

**Dear IRA Owner:**

Notice: FOLIOfn Investments, Inc. ("Folio") is the sponsor of your IRA. Folio is a self clearing registered broker/dealer, and also provides certain administrative and investment services for your Traditional IRA. The Kingdom Trust Company ("Kingdom Trust", "we", "us", "our"), a South Dakota trust company, is the custodian of your Traditional IRA using Folio's Platform as sub-custodian to hold your assets.

## TRADITIONAL INDIVIDUAL RETIREMENT CUSTODIAL ACCOUNT

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

Form **5305-A** (Rev. March 2002) Department of the Treasury Internal Revenue Service  
The depositor and the custodian make the following agreement:

**Do Not File with**  
Internal Revenue Service

**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.

The remaining interest will be distributed by the end of the (ii) 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.

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.** 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.** 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 that accompanies this Agreement.

## Article VIII.

**8.01 Your IRA Documents.** This Internal Revenue Service (IRS) Forms 5305 series agreement for traditional IRAs, and any amendments or additional provisions to such agreement (the "Agreement") set forth the terms and conditions governing your individual retirement account (IRA) and your or, after your death, your beneficiary's relationship with us. Your agreement will be accompanied by a disclosure statement, which sets forth various IRA rules in simpler language, a financial disclosure, and may also be accompanied by other documents such as an application or beneficiary designation.

**8.02 Definitions.** The IRS Forms 5305 series agreement contains a detailed definitions section. The definitions found in such section apply to this Agreement. The IRS refers to you as the depositor, and us as the custodian. References to "you," "your," and "IRA owner" will mean the depositor, and "we," "us," and "our" will mean the custodian. The terms "you" and "your" will apply to you. In the event you appoint a third party, or have a third party appointed on your behalf, to handle certain transactions affecting your IRA, such agent will be considered "you" for purposes of this Agreement. Additionally, references to "IRA" will mean the custodial account.

**8.03 Additional Provisions.** Additional provisions may be attached to, and made a part of, this Agreement by either party. The provisions must be in writing, agreed to by us, and in a format acceptable to us.

**8.04 Our Fees and Expenses.** We may charge reasonable fees and are entitled to reimbursement for any expenses we incur in establishing and maintaining your IRA. We may change the fees at any time by providing you with notice of such changes. We will provide you with fee disclosures and policies. Fees may be deducted directly from your IRA assets, and/or billed separately to you. Fees billed separately to you and paid by you may be claimed on your federal income tax return as miscellaneous itemized deductions. The payment of fees has no effect on your contributions. Additionally, we have the right to liquidate your IRA assets to pay such fees and expenses. If you do not direct us on the liquidation, we will liquidate the assets of our choice and will not be responsible for any losses or claims that may arise out of the liquidation.

**8.05 Amendments.** We may amend your IRA in any respect and at any time, including retroactively, to comply with applicable laws governing retirement plans and the corresponding regulations. Any other amendments shall require your consent, by action or no action, and will be preceded by written notice to you. Unless otherwise required, you are deemed to automatically consent to an amendment, which means that your written approval is not required for the amendment to apply to the IRA. In certain instances the governing law or our policies may require us to secure your written consent before an amendment can be applied to the IRA. If you want to withhold your consent to an amendment, you must provide us with a written objection within 30 days of the receipt date of the amendment.

**8.06 Notice and Delivery.** Any notice mailed to you will be deemed delivered and received by you, five days after the postmark date.

This fifth day following the postmark is the receipt date. Notices will be mailed to the last address we have in our records. You are responsible for ensuring that we have your proper mailing address. Upon your consent, we may provide you with notice in a delivery format other than by mail. Such formats may include various electronic deliveries. Any notice, including terminations, change in personal information, or contributions mailed to us will be deemed delivered when actually received by us based on our ordinary business practices. All notices must be in writing unless our policies and procedures provide for oral notices.

