

# TRADITIONAL IRA DISCLOSURE STATEMENT

## (Used with Form 5305-A)

This Disclosure Statement provides a general review of the terms, conditions and federal laws associated with your Traditional IRA (IRA). It is not intended to replace the advice of your own tax and legal advisors. You are encouraged to consult your advisors and/or your state taxing authority concerning any tax and/or compliance questions. You are responsible for complying with the laws that apply to your IRA. The Custodian does not act as your advisor.

### RIGHT TO REVOKE YOUR IRA

You may revoke your IRA within seven (7) calendar days following the date you establish your IRA. Unless indicated otherwise, your IRA is established on the date the Custodian signs the Application. To revoke your IRA, you must provide a written notice to the Custodian at the address listed on the Application (or other address provided to you by the Custodian) that accompanies this Disclosure. The Custodian must receive your revocation notice no later than 7 days after your IRA is established. If you mail your revocation notice, it will be received as of the postmark date. If you revoke your IRA within the 7-day revocation period, the Custodian is still required to report the contribution and the distribution to the IRS. If you revoke your IRA within the revocation period, the Custodian will return to you the entire amount you contribute without deducting any administrative fees, penalties or investment losses.

### CONTRIBUTIONS

**Cash.** Except for certain rollovers and transfers, all contributions must be made in the form of money (e.g., cash, check or money order).

**Eligibility.** You may set up and contribute to your IRA if you (or, if you file a joint tax return, your spouse) received taxable compensation during the year, and you did not reach age 70 1/2 by the end of the year. No contributions may be made to your IRA in the year you reach age 70 1/2 or for subsequent years. You are responsible for determining your eligibility to make IRA contributions.

**Compensation.** For purposes of funding an IRA, "compensation" generally means monies earned from working, such as wages, salaries, tips, professional fees, bonuses and other amounts received from providing personal services. If you are self-employed, your compensation is your "earned income." Taxable alimony received under a valid divorce decree, separate maintenance agreement, or other valid court order is considered compensation. Compensation does not include investment earnings, pension or annuity income or other amounts that you do not provide services that are a material income-producing factor.

**Due Date.** Contributions may be made to your IRA during the tax year and up until the due date for filing your tax return, not including extensions. For most people, the tax return due date is April 15. However, if you are serving in or in support of the Armed Forces in a designated combat zone or qualified hazardous duty area, your contribution deadline may be extended past April 15. Generally, the extension is 180 days after the last day you are in a qualifying combat zone or hazardous duty area. You may also have an additional extension depending on when you entered the zone or area. For additional information, refer to IRS Publication 3 or consult your tax advisor.

**Carryback Contributions.** If you make a contribution between January 1 and April 15, tell the Custodian which tax year the contribution is for. If you do not indicate otherwise, the Custodian will report it to the IRS as a current year contribution (the year received).

**Contributions to Multiple IRAs.** If you have more than one IRA, the contribution limits listed below apply to the total amount you may contribute to all of your IRAs for the year. If you also have a Roth IRA, the contribution limits listed below are reduced by any amounts you contribute to your Roth IRA for the tax year. In addition, employer retirement plans may establish separate accounts to receive voluntary employee contributions. If the account meets the requirements of an IRA and you make voluntary employee contributions to that separate account, the total amount listed below that you may contribute to all of your IRAs is reduced by those voluntary employee contributions.

**Regular IRA Contributions.** You may annually contribute up to the lesser of 100% of your compensation or the maximum amount listed below.

- \$3,000 for tax years 2002-2004;
- \$4,000 for tax years 2005-2007; and
- \$5,000 for tax year 2008 and thereafter.

**Catch up Contributions.** If you are age 50 or older before the end of the tax year, you may make an additional catch up contribution to your IRA for that tax year of up to \$500 for tax years 2002-2005 and \$1,000 for tax years 2006 and thereafter. If you are married and you and your spouse each have compensation, you may each establish and fund your own IRAs consistent with the above limits.

**Spousal IRA Contributions.** If you are married, file a joint tax return and your compensation is less than your spouse's (including zero), you and your spouse may each fund an IRA according to the limits for funding a Regular IRA above. However, the total contributions to both of your IRAs may not exceed the combined gross income of you and your spouse.

**Simplified Employee Pension (SEP) Plan.** If you participate in your employer's SEP plan, your employer may make SEP contributions to your IRA. You may still contribute to your IRA. However, when your employer makes SEP contributions on your behalf, you are considered an active participant in an employer-sponsored retirement plan which may limit your ability to deduct your IRA contributions.

**Rollover Contributions.** Generally, a rollover is a movement of cash or assets from one retirement plan to another. If you receive property as part of the distribution, the rollover is tax free only if the same property or proceeds from the sale of such property is rolled over. Further, if you are required to take minimum distributions because you are age 70 1/2 or older, you may not roll over any Required Minimum Distributions. Both the distribution and the rollover deposit are reportable when you file your income taxes.

**IRA-to-IRA Rollover.** You may withdraw, tax free, all or part of the amounts in your IRA if you reinvest those amounts within 60 days into the same or another IRA. You may only roll over one distribution from each IRA every 12 months. The 12-month waiting period begins on the date you receive the IRA distribution, not on the date you roll it over into an IRA. In addition, the amounts rolled to a subsequent IRA may not be rolled over again until 12 months has elapsed.

