined under Section 4975 of the Internal Revenue Code) with your Roth IRA, it will lose its tax exemption and you must include the taxable portion of your account in your gross income for that taxable year and may also be subject to the 10% additional tax. If you pledge any portion of your Roth IRA as collateral for a loan, the amount so pledged will be treated as a distribution and the taxable portion will be included in your gross income for that year and may also be subject to the 10% additional tax.

## ADDITIONAL TAXES AND PENALTIES

If you are under age 59 1/2 and receive a nonqualified premature distribution from your Roth IRA, an additional 10% income tax will apply on the taxable amount of the distribution (generally the earnings portion only), unless an exception under Section 72(t) applies. A 10% additional tax will be assessed if you are under age 59 1/2 if you are deemed to withdraw any portion of a conversion that you made from your traditional IRA to your Roth IRA before five years have lapsed from the conversion year, even if such distribution is otherwise nontaxable. If you make an excess contribution to your Roth IRA and it is not corrected on a timely basis, an excise tax of 6% is imposed on the excess

amount. This tax will apply each year to any part or all of the excess which remains in your account.

If you should die, and the appropriate required death distributions are not made from your Roth IRA, an excise tax of 50% is assessed to your beneficiary based upon the difference between the amount that should have been distributed and the amount that was actually distributed. You may be required to file IRS Form 5329 with the Internal Revenue Service for any year an additional tax is due.

#### **INCOME TAX WITHHOLDING**

All withdrawals from your Roth IRA (except the earnings attributable to a return of excess contributions) are not subject to Federal income tax withholding

#### **TRANSFERS**

A direct transfer of all or a portion of your funds is permitted from this Roth IRA to another Roth IRA or visa versa. Transfers do not constitute a distribution since you are never in receipt of the funds. The monies are transferred directly to the new trustee or custodian. Transfers are neither subject to the 12-month restriction nor the 60 day rollover period usually associated with rollovers.

If you should transfer all or a portion of your Roth IRA to your former spouse's Roth IRA under a divorce decree (or under a written instrument incident to divorce) or separation instrument, you will not be deemed to have made a taxable distribution, but merely a transfer. The portion so transferred will be treated at the time of the transfer as the Roth IRA of your spouse or former spouse.

If your spouse is the beneficiary of your Roth IRA, in the event of your death, your spouse may "assume" your Roth IRA. The assumed Roth IRA is then treated as your surviving spouse's Roth IRA.

#### **FEDERAL ESTATE AND GIFT TAXES**

Generally there is no specific exclusion for Roth IRAs under the Federal estate tax rules. Therefore, in the event of your death, the value of your Roth IRA will be includible in your gross estate for Federal estate tax purposes. However, if your surviving spouse is the beneficiary of your Roth IRA, the value of your Roth IRA may qualify for the marital deduction available under Section 2056 of the Internal Revenue Code. A transfer of property for Federal gift tax purposes does not include an amount which a beneficiary receives from a Roth IRA plan.

#### **IRS APPROVAL AS TO FORM**

This Roth IRA Trust Agreement has been approved by the Internal Revenue Service as to form. This is not an endorsement of the plan in operation or of the investments offered.

#### **ADDITIONAL INFORMATION**

You may obtain further information on Roth and traditional IRAs from your District Office of the Internal Revenue Service. In particular, you may wish to obtain IRS Publication 590 (Individual Retirement Arrangements).

#### **FINANCIAL DISCLOSURE**

##### **In General**

IRS regulations require the Custodian to provide you with a financial projected growth of your Roth IRA account based upon certain assumptions.

##### **Growth in the Value of Your Roth IRA**

Growth in the value of your Roth IRA is neither guaranteed nor projected. The value of your Roth IRA will be computed by totaling the fair market value of the assets credited to your account. At least once a year the Custodian will send you a written report stating the current value of your Roth IRA assets. The Custodian shall disclose separately a description of:

- (a) the type and amount of each charge;
- (b) the method of computing and allocating earnings, and
- (c) any portion of the contribution, if any, which may be used for the purchase of life insurance.

##### **Custodian Fees**

The Custodian may charge reasonable fees or compensation for its services and it may deduct all reasonable expenses incurred by it in the administration of your Roth IRA, including any legal, accounting, distribution, transfer, termination or other designated fees. Any charges made by the Custodian will be separately disclosed on an attachment hereto. Such fees may be charged to you or directly to your custodial account. In addition, depending on your choice of investment vehicles, you may incur brokerage commissions attributable to the purchase or sale of assets

## **Supplement to Roth IRA Disclosure Statement**

Effective January 1, 2006

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**Rollovers From a Designated Roth Contributions Account Under Employer-Sponsored Plans** – Effective for Eligible Rollover Distributions after December 31, 2005, amounts attributable to the participant's Designated Roth Contributions Account under an employer's §401(k) plan or §403(b) plan are eligible to roll over to a Roth IRA as either a direct rollover or a 60-day rollover. After such amounts have been rolled over to a Roth IRA, these amounts cannot be subsequently rolled back to an employer's plan.

**Effect of 5-Year Aging** – If the Roth IRA owner has already started the 5-year aging on any Roth IRA, the rollover of the Designated Roth Contributions Account under the employer's plan has the same 5-year period start date. However, if the Roth IRA owner establishes a Roth IRA for the first time with the rollover of the Designated Roth Contributions Account under the employer's plan, a new 5-year aging period starts with respect to the rollover amount, regardless of the period of participation in the employer's plan.

**Effect on Ordering Rules for Subsequent Distributions from the Roth IRA** – If a Roth IRA owner rolls over his or her Designated Roth Contributions Account under an employer's plan, the Roth IRA owner is responsible for keeping track of the rollover in the following manner for purposes of determining taxable distributions from the Roth IRA:

- If the distribution from the employer's plan is a "nonqualified distribution", the Roth IRA owner adds the basis amount (contributions) to his or her other regular Roth IRA contributions, and adds the earnings to the earnings.
- If the distribution from the employer's plan is a "qualified distribution", the Roth IRA owner adds the entire amount of the rollover to his or her other regular Roth IRA contributions.

**Partial Rollovers** - If a distribution representing the participant's Designated Roth Account is eligible to roll over and it is paid to the participant, and the participant rolls over to a Roth IRA only a portion of the distribution, the amount **not** rolled over is treated as first consisting of the nontaxable portion (the contributions). Thus, the amount rolled over is treated first as the taxable earnings and no amount is taxable to the participant if the amount of the rollover is equal to or greater than the amount of the earnings attributable to the distribution received by the employee. Proper adjustments to the ordering rules explained above are necessary in the case of a partial rollover.

**Rollovers From Other Accounts Under an Employer-Sponsored Plan Not Permitted** – You may not roll over from an employer-sponsored plan to a Roth IRA, other than amounts attributable to a Designated Roth Contributions Account. However, you may roll over from an employer-sponsored plan to a traditional IRA (except for the Designated Roth Contributions Account) and then "convert" the traditional IRA to a Roth IRA in a Conversion explained in the Roth IRA Disclosure Statement. For more information concerning rollovers from an employer-sponsored retirement plan to a traditional IRA, please refer to the traditional IRA's disclosure statement.