**8.07 Applicable Laws.** This Agreement will be construed and interpreted in accordance with the laws of, and venued in, our state of domicile.

**8.08 Disqualifying Provisions.** Any provision of this Agreement that would disqualify the IRA will be disregarded to the extent necessary to maintain the account as an IRA.

**8.09 Interpretation.** If any question arises as to the meaning of any provision of this Agreement, then we shall be authorized to interpret any such provision, and our interpretation will be binding upon all parties.

**8.10 Representations and Indemnity.** You represent that any information you and/or your agents provide to us is accurate and complete, and that your actions comply with this Agreement and applicable laws governing retirement plans. You understand that we will rely on the information provided by you, and that we have no duty to inquire about or investigate such information. We are not responsible for any losses or expenses that may result from your information, direction, or actions, including your failure to act. You agree to hold us harmless, to indemnify, and to defend us against any and all actions or claims arising from, and liabilities and losses incurred by reason of your information, direction, or actions. Additionally, you represent that it is your responsibility to seek the guidance of a tax or legal professional for your IRA issues.

We are not responsible for determining whether any contributions or distributions comply with this Agreement and/or the federal laws governing retirement plans. We are not responsible for any taxes, judgments, penalties or expenses incurred in connection with your IRA, or any losses that are a result of events beyond our control. We have no responsibility to process transactions until after we have received appropriate direction and documentation, and we have had a reasonable opportunity to process the transactions. We are not responsible for interpreting or directing beneficiary designations or divisions, including separate accounting, court orders, penalty exception determinations, or other similar situations.

## 8.11 Investment of IRA Assets.

**(a) Investment of Contributions.** We will invest IRA contributions and reinvest your IRA assets as directed by you based on our then-current investment policies and procedures. If you fail to provide us with investment direction for a contribution, we will return or hold all or part of such contribution based on our policies and procedures. We will not be responsible for any loss of IRA income associated with your failure to provide appropriate investment direction.

**(b) Directing Investments.** All investment directions must be in a format or manner acceptable to us. You may invest in any IRA investments that you are qualified to purchase, and that we are authorized to offer and do offer at the time of the investment selection, and that are acceptable under the applicable laws governing retirement plans. Your IRA investments will generally be registered in our name or our nominee's name (if applicable) for the benefit of your IRA. Specific investment information may be provided at the time of the investment. Based on our policies, we may allow you to delegate the investment responsibility of your IRA to an agent by providing us with written notice of delegation in a format acceptable to us. We will not review or guide your agent's decisions, and you are responsible for the agent's actions or failure to act. We are not

responsible for directing your investments, or providing investment advice, including guidance on the suitability or potential market value of various investments. For investments in securities, we will exercise voting rights and other similar rights only at your direction, and according to our then-current policies and procedures.

- (c) **Investment Fees and Asset Liquidation.** Certain investment-related fees, which apply to your IRA, must be charged to your IRA and cannot be paid by you. We have the right to liquidate your IRA assets to pay fees and expenses, federal tax levies, or other assessments on your IRA. If you do not direct us on the liquidation, we will liquidate the assets of our choice and will not be responsible for any losses or claims that may arise out of the liquidation.
- (d) **Deposit Investments.** The deposit investments provided by us may include demand deposits, savings, share, and/or money market accounts, and various certificates of deposit (CDs).
- (e) **Nondeposit Investments.** Non-deposit investments are offered through Folio as the designated broker/dealer and include investments in mutual funds, stocks, and Exchange Traded Funds. All of the investments offered are subject to investment risks, including possible loss of the principal amount invested.
- (f) **Important Information about Procedures for Opening your Account.** 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. Accordingly, when you open an account with us, we will ask for your name, address, date of birth, taxpayer identification number and other information that will allow us to identify you. We may also ask to see a copy of your driver's license or other identifying documents.