If you complete a rollover of the entire distribution into your IRA, you do not have to report the distribution as taxable income. Any amount not properly rolled over within the 60-day period or any amount you keep will generally be taxable in the year distributed (except for any part that is a return of nondeductible contributions) and may be subject to the 10% premature distribution penalty tax if you are under age 59 1/2 (and do not qualify for an exception).

**SIMPLE IRA to IRA Rollover.** You may withdraw, tax free, all or part of the amounts in your SIMPLE IRA if you reinvest those amounts within 60 days into your IRA. You may only roll over one distribution from each SIMPLE IRA every 12 months. The 12-month waiting period begins on the date you receive the SIMPLE IRA distribution, not on the date you roll it over into an IRA. In addition, at least 12 months must elapse before the same assets in your SIMPLE IRA may be rolled over.

To complete a rollover of your SIMPLE IRA to your IRA without IRS penalty, at least 2 years must have elapsed from your initial SIMPLE IRA contribution. The 2-year waiting period begins on the first day you participated in your employer's SIMPLE plan. If you complete a rollover of the entire distribution into your IRA, you do not have to report the distribution as taxable income. Any amount not properly rolled over within the 60-day period or any amount you keep will generally be taxable in the year distributed. Further, if you are under age 59 1/2 and do not qualify for an exception, such amounts are subject to the 10% premature distribution penalty tax (or a 25% penalty tax if the distribution is within 2 years of your initial SIMPLE contribution).

**Employer's Retirement Plan to IRA Rollover.** Eligible distributions from qualifying employer retirement plans may be rolled over, directly or indirectly, to your IRA. Qualifying employer retirement plans include plans qualified under Internal Revenue Code (IRC) Section 401(a) (e.g., 401(k) plans or profit sharing plans), a deferred compensation plan of a state or local government (Section 457(b)), or a 403(b) arrangement (including a 403(a) arrangement)). Amounts that may not be rolled over include any Required Minimum Distributions, hardship distributions, or any part of a series of substantially equal periodic payments.

To complete a direct rollover, you instruct the plan administrator to send the distribution to your Custodian. To complete an indirect rollover, you request the plan administrator to distribute your plan balance to you. You then have 60 days from the date you receive the distribution to complete the rollover. Note, however, the IRS generally requires the plan administrator to withhold 20% for federal income tax withholding purposes if you choose the indirect rollover method. You may, however, make that 20% withholding up out of pocket and roll over the full amount. If you do not make up the withheld amount out of pocket, the 20% withheld (and not rolled over) will be treated as a distribution, subject to applicable taxes and penalties.

**IRA Rollover to Employer's Retirement Plan.** If your employer's retirement plan accepts rollovers from IRAs, you may complete a direct or indirect rollover of your IRA balance.

**Conversion of IRA to Roth IRA Treated as Rollover.** Generally, you may convert all or part of your IRA to a Roth IRA. You are eligible for a conversion if your (and your spouse's, if applicable) Modified Adjusted Gross Income is \$100,000 or less for the year and you are not married filing separately. Amounts converted are treated as taxable distributions (unless any amounts represent nondeductible contributions). Note, however, if you are under age 59 1/2 and completing an eligible conversion, the premature distribution penalty does not apply. Required Minimum Distributions may not be converted.

**Recharacterize a Contribution.** You may "recharacterize" a contribution made to one type of IRA (either Traditional or Roth IRA) and treat it as if it was made to a different type of IRA (Traditional or Roth IRA). Both the contribution amount along with the net income attributable to the contribution must be transferred. You may take into account any loss on the contribution while it was in your IRA. If there was a loss, the amount of any loss will reduce the amount you recharacterize. If you make the transfer by your tax return due date (including extensions), you may elect to treat the contribution as having been originally made to the second IRA instead of to the first IRA.

**Recharacterize a Conversion (Reconversion).** A reconversion occurs when you convert your IRA to a Roth IRA and then convert those amounts back (reconvert) to your (Traditional) IRA. Both the conversion amount along with the net income attributable to the conversion must be transferred. You may take into account any loss on the conversion while it was in your Roth IRA. If there was a loss, the amount of any loss will reduce the amount you recharacterize. Reconversion of a prior conversion must occur in a subsequent year, or if later, after 30 days has elapsed since the prior conversion.

Recharacterization requests must be made in a form and manner acceptable to the Custodian. For assistance with recharacterizations, refer to IRS Publication 590 and/or your tax advisor. Report recharacterizations to the IRS by filing Form 8606.

**Conduit IRA.** You may use your IRA as a holding account (conduit) for amounts you receive in an eligible rollover distribution from one employer's retirement plan that you later roll over into a new employer's retirement plan. The conduit IRA must be made up of only those amounts and earnings

on those amounts. Should you combine or add other amounts, e.g., regular contributions, to your conduit IRA, you may not be able to take advantage of special tax rules available for certain qualified plan amounts. Consult your tax advisor for additional information.

**Transfers.** You may move your IRA from one trustee or custodian to an IRA maintained by another trustee or custodian by requesting a direct transfer. Federal law does not limit the number of transfers you may make during any year.

**Transfers Incident to Divorce.** Under a valid divorce decree, separate maintenance decree, or other valid court order, your IRA may be transferred to your ex-spouse or you may receive all or part of your ex-spouse's IRA

## TAX TREATMENT OF IRA CONTRIBUTIONS

**Deductions.** Whether your IRA contributions are tax deductible depends on whether you (and/or your spouse if you are married filing jointly) were an active participant in an employer's retirement plan and the amount of your MAGI.