**8.12 Distributions.** Withdrawal requests must be in a format acceptable to us, and/or on forms provided by us. We may require you, or your beneficiary after your death, to elect a distribution reason, provide documentation, and provide a proper tax identification number before we process a distribution. These withdrawals may be subject to taxes, withholding, and penalties. Distributions will generally be in cash or in kind based on our policies. In-kind distributions will be valued according to our policies at the time of the distribution.

Required minimum distributions will be based on Treasury Regulations 1.401(a)(9) and 1.408-8 in addition to our then-current policies and procedures. The required minimum distribution regulations are described within the Disclosure Statement. In the event you, or your beneficiary after your death, fail to take a required minimum distribution we may do nothing, distribute your entire IRA balance, or distribute the amount of your required minimum distribution based on our own calculation.

- 8.13 Cash or In-Kind Contributions.** We may accept transfers, rollovers, recharacterizations, and other similar contributions in cash or in kind from other IRAs, eligible retirement plans, and as allowed by law. Prior to completing such transactions we may require that you provide certain information in a format acceptable to us. In-kind contributions will be valued according to our policies and procedures at the time of the contribution.
- 8.14 Reports and Records.** We will maintain the records necessary for IRS reporting on this IRA. Required reports will be provided to you, or your beneficiary after your death, and the IRS. If you believe that your report is inaccurate or incomplete you must notify us in writing within 30 days following the receipt date. Your investments may require additional state and federal reporting.

**8.15 Termination.** You may terminate this Agreement without our consent by providing us with a written notice of termination. A termination and the resulting distribution or transfer will be processed and completed as soon as administratively feasible following the receipt of proper notice. At the time of termination we may retain the sum necessary to cover any fees and expenses, taxes, or investment penalties.

**8.16 Our Resignation.** We can resign at any time by providing you with 30 days written notice prior to the resignation date, or within five days of our receipt of your written objection to an amendment. In the event you materially breach this Agreement, we can terminate this Agreement by providing you with five days prior written notice. Upon our resignation, you must appoint a qualified successor custodian or trustee. Your IRA assets will be transferred to the successor custodian or trustee once we have received appropriate direction. Transfers will be completed within a reasonable time following our resignation notice and the payment of your remaining IRA fees or expenses. At the time of resignation we may retain the sum necessary to cover any fees and expenses, taxes, or investment penalties. If you fail to provide us with acceptable transfer direction within 30 days from the date of the notice, we can transfer the assets to a successor custodian or trustee of our choice, distribute the assets to you in kind, or liquidate the assets and distribute them to you in cash.

**8.17 Successor Organization.** If we merge with, purchase, or are acquired by, another organization, such organization, if qualified, may automatically become the successor custodian or trustee of your IRA.

**8.18 Folio as Broker/Dealer.** As part of establishing this custodial account, you are designating Folio as the broker/dealer for your custodial account and you agree to execute a broker/dealer Customer Agreement with Folio. You will direct the investment of your IRA by providing investment instructions to Folio in the form and manner acceptable to Folio. Neither we, any agent of ours, nor Folio has any responsibility for any loss or diminution in value occasioned by your exercise of investment control.

**8.19 Custodian's Agent(s).** Kingdom Trust, a trust company, may designate one or more agents to perform certain services on its behalf. As of the date this document was provided, Folio has been designated as our agent. Folio, as applicable, shall maintain adequate and legally required records of account documentation, transactions and tax reporting. All assets of the account shall be registered for your benefit under Kingdom Trust's name as custodian, Folio as agent of the designated nominee custodian. Folio shall be responsible for safekeeping of custodial account assets and the books and records of Folio (or such other agents designated by Kingdom Trust), shall be deemed to satisfy our custodial record keeping responsibilities.

**8.20 SEP-IRA.** If your IRA is used as a SEP-IRA because your employer maintains a Simplified Employee Pension ("SEP") plan and makes SEP contributions to your SEP-IRA, it is solely your responsibility to retain your employer's SEP plan document and/or disclosures and to confirm with your employer that SEP-IRA contributions made to your SEP-IRA are appropriate. Our sole responsibility is to receive and record keep designated SEP contributions made to your SEP-IRA by your employer. The IRA cannot be used to fund an active Salary Deferral SEP or "SARSEP".

**8.21 Authority of Sponsor.** As sponsor, Folio has the authority to remove and appoint a new custodian of your IRA upon 30 days advance notice to you. As sponsor, Folio also has the authority to amend your IRA in any respect and at any time consistent with the existing terms of this IRA Custodial Account Agreement.

# IRS FORM 5305-A INSTRUCTIONS (Rev. 3-2002)

## 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 (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 IRAs, including the required disclosures the custodian must give the depositor, 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.

**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 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 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 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 depositor, etc. Attach additional pages if necessary.

# TRADITIONAL IRA DISCLOSURE STATEMENT

**Right to Revoke Your IRA.** With some exceptions, you have the right to revoke this individual retirement account (IRA) within seven days of receiving this Disclosure Statement. If you revoke your IRA, we will return your entire IRA contribution without any adjustment for items such as sales commissions, administrative expenses, or fluctuation in market value. Exceptions to your right of revocation include that you may not revoke an IRA established with a recharacterized contribution, nor do you have the right to revoke upon amendment of this Agreement.

You may revoke your IRA by providing us with written notice. The revocation notice may be mailed by first-class mail, or hand delivered to us. If your notice is mailed by first-class, postage pre-paid mail, the revocation will be deemed mailed on the date of the postmark.

If you have any questions or concerns regarding the revocation of your IRA, please contact us as follows: Folio Customer Service, McLean, VA 22102, 1-888-973-7890 or support@folioinvesting.com.

**This Disclosure Statement.** This Disclosure Statement provides you, and your beneficiaries after your death, with a summary of the rules and regulations governing this IRA.

**Definitions.** The IRS Forms 5305 series agreement for traditional IRAs contains a detailed definitions section. The definitions found in such section apply to this Agreement. The IRS refers to you as the depositor, and us as the custodian. References to "you," "your," and "IRA owner" will mean the depositor, and "we," "us," and "our" will mean the custodian. The terms "you" and "your" will apply to you. In the event you appoint a third party, or have a third party appointed on your behalf to handle certain transactions affecting your IRA, such third party will be considered your agent and, therefore, "you" for purposes of this Agreement. Additionally, references to "IRA" will mean the custodial account.

**For Additional Guidance.** It is in your best interest to seek the guidance of a tax or legal professional before completing any IRA establishment documents. Your first reference for questions concerning your IRA should be the IRS Forms 5305 series agreement, any additional provisions or amendments to such document, and this Disclosure Statement. For more information, you can also refer to IRS Publication 590, *Individual Retirement Arrangements (IRAs)*, instructions to your federal income tax return, your local IRS office, or the IRS's web site at [www.irs.gov](http://www.irs.gov).

## IRA Restrictions and Approval.

- 1. IRS Form 5305 or 5305-A Agreement.** This Disclosure Statement and the IRS Forms 5305 series agreement, amendments, application, and additional provisions set forth the terms and conditions governing your traditional IRA. Such documents are the "Agreement."
- 2. Individual Benefit.** This IRA must be for the exclusive benefit of you, and upon your death, your beneficiaries. The IRA must be established in your name and not in the name of your beneficiary, living trust, or another party or entity.
- 3. Beneficiary Designation.** By completing the appropriate section on the corresponding IRA application you may designate any person(s) as your beneficiary to receive your IRA assets upon your death. You may also change or revoke an existing designation in such manner and in accordance with such rules as your IRA custodian prescribes for this purpose. Your IRA custodian may rely on the latest beneficiary designation on file at the time of your death, will be fully protected in doing so, and will have no liability whatsoever to any person making a claim to the IRA assets under a subsequently filed designation or for any other reason.
- 4. Cash Contributions.** Regular or annual IRA contributions must be in cash, which may include a check, money order, or wire transfer, unless the contributions are rollover, transfer, or other similar transactions. It is within our discretion to accept in-kind contributions for rollovers, transfers, or recharacterizations.
- 5. IRA Custodian.** An IRA custodian must be a bank, federally insured credit union, savings and loan association, trust company, or other entity, which is approved by the Secretary of the Treasury to act as an IRA custodian.
- 6. Prohibition Against Life Insurance and Commingling.** None of your IRA assets may be invested in life insurance contracts, or commingled with other property, except in a common trust fund or common investment fund.