**Active Participant.** Active participation is defined as participation in a retirement plan where a contribution is made to your account or you are eligible to earn retirement credits. Examples of retirement plans include Simplified Employee Pension (SEP) Plan, SIMPLE Plan, plans qualified under Section 401(a) such a pension, profit sharing or 401(k) plans, 403(b) arrangements (including a 403(a) arrangement), or certain government plans. Generally, your employer is required to indicate on your Form W-2 if you were covered by a retirement plan for the year. If you (or you and your spouse, if applicable) are an active participant in an employer's retirement plan, you may be able to deduct some or all of your IRA contribution depending on your MAGI. Use the combined MAGI of you and your spouse if you are married filing jointly.

**Not Active Participant.** If you are single or if you are married and neither you nor your spouse (when filing a joint tax return) is an active participant in a retirement plan, your IRA contributions are fully tax-deductible-regardless of your MAGI or your tax filing status. MAGI thresholds for the deduction phase-out are noted below.

**MAGI Thresholds for Deduction Phase-Out Year**

Year	Married Filing Jointly	Single Taxpayers
2003	\$60,000-\$70,000	\$40,000-\$50,000
2004	\$65,000-\$75,000	\$45,000-\$55,000
2005	\$70,000-\$80,000	\$50,000-\$60,000
2006	\$75,000-\$85,000	\$50,000-\$60,000
2007+	\$80,000-\$100,000	\$50,000-\$60,000

Note: If you are married, filing jointly, and you are not an active participant but your spouse is an active participant, the applicable threshold for your combined MAGI is \$150,000-\$160,000. For married persons filing separate returns (who lived together at any time during the year), the MAGI threshold is \$0-\$10,000.

**Deduction Phase-Out.** Generally, for active participants, the amount of your IRA contribution you may deduct decreases (phases out) as your MAGI increases. If your MAGI is below the phase-out range, your IRA contributions are fully deductible. If your MAGI is above the phase-out range, you may not deduct your IRA contributions. If your MAGI falls within the phase-out range, you may only take a partial deduction.

For more information on determining your MAGI and your IRA deduction, consult your tax advisor, instructions to Form 1040 and/or IRS Publication 590.

**Nondeductible Contributions.** Regardless of whether your IRA contribution is deductible, you may contribute to your IRA up to the allowable limits. The difference between your total permitted contributions and your IRA deduction, if any, is your nondeductible contribution. Earnings derived from nondeductible contributions are not taxed until distributed. If you make nondeductible IRA contributions, a cost basis is created in your IRA equal to the sum of your nondeductible contributions minus any withdrawals or distributions of nondeductible contributions. Report your nondeductible contributions on IRS Form 8606. If you fail to report your nondeductible contributions or if you overstate your nondeductible contributions, you may be subject to taxes and penalties.

**Tax Credits for Contributions.** For tax years 2002-2006, you may be eligible for a tax credit for your IRA contribution. The maximum annual tax credit is \$1,000 (up to \$2,000 if filing jointly), and if you are eligible, the credit will reduce your federal income tax you owe dollar for dollar. You may be eligible for the tax credit if you are age 18 or older, not a dependent of another taxpayer, and not a full-time student.

## DISTRIBUTIONS DURING YOUR LIFETIME

You may withdraw any or all of your IRA balance at any time. However, certain taxes and penalties may apply.

**Tax Treatment.** In general, distributions from your IRA are taxed as ordinary income in the year you receive them. Some amounts are not taxable. Examples include rollovers, direct transfers, tax-free withdrawals of contributions and the return of nondeductible contributions. If you have nondeductible amounts within your IRA, a portion of each distribution is tax-free. The tax-free portion is the return of nondeductible amounts. The nontaxable amount is prorated based upon the value of all your IRAs. For assistance in determining the taxable portion, consult your tax advisor, instructions to IRS Forms 1040 and 8606, and IRS Publication 590.

**Distributions Before Age 59 1/2.** Generally, if you are under age 59 1/2 and take a distribution, the amount is referred to as an "early or premature distribution." Premature distributions are includible in gross income and are subject to a 10% IRS penalty tax. File IRS Form 5329 to pay the penalty. However, certain exceptions apply to the premature distribution penalty. These are summarized below.

1. You have unreimbursed medical expenses more than 7.5% of your AGI provided certain conditions apply.
2. The distribution is to pay your medical insurance premiums if you are unemployed and receive federal or state unemployment benefits for 12 consecutive weeks, or would have if not self-employed, and you receive the distribution during that or the succeeding tax year.
3. A physician certifies that you are disabled as defined by the Code.
4. You are receiving substantially equal periodic payments consistent with the IR Code and Regulations.
5. The distributions are not more than your expenses, or those of your or your spouse's child, or grandchild for attendance at a post-secondary education institution.
6. The distribution, of up to a \$10,000 lifetime limit, is used within 120 days of withdrawal to buy or build your home that will be your principal residence and you have not owned a home in the prior two year period.
7. The distribution is due to an IRS levy on the IRA.
8. The distribution is properly rolled over or directly transferred.
9. The distribution is a result of a valid divorce decree and is transferred to your ex-spouse's IRA.
10. The distribution is a proper return of an excess contribution.

**Distributions After Age 59 1/2 and Before the Year You Reach Age 70 1/2.** Once you reach age 59 1/2 but before the year you reach age 70 1/2 distributions from your IRA are optional and amounts you keep will generally be subject to ordinary income tax.