- 7. Nonforfeitability.** The assets in your IRA are not forfeitable.
- 8. Collectibles.** Generally, none of your IRA assets may be invested in collectibles, including any work of art, rug, or antique, metal or gem, stamp or coin, alcoholic beverage, or any other tangible personal property. If we allow, you may invest your IRA assets in the following coins and bullion: certain gold, silver, and platinum coins minted by the United States; a coin issued under the laws of any state; and any gold, silver, platinum, and palladium bullion of a certain fineness, and only if such bullion is held by us. For additional guidance on collectibles, see Section 408(m) of the Internal Revenue Code (IRC).
- 9. Cash or In-Kind Rollovers.** You may be eligible to make a rollover contribution, in cash or in kind, to an IRA or certain employer-sponsored eligible retirement plans. Rollovers to and from IRAs and eligible retirement plans are described in greater detail elsewhere in this Disclosure Statement.
- 10. Required Minimum Distribution (RMD) Rules.** Your IRA is subject to the RMD rules summarized in this Agreement.
- 11. No Prohibited Transactions.** If you engage in a prohibited transaction, the IRA loses its tax exempt status as of the first day of the year. You must include the fair market value of your IRA as of that first day in your gross income for the year during which the prohibited transaction occurred, and pay all applicable taxes and penalties.
- 12. No Pledging.** If you pledge all or a portion of your IRA as security for a loan, the portion pledged will be treated as a distribution to you, and the taxable portion will be included in gross income, and may be subject to the 10 percent early-distribution penalty tax.
- 13. IRS Approval of Form.** This Agreement includes an IRS Forms 5305 series agreement. This IRS document has been approved by the IRS. This approval is not a determination of its merits, and not an endorsement of the investments provided by us, or the operation of the IRA.
- 14. State Laws.** State laws may affect your IRA in certain situations, including deductions, beneficiary designations, agency relationships, consent, taxes, tax withholding, and reporting.

## IRA Eligibility and Contributions.

- 1. Regular or Annual IRA Contribution.** An annual contribution, commonly referred to as a regular contribution, is your contribution for the tax year, and is based on your and/or your spouse's compensation. Your designation of the tax year for your contribution is irrevocable. You may direct all or a portion of any tax refund directly to an IRA.
- 2. Compensation for Eligibility.** You are eligible to contribute to your IRA if you are younger than age 70 1/2 during the entire tax year for which your contribution applies, and you have compensation (also referred to as earned income).  
Common examples of compensation include wages, salary, tips, bonuses, and other amounts received for providing personal services, and earned income from self-employment. Compensation does not include earnings and profits from property such as dividends, interest, or capital gains, or pension, annuity, or deferred compensation plan amounts. Your compensation includes any taxable alimony or separate maintenance payments you may receive under a divorce decree or separate maintenance agreement.
- 3. Contribution By Your Spouse.** If you are married, file a joint federal income tax return, and are younger than age 70 1/2 during the entire tax year, you and/or your spouse may make a contribution on your behalf for that tax year if you and/or your spouse have compensation. This contribution must be made into your IRA, and it cannot exceed the contribution limits applicable to regular IRA contributions.
- 4. Catch-Up Contributions.** Catch-up contributions are IRA contributions made in addition to any other regular IRA contributions. You are eligible to make catch-up contributions if you meet the eligibility requirements for regular contributions and you attain age 50 by the end of the taxable year for which a catch-up contribution is being made.