**Required Distributions At Age 70 1/2.** You must begin taking distributions from your IRA no later than April 1 following the year you reach age 70 1/2. Subsequent distributions must be taken by December 31 each year thereafter. If you do not take the Required Minimum Distribution (RMD) or the distribution is not large enough, you may be subject to a 50% excess accumulation penalty tax on the amount not distributed as required. Generally, each year determine your RMD by taking your IRA balance as of December 31 of the prior year and dividing it by a distribution period (determined by the applicable IRS life expectancy tables). Each year you are subject to the RMD requirements, your Custodian will provide you with a notice. Along with the distribution deadline, the notice will either inform you of your RMD amount or provide you with guidance on how to contact the Custodian for assistance in determining your RMD. Your Custodian is also required to notify the IRS each year you are required to take an RMD. If you do not provide the Custodian with instructions regarding your RMD, the Custodian reserves the right to do one of the following: do nothing until you provide instructions, calculate the RMD based on your single life expectancy and distribute the amount to you, or distribute your entire IRA balance.

If you have more than one IRA, determine the RMD separately for each IRA. However, you may total the RMDs and take the total from any one or more of your IRAs.

For additional information regarding your RMD, consult your tax advisor and/or IRS Publication 590.

## **DISTRIBUTIONS TO YOUR BENEFICIARIES WHEN YOU DIE.**

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Any amounts remaining in your IRA at your death will be paid to your beneficiary(ies). When you die, the rules determining the distribution of your IRA balance depend on a number of factors. These include whether you had a "designated beneficiary," your relationship to the beneficiary (spouse or nonspouse) and whether you died before or after RMDs were required to begin.

**Designated Beneficiary.** A "designated beneficiary" is determined based on the beneficiary(ies) designated as of the date of your death and who remains your beneficiary (ies) on September 30th of the calendar year following the calendar year of your death.

**If You Die Before RMDs Are Required To Begin.** Generally, if you die before April 1 following the year you reach age 70 1/2 and your designated beneficiary(ies) is an individual, he or she may elect a distribution method. Your beneficiary(ies) may elect to deplete the IRA by the end of the fifth calendar year following your death or to receive payments based on their own life expectancy. If life expectancy payments are elected, the payments must begin by December 31st of the first calendar year following your death. However, if your surviving spouse is your sole designated beneficiary, he or she may delay the first distribution until December 31 of the year you would have attained age 70 1/2, if later, or elect to treat your IRA as his or her own IRA.

Your surviving spouse may elect to treat your IRA as his or her own IRA by redesignating your IRA as his or her own IRA, failing to take a required distribution as a beneficiary, or by making a contribution, if eligible. Regardless of whether your spouse is the sole beneficiary, he or she may roll distributions from your IRA into his or her own IRA within 60 days of receipt. If your designated beneficiary is not an individual (e.g., a charity, your estate, etc.), your IRA must be distributed by the end of the fifth calendar year following your death.

Generally, each beneficiary may elect the timing and manner regarding the distribution of his or her portion of the IRA. Elections must be made by December 31 of the year following your death. If timely elections are not made, distributions to designated beneficiaries who are individuals will be made using the life expectancy option. The default provision for designated beneficiaries that are not individuals is the 5-year method. If your beneficiary(ies) does not withdraw the required amount within the prescribed timeframe, he or she may be subject to the 50% excess accumulation penalty tax on the amount that should have been withdrawn but was not distributed.

If You Die After RMDs Are Required to Begin. If you die after April 1 following the year you attain age 70 1/2, the designated beneficiary (ies) must continue taking distributions from your IRA. The longest timeframe for receiving payouts is over the remaining life expectancy of the designated beneficiary or based on your remaining life expectancy factor, had you not died, whichever period is longer. Distributions must commence by December 31 of the calendar year following your death. If your designated beneficiary is not an individual (e.g., a charity, your estate, etc.), your IRA must be distributed using your single life expectancy (had you not died) reduced by one each year. If your surviving spouse is the sole beneficiary of your IRA, he or she may elect to treat your IRA as his or her own IRA by redesignating your IRA as his or her own IRA, failing to take a required distribution as a beneficiary, or by making a contribution, if eligible. Regardless of whether your spouse is the sole beneficiary, he or she may roll distributions from your IRA into his or her own IRA within 60 days of receipt. Withholding. Taxable distributions from your IRA are subject to 10% federal income tax withholding unless you elect to waive withholding. Any amounts withheld are remitted to federal depositories in prepayment of your federal income tax liability. You may elect in writing to waive withholding, in which case, no taxes will be withheld from your distribution. You are liable for all state and federal taxes payable due to the distribution.

## **CORRECTION OF EXCESS CONTRIBUTIONS**

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Any amount you contribute for a tax year that exceeds the allowable contribution amount is an excess contribution and subject to a 6% penalty tax each year it remains in the IRA. You may avoid the penalty tax if you remove the excess contribution along with the net income attributable to the excess before your tax return due date, plus extensions. For assistance in calculating the net income attributable to an excess contribution using an IRS-approved method, refer to IRS Notice 2000-39, IRS Publication 590 and your tax advisor. The net income must be included in your taxable income. If you are under age 59 1/2 and do not qualify for an exception, the amount is also subject to the IRS 10% premature distribution penalty. File IRS Form 5329 to pay any penalty taxes. To correct an excess contribution after your tax filing due date (plus extensions), you may withdraw the excess amount (no earnings need to be withdrawn.) Alternatively, if you are eligible to contribute in a subsequent year, you may correct the excess amount by redesignating the amount to a subsequent year. To redesignate a contribution, you under contribute in a subsequent year and claim the original contribution amount when you file your income taxes for that subsequent year. The original amount is either deducted on Form 1040 or claimed as a nondeductible contribution on Form 8606. Regardless of which method you use to correct the excess, the 6% penalty is required for each year it remained in the IRA.

**PROHIBITED TRANSACTIONS.** If you (or your beneficiary(ies) when you die) engage in a "prohibited transaction" with your IRA, the IRA will be disqualified and the entire IRA value is includable in income. The party to the prohibited transaction will also be subject to a 15% penalty. If you are under age 59 1/2, the entire amount is subject to the 10% premature distribution penalty tax. Prohibited transactions are defined in IRC Section 4975. Examples include borrowing money from the IRA, selling property to the IRA, receiving unreasonable compensation for managing the IRA, or buying property with IRA funds for your personal use

**USING YOUR IRA AS SECURITY FOR A LOAN.** If you (or your beneficiary(ies) when you die) pledge all or part of your IRA as security for a loan, the amount pledged is treated as a distribution and is includable in income. If you are under age 59 1/2, the amount pledged may also be subject to the 10% premature distribution penalty tax.

## **MISCELLANEOUS**

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**Nonforfeitable.** Your interest in your IRA is nonforfeitable at all times.

**Custodian.** The Custodian of your IRA must be a bank, a federally insured credit union, a savings and loan association, or an entity approved by the IRS to act as custodian.

**Investment Restrictions.** Money in your IRA may not be used to buy a life insurance policy or invested in collectibles as defined in IRC Section 408(m). However, certain gold, silver and platinum coins, bullion and coins issued under state laws are allowable investments.

**No Commingling.** Assets in your IRA may not be combined with other property, except in a common trust fund or common investment fund.

**Beneficiary Designation.** You may designate a Beneficiary for your IRA by completing a written designation in a form and manner acceptable to the Custodian. When you die, the proceeds of your IRA will be paid to your designated beneficiary (ies). If you do not designate a beneficiary, your IRA will be paid to your estate when you die.

**Tax-Deferred Earnings.** The earnings on your IRA balance accumulate tax-deferred meaning they are not taxable until distributed from your IRA.

**Estate and Gift Tax.** Generally, for federal estate tax purposes, your IRA assets are includable in your gross estate when you die. However, if your spouse is your beneficiary, your IRA may qualify for the marital deduction. The transfer of your IRA assets to your designated beneficiaries upon your death generally will not subject you to gift tax liability. Consult your tax and/or legal advisors for specific guidance.

**Tax Filing.** You are responsible for filing the applicable IRS forms to report certain activities, taxable income and/or penalties associated with your IRA.

**IRS Form.** This IRA uses the precise language of IRS Form 5305-A and is therefore treated as approved by the IRS. Additional language has been included as permitted by such form. The IRS approval represents a determination as to form and not to the merits of the account.

**Additional Information.** Additional information about the rules and options regarding your IRA may be found in IRS Publication 590, the instructions to the IRS forms and on the IRS website at [www.irs.gov](http://www.irs.gov).

# Traditional Individual Retirement Custodial Account

The Depositor named on the Application is establishing a traditional individual retirement account under section 408(a) to provide for his or her retirement and for the support of his or her beneficiaries after death. The Custodian named on the Application has given the Depositor the disclosure statement required by Regulations section 1.408-6. The Depositor has assigned the Custodial IRA the amount indicated on the Application. The Depositor and the Custodian make the following agreement:

## ARTICLE I

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

The Depositor's interest in the balance in the Custodial Account is nonforfeitable.

## ARTICLE III

1. 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)).
2. 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

1. Notwithstanding any provision of this Agreement to the contrary, the distribution of the Depositor'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.
2. The Depositor's entire interest in the Custodial Account must be, or begin to be, distributed not later than the Depositor's required beginning date, April 1 following the calendar year in which the Depositor reaches age 70 1/2. By that date, the Depositor may elect, in a manner acceptable to the Custodian, to have the balance in the Custodial Account distributed in:
  - (a) A single sum or
  - (b) Payments over a period not longer than the life of the Depositor or the joint lives of the Depositor and his or her designated Beneficiary.
3. If the Depositor dies before his or her entire interest is distributed to him or her, the remaining interest will be distributed as follows:
  - (a) If the Depositor dies on or after the required beginning date and:
    - (i) the designated Beneficiary is the Depositor'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 (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 (a)(iii) below, over such period.
    - (ii) the designated Beneficiary is not the Depositor'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 Depositor and reduced by 1 for each subsequent year, or over the period in paragraph (a)(iii) below if longer.
    - (iii) there is no designated Beneficiary, the remaining interest will be distributed over the remaining life expectancy of the Depositor as determined in the year of the Depositor's death and reduced by 1 for each subsequent year.
  - (b) If the Depositor 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 (a)(i) and (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), starting by the end of the calendar year following the year of the Depositor's death. If, however, the designated Beneficiary is the Depositor's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the Depositor would have reached age 70 1/2. But, in such case, if the Depositor's surviving spouse dies before distributions are required to begin, then the remaining interest will be distributed in accordance with (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), over such spouse's designated Beneficiary's life expectancy, or in accordance with (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 Depositor's death.