5. **SEP and SIMPLE IRA Contributions.** Your employer may make simplified employee pension (SEP) plan contributions to this IRA in addition to your own regular IRA contributions. Your employer is responsible for verifying the SEP eligibility requirements and determining the SEP contribution amount. This IRA cannot accept Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) IRA contributions from your employer.
6. **Maximum Contribution Limits.** Your regular and catch-up IRA contributions are limited to the lesser of 100 percent of your and/or your spouse's compensation or the dollar amounts set forth on the following chart.

Contribution Tax Year	Regular Contribution Limit	Catch-Up Contribution Limit	Total Contribution Limit
2012	\$5,000	\$1,000	\$6,000
2013	\$5,500	\$1,000	\$6,500
2014 and later years	\$5,500+COLA*	\$1,000	\$6,500+COLA*

\* The regular IRA contribution limits are subject to annual cost-of-living adjustments (COLAs), if any.

7. **Contribution Deadline.** You may make regular and catch-up IRA contributions any time for a taxable year up to and including your federal income tax return due date, excluding extensions, for that taxable year. The due date for most taxpayers is April 15. The deadline may be extended in some situations. Examples include a federally declared disaster, a terroristic or military action, or service in a combat zone.
8. **Roth IRA and Traditional IRA Contribution Limit.** Your combined regular and catch-up traditional IRA and Roth IRA contributions may not exceed the maximum contribution limits set forth in the previous chart.

**Tax Deductions.** Tax deductions apply only to your regular and catch-up IRA contribution amount, and the deduction may never exceed your maximum regular and catch-up contribution amount for the contribution year. Your deduction depends on whether you and your spouse (if applicable) are active participants, and your modified adjusted gross income (MAGI). Your MAGI is your adjusted gross income from your federal income tax return for the contribution year with certain subtractions and additions. For more information on MAGI, see the instructions to your federal income tax return or IRS Publication 590, *Individual Retirement Arrangements (IRAs)*.

1. **Active Participant.** You could be an active participant in one of the following employer-sponsored retirement plans:
- a qualified pension, profit sharing, 401(k), money purchase pension, employee stock ownership plan, or stock bonus plan;
  - a SEP plan;
  - a SIMPLE IRA or SIMPLE 401(k) plan;
  - a qualified annuity plan of an employer;
  - a tax-sheltered annuity plan for employees of certain tax-exempt organizations or public schools;
  - a Section 501(c)(18) trust;
  - an H.R. 10 or Keogh plan (for self-employed individuals); or
  - a plan for federal, state, or local government employees or by an agency or instrumentality thereof (other than a section 457(b) plan).

For assistance in determining whether you (or your spouse) are an active participant, see your employer or a tax or legal professional. IRS Form W-2, *Wage and Tax Statement*, as provided by your employer, should indicate whether you are an active participant.

2. **Deduction Limits.** If you are not an active participant, your entire regular contribution to your IRA is generally deductible. Your marital status may affect your deduction amount. If you are an active participant, the amount you can deduct depends on your MAGI for the tax year for which the contribution applies. The following chart shows how your active participant status and tax-filing status and MAGI affect your deduction. If you are an active participant, the greater your MAGI, the lesser the amount you may deduct.
3. **Deduction Calculation.** If your MAGI is equal to or is less than the applicable Low End number in the chart based on your tax-filing

Tax Year	MAGI THRESHOLDS							
	Filing Status							
	Single, Active Participant		Married, Filing Jointly, Active Participant		Married, Filing Separately, Active Participant		Married, Filing Jointly, Not an Active Participant, but Spouse is	
	Low End	High End	Low End	High End	Low End	High End	Low End	High End
2012	\$58,000	\$68,000	\$92,000	\$112,000	\$0	\$10,000	\$173,000	\$183,000
2013	\$59,000	\$69,000	\$95,000	\$115,000	\$0	\$10,000	\$178,000	\$188,000
2014 and later years	\$59,000*	\$69,000*	\$95,000*	\$115,000*	\$0	\$10,000	\$178,000*	\$188,000*

\* The MAGI thresholds are subject to annual cost-of-living adjustments, if any.

status, then you may deduct your entire regular and catch-up IRA contribution. If your MAGI meets or exceeds the High End number, you may not deduct any portion of your contribution. If your MAGI is between the Low End and High End numbers, which is the phaseout range, see your tax or legal professional for assistance in determining your deduction amount. IRS Publication 590, *Individual Retirement Arrangements (IRAs)*, and the instructions to your federal income tax return also contain helpful calculation information.

4. **Nondeductible Contributions.** You may make nondeductible contributions to your IRA if you are not able to, or choose not to, deduct your contributions. You report nondeductible contributions to the IRS on IRS Form 8606, *Nondeductible IRAs*, which is attached to your federal income tax return for the year of the contribution. Failure to report nondeductible contributions, or the overstatement of nondeductible contributions, may result in IRS penalties.

**Nonrefundable Tax Credit.** You may be eligible to take a tax credit for your regular IRA contributions. The credit is equal to a percentage of your qualified contributions up to \$2,000. The credit cannot exceed \$1,000 for any tax year, and is in addition to any deduction that may apply. To be eligible for the tax credit, you must be age 18 or older by the end of the applicable tax year, not a dependent of another taxpayer, not a full-time student, and satisfy certain restrictions on distributions.

**Moving Assets To and From IRAs.** There are a variety of transactions that allow you to move your retirement assets to and from IRAs and certain other eligible retirement plans in cash or in kind based on our policies. We have sole discretion on whether we will accept, and how we will process, movements of assets to and from IRAs. We or any other financial organizations involved in the transaction may require documentation for such activities.

1. **IRA-to-IRA Transfers.** You may transfer all or a portion of your traditional IRA assets from one traditional IRA to another traditional IRA. An IRA transfer means that the IRA assets move from one IRA to another IRA in a manner that prevents you from cashing or liquidating the IRA assets, or even depositing the assets anywhere except in the receiving IRA. Transfers are not taxable or reportable, and the IRS does not impose timing or frequency restrictions on transfers. You may be required to complete a transfer authorization form prior to transferring your IRA assets.
2. **IRA-to-IRA Rollovers.** An IRA rollover is another way to move assets tax-free between IRAs. You may roll over all or a portion of your IRA assets by taking a distribution from an IRA and recontributing it as a rollover contribution into the same or another IRA. A rollover contribution is irrevocable. You must report your IRA rollover to the IRS on your federal income tax return. Your contribution may only be designated as a rollover if the IRA distribution is deposited within 60 calendar days following the date you receive the distributed assets. The 60-day period may be extended to 120 days for a first-time homebuyer distribution where there is a delay or cancellation in the purchase or construction of the home. You are limited to one rollover per IRA per 12 months. The distributing and receiving IRA, including the IRA assets rolled over, are subject to this 12-month rule. The 12-month period begins on the day after you receive a distribution that will be properly rolled over into an IRA. The 12-month rule does not apply to rollovers related to first-time homebuyer distributions.