4. If the Depositor dies before his or her entire interest has been distributed and if the designated Beneficiary is not the Depositor's surviving spouse, no additional contributions may be accepted in the account.
5. The minimum amount that must be distributed each year, beginning with the year containing the Depositor's required beginning date, is known as the "required minimum distribution" and is determined as follows:
  - (a) The required minimum distribution under paragraph 2(b) for any year, beginning with the year the Depositor reaches age 70 1/2, is the Depositor'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 Depositor's designated Beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the Depositor'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 (a) is determined using the Depositor's (or, if applicable, the Depositor and spouse's) attained age (or ages) in the year.
  - (b) The required minimum distribution under paragraphs 3(a) and 3(b)(i) for a year, beginning with the year following the year of the Depositor's death (or the year the Depositor would have reached age 70 1/2, if applicable under paragraph 3(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 3(a) and 3(b)(i).
  - (c) The required minimum distribution for the year the Depositor 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.
6. 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

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1. The Depositor agrees to provide the Custodian with all information necessary to prepare any reports required by section 408(i) and Regulations sections 1.408-5 and 1.408-6.
2. The Custodian agrees to submit to the Internal Revenue Service (IRS) and Depositor the reports prescribed by the IRS.

## ARTICLE VI

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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

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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 Application.

## ARTICLE VIII

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### 1. Definitions

**Agreement.** Agreement means the Traditional IRA Custodial Agreement (IRS Form 5305-A), Application, Disclosure Statement, Financial Disclosure and accompanying documentation. The Agreement may be amended from time to time as provided in Article VII.

**Application.** Application means the legal document that establishes this Traditional IRA after accepted by the Custodian by signing the Application. The information and statements contained in the Application are incorporated into this IRA Agreement.

**Authorized Agent.** Authorized Agent means the individual(s) appointed in writing by the Depositor (or by the Beneficiary following the Depositor's death) authorized to perform the duties and responsibilities set forth in the Agreement on behalf of the Depositor.

**Beneficiary.** Beneficiary means the person(s) or entity(ies) the Depositor designates in writing in a form and manner acceptable to the Custodian that will be entitled to receive the proceeds in the Custodial Account upon the death of the Depositor.

**Code.** Code means the Internal Revenue Code.

**Custodial Account.** Custodial Account means the type of legal arrangement whereby the Custodian is a qualified financial institution that agrees to maintain the custodial account for the exclusive benefit of the Depositor and the Depositor's beneficiaries.

**Depositor.** Depositor means the individual named as IRA owner on the Application for whose benefit the IRA is established.

**Regulations.** Regulations mean the U.S. Treasury Regulations.

2. **Depositor's Responsibilities.** All information that the Depositor has provided or will provide to the Custodian under this Agreement is complete and accurate and the Custodian may rely upon it. The Depositor will comply with all legal requirements governing this Agreement and assumes all responsibility for his or her actions including, but not limited to eligibility determination, contributions, distributions, penalty infractions, proper filing of tax returns and other issues related to activities regarding this Agreement. The Depositor will provide to the Custodian the information the Custodian believes appropriate to comply with the requirements of Section 326 of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (U.S. PATRIOT) Act of 2001. The Depositor will pay the Custodian reasonable compensation for its services, as disclosed in the applicable fee schedules.

3. **Investment Responsibilities.** All investment decisions are the sole responsibility of the Depositor and the Depositor is responsible to direct the Custodian in writing, or other acceptable form and manner authorized by the Custodian, regarding how all amounts are to be invested. Subject to

the policies and practices of the Custodian, the Depositor may delegate investment authority by appointing an Authorized Agent in writing in a form and manner acceptable to the Custodian. Upon receipt of instructions from the Depositor and proof of acceptance by the Authorized Agent, The Custodian will accept investment direction and may fully rely on those instructions as if the Custodian had received the instructions from the Depositor.

The Custodian will determine the investments available within the Custodial Account. These investments will be permissible investments under the applicable laws and Regulations. The Custodian may change its investment options from time to time and the Depositor may move his or her monies in the Custodial Account to different investments. Any investment changes within the Custodial Account are subject to the terms and conditions of the investments, including but not limited to minimum deposit requirements and early redemption penalties. The Custodian will not provide any investment direction, suitability recommendations, tax advice, or any other investment guidance. Further, the Custodian has no duty to question the investment directions provided by the Depositor or any issues relating to the management of the Custodial Account. The Depositor will indemnify and hold the Custodian harmless from and against all costs and expenses (including attorney's fees) incurred by the Custodian in connection with any litigation regarding the investments within the Custodial Account where the Custodian is named as a necessary party.

The Custodian will promptly execute investment instructions received from the Depositor if the instructions are in a form and manner acceptable to the Custodian. If the Custodian determines the instructions from the Depositor are unclear or incomplete, the Custodian may request additional instructions. Until clear instructions are received, the Custodian reserves the right, in good faith, to leave the contribution uninvested, place the contribution in a holding account (e.g., a money market account), or return the contribution to the Depositor. The Custodian will not be liable for any investment losses due to such delays in receiving clear investment instructions. Further, the Depositor will indemnify and hold the Custodian harmless for any adverse consequences or losses incurred from the Custodian's actions or inactions relating to the investment directions received from the Depositor or Authorized Agent.

The Depositor will not engage in transactions not permitted under the Agreement, including, but not limited to, the investment in collectibles or life insurance contracts, or engage in a prohibited transaction under Code Section 4975.

- 4. Beneficiary Designation.** The Depositor has the right to designate any person(s) or entity(ies) as primary and contingent Beneficiaries by completing a written designation in a form and manner acceptable to the Custodian. If the Custodian and applicable laws and regulations so permit, this right also extends to the Depositor's designated Beneficiaries following the Depositor's death. Any successor Beneficiary so named will be entitled to the proceeds of the Custodial Account if the beneficiary dies before receiving his or her entire interest in the decedent's IRAs. A designation of successor Beneficiaries submitted by a designated Beneficiary must be in writing in a form and manner acceptable to the Custodian.

If the Depositor is married and subject to the marital or community property laws that require the consent of the Depositor's spouse to name a Beneficiary other than or in addition to such spouse, the Depositor understands that he or she is responsible for any and all tax and legal ramifications and he or she should consult a competent tax and/or legal advisor before making such designation.

Upon the Depositor's death, the Custodial Account will be paid to the primary Beneficiaries in equal shares unless indicated otherwise in a form and manner acceptable to the Custodian. If no primary Beneficiaries survive the Depositor, the Custodial Account will be paid to surviving contingent Beneficiaries in equal shares unless indicated otherwise. If no primary or contingent Beneficiaries survive the Depositor or if the Depositor fails to designate Beneficiaries during his or her lifetime, the Custodial Account will be paid to the Depositor's estate following the Depositor's death.

No payment will be made to any beneficiary until the Custodian receives appropriate evidence of the Depositor's death as determined by the Custodian.

If a Beneficiary is a minor, the Custodian is relieved of all of its obligations as Custodian by paying the Custodial Account to the minor's parent or legal guardian upon receiving written instructions from such parent or legal guardian.

The Depositor represents and warrants that all Beneficiary designations meet the applicable laws. The Custodian will exercise good faith in distributing the Depositor's Custodial Account consistent with the Beneficiary designation. The Depositor, for the Depositor and the heirs, Beneficiaries and estate of the Depositor agrees to indemnify and hold the Custodian harmless against any and all claims, liabilities and expenses resulting from the Custodian's payment of the Custodial Account in accordance with such Beneficiary designation and the terms of the Agreement.

- 5. Distributions.** The Depositor may request distributions from the Custodial Account by delivering a written request to the Custodian in a form and manner acceptable to the Custodian. The Custodian is not obligated to distribute the Custodial Account unless it is satisfied it has received the required information to perform its administrative and legal reporting obligations. Information the Custodian may require includes, but is not limited to, taxpayer identification number, distribution reason, and proof of identity.

For required minimum distributions pursuant to Article IV of the Agreement, the Depositor will elect a valid distribution method in a form and manner acceptable to the Custodian. The Custodian will send the Depositor a notice each year the Depositor is subject to the requirements of Article IV. Such notice will include the distribution deadline and will inform the Depositor of the RMD amount or provide guidance to the Depositor on how to contact the Custodian for assistance in determining the RMD amount. The Custodian reserves the right to determine each year the method of providing the RMD notice.

If the Depositor fails to make a timely election, the Custodian may, in its sole discretion, elect to do nothing until the Depositor provides written instructions otherwise, distribute the required minimum distribution based on the Depositor's single life expectancy as determined in the uniform lifetime table in Regulations Section 1.401(a)(9)-9 until the Depositor provides written instructions otherwise, or distribute the entire balance in the Custodial Account. The Custodian will not be liable for and the Depositor will indemnify and hold the Custodian harmless for any adverse consequences and/or penalties resulting from the Depositor's actions or inactions (including errors in calculations resulting from reliance on information provided by the Depositor) with respect to determining such required minimum distributions.

- 6. Amendments and Termination.** The Custodian may amend this Agreement at any time to comply with legal and regulatory changes and to modify the Agreement as the Custodian determines advisable. Any such amendment will be sent to the Depositor at the last known address on file with the Custodian. The Depositor will consent to any amendment unless within 30 days following the date the amendment is mailed, the Depositor notifies the Custodian in writing, in a form and manner acceptable to the Custodian, that he or she does not consent to the amendment. The Depositor will also include written instructions with such notice instructing the Custodian to distribute the Custodial Account or transfer the Custodial Account to a successor trustee or custodian. If the Depositor does not consent to the amendment and does not provide either distribution instructions or a successor trustee or custodian, the Custodian may, in its own discretion, select a successor trustee or custodian and transfer the Custodial Account, less any applicable fees or penalties, or may distribute the Custodial Account, less any applicable fees or penalties, as a single payment to the Depositor. The Custodian will not be liable for any losses for any actions or inactions of any successor trustee or custodian.

The Depositor may terminate this Agreement at any time by providing a written notice of such termination to the Custodian in a form and manner acceptable to the Custodian. As of the date of the termination notice, the Custodian will no longer accept additional deposits under the Agreement. Upon receiving a termination notice, the Custodian will continue to hold the assets and act upon the provisions within the Agreement until the Depositor provides additional instructions. If no instructions are provided to the Custodian within 30 days of the termination notice to distribute the Custodial Account or to transfer the Custodial Account to a successor trustee or custodian, the Custodian may, in its own discretion, select a successor trustee or custodian and transfer the Custodial Account, less any applicable fees or penalties, or may distribute the Custodial Account, less any applicable fees or penalties, as a single payment to the Depositor. The Custodian shall not be liable for any losses for any actions or inactions of any successor trustee or custodian.

The Custodian may resign at any time by providing 30 days written notice to the Depositor. Upon receiving such written notice, the Depositor will appoint a successor trustee or custodian in writing. Upon such appointment and upon receiving acknowledgement from the successor trustee or custodian of acceptance of the Custodial Account, the Custodian shall transfer the Custodial Account, less any applicable fees or penalties, to the successor trustee or custodian. If no successor trustee or custodian is appointed or no distribution instructions are provided by the Depositor, the Custodian may, in its own discretion, select a successor trustee or custodian and transfer the Custodial Account, less any applicable fees or penalties, or may distribute the Custodial Account, less any applicable fees or penalties, as a single payment to the Depositor. The Custodian shall not be liable for any losses for any actions or inactions of any successor trustee or custodian.

- 7. Instructions, Changes of Addresses and Notices.** The Depositor is responsible to provide any instructions, notices or changes of address in writing to the Custodian. Such communications will be effective upon actual receipt by the Custodian unless otherwise indicated in writing by the Depositor. Any notices required to be sent to the Depositor by the Custodian will be sent to the last address on file with the Custodian and are effective when mailed unless otherwise indicated by the Custodian. If authorized by the Custodian and provided by the Depositor in the Application, Account Agreement or other documentation deemed acceptable to the Custodian, an electronic address is an acceptable address to provide and receive such communications.
- 8. Fees and Charges.** The Custodian reserves the right to charge fees for performing its duties and meeting its obligations under this Agreement. All fees, which are subject to change from time to time, will be disclosed on the Custodian's fee schedule or other disclosure document provided by the Custodian. The Custodian will provide the Depositor 30 days written notice of any fee changes. The Custodian will collect all fees from the cash proceeds in the Custodial Account. If there is insufficient cash in the Custodial Account, the Custodian may liquidate investments, at its discretion, to satisfy fee obligations associated with the Agreement. Alternatively, if the Custodian so authorizes and if separate payment of fees or other expenses is permissible under applicable federal and/or state laws, the fees may be paid separately outside of the Custodial Account. If the Custodian offers investments other than depository products, the Depositor recognizes that the Custodian may receive compensation from other parties.
- 9. Transfers and Rollovers.** The Custodian will accept transfers and rollovers from other plans. The Depositor represents and warrants that only eligible transfers and rollovers will be made to the Custodial Account. The Custodian reserves the right to refuse any transfer or rollover and is under no obligation to accept certain investments or property it cannot legally hold or determines is an ineligible investment in the Custodial Account. The Custodian will duly act on written instructions from the Depositor received in a form and manner acceptable to the Custodian to transfer the IRA to a successor trustee or custodian. The Custodian is not liable for any actions or inactions by any predecessor or successor trustee or custodian or for any investment losses resulting from the timing of or sale of assets resulting from the transfer or rollover.
- 10. Miscellaneous.**  
**Beneficiary's Rights**--Except as otherwise provided in this Agreement or by applicable law, all rights, duties and obligations of the Depositor under the Agreement will extend to the Beneficiary(ies) following the death of the Depositor.  
**Custodian as Agent**--The Depositor acknowledges that he or she has the sole responsibility for any taxes, penalties or other fees and expenses associated with his or her actions or inactions regarding the laws, regulations and rules associated with this Agreement. Further, the Depositor acknowledges and understands that the Custodian will act solely as an agent for the Depositor and bears no fiduciary responsibility. The

Custodian will rely on the information provided by the Depositor and has no duty to question or independently verify or investigate any such information. The Depositor will indemnify and hold the Custodian harmless from any liabilities, including claims, judgments, investment losses, and expenses (including attorney's fees), which may arise under this Agreement, except liability arising from gross negligence or willful misconduct of the Custodian.

**Custodian Acquired/Merged**--If the Custodian is purchased by or merged with another financial institution qualified to serve as a trustee or custodian, that institution will automatically become the trustee or custodian of this IRA unless otherwise indicated.

**Maintenance of Records**--The Custodian will maintain adequate records and perform its reporting obligations required under the Agreement. The Custodian's sole duty to the Depositor regarding reporting is to furnish the IRS mandated reports as required in Article V of this Agreement. The Custodian may, at its discretion, furnish additional reports or information to the Depositor. The Depositor approves any report furnished by the Custodian unless within 30 days of receiving the report, the Depositor notifies the Custodian in writing of any discrepancies. Upon receipt of such notice, the Custodian's responsibility is to investigate the request and make any corrections or adjustments accordingly.

**Exclusive Benefit**--The Custodial Account is maintained for the exclusive benefit of the Depositor and his or her Beneficiary(ies). To the extent permitted by law, no creditors of the Depositor may at any time execute any lien, levy, assignment, attachment or garnishment on any of the assets in the Custodial Account.

**Minimum Value**--The Custodian reserves the right to establish IRA account minimums. The Custodian may resign or charge additional fees if the minimums are not met.

**Other Providers**--In its discretion, the Custodian may appoint other service providers to fulfill certain obligations, including reporting responsibilities, and may compensate such service providers accordingly.

**Agreement**--This Agreement and all amendments are subject to all state and federal laws. The laws of the Custodian's domicile will govern should any state law interpretations be necessary concerning this Agreement.

**Severability**--If any part of this Agreement is invalid or in conflict with applicable law or regulations, the remaining portions of the Agreement will remain valid. Further, any parts of this Agreement that are invalid or in conflict will be considered amended to conform to applicable law or regulations.

## GENERAL INSTRUCTIONS

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*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 (Depositor) and the Custodian and must be completed no later than the due date of the individual's income tax return for the tax year (excluding extensions). This account must be created in the United States for the exclusive benefit of the Depositor and his or her beneficiaries.

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

### Definitions.

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**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.

**Depositor.** The depositor is the person who establishes the custodial account.

**Identifying Number.** The Depositor's social security number will serve as the identification 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 IRS 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 in the year the Depositor 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 Depositor and Custodian to complete the Agreement. They may include, for example, definitions, investment posers, 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 Depositor, etc.