3. **Rollovers and Transfers from SIMPLE IRAs.** You may not roll over or transfer assets from a SIMPLE IRA to a traditional IRA or other eligible retirement plan until two years have passed since the date on which you first participated in an employer's SIMPLE, which is the initial contribution date. If you participated in SIMPLEs of different employers, the initial contribution date and two-year period are determined separately for SIMPLE IRA assets from each employer.
  4. **Rollovers from Employer-Sponsored Eligible Retirement Plans.** You may directly or indirectly roll over assets from an eligible retirement plan, sponsored by your employer, into your IRA. Your plan administrator or employer is responsible for determining the amount of your assets in its eligible retirement plan that are eligible for rollover to an IRA or other eligible retirement plan.
    - a. **Eligible Retirement Plan.** Eligible retirement plans include qualified trusts under IRC Section 401(a), annuity plans under IRC Section 403(a), annuity contracts under IRC Section 403(b), and certain governmental IRC Section 457(b) plans. Common names for these plans include 401(k), profit sharing, pension, money purchase, federal thrift savings, and tax-sheltered annuity plans.
    - b. **Eligible Distribution.** Not all distributions from an employer-sponsored eligible retirement plan are eligible for rollover to an IRA. The most common distributions, which are not eligible for rollover, include RMDs, defaulted loans, substantially equal periodic payments as defined in IRC Section 402(c)(4)(A), distributions paid to nonspouse beneficiaries, and hardship distributions. Your employer determines which assets may not be rolled over, and must provide you with an IRC Section 402(f) notice of taxation, which explains the tax issues concerning distributions.
    - c. **Direct Rollover.** A direct rollover moves eligible retirement plan assets from your employer-sponsored eligible retirement plan to your IRA in a manner that prevents you from cashing or liquidating the plan assets, or even depositing the assets anywhere except in the receiving IRA. A direct rollover is reported to the IRS but, if properly completed, the transaction is not subject to tax or penalty. There are no IRS limitations, such as the 60-day period or 12-month rule, on direct rollovers. This Agreement should not be used for a direct rollover from an eligible retirement plan to an inherited traditional IRA.
    - d. **Indirect Rollover and Withholding.** An indirect rollover begins with a plan distribution made payable to you. If you receive distributions during the tax year totaling more than \$200, your employer is required to withhold 20 percent on the taxable portion of your eligible rollover distribution as a prepayment of federal income taxes on distributions. You may make up the 20 percent withholding from your own funds at the time you deposit your distribution into an IRA, that portion is generally treated as taxable income. If you are younger than age 59 1/2, you are subject to a 10 percent early-distribution penalty tax on the taxable amount of the distribution that is not rolled over, unless a penalty tax exception applies. Your distribution is only eligible to be contributed to an IRA during the 60 days following your receipt of a plan distribution. Your decision to contribute the assets to the IRA as a rollover contribution is irrevocable. The 12-month rule does not apply to rollovers from employer-sponsored eligible retirement plans. State withholding may apply to eligible rollover distributions.
    - e. **Separate or Conduit IRA.** In certain cases, it may be to your benefit to make the rollover contribution into a separate or conduit IRA. Conduit IRAs can provide individuals with a means of tracking IRA assets from different sources, which may be subject to certain restrictions or favorable tax treatment.
  5. **Waiver of the 60-Day Period.** The Secretary of the Treasury may waive the 60-day period for completing rollovers in certain situations such as casualty, disaster, or other events beyond the reasonable control of the individual who is subject to the 60-day period.
  6. **Traditional IRA to Employer-Sponsored Eligible Retirement Plans.** You may directly or indirectly roll over a taxable distribution from your IRA to an employer-sponsored eligible retirement plan which accepts rollover contributions. Nontaxable or nondeductible IRA assets may not be rolled over into employer-sponsored eligible retirement plans. You can generally roll over, to employer-sponsored eligible retirement plans, only the aggregate taxable balance in all of your traditional IRAs and SIMPLE IRAs. The 12-month rule does not apply to these rollovers.
  7. **Transfers Due to Divorce.** Your former spouse, pursuant to a divorce decree or legal separation order, may transfer assets from your traditional IRA to his/her traditional IRA.
  8. **Qualified Reservist Contributions.** If you are a qualified reservist ordered or called to active duty after September 11, 2001 for more than 179 days (or for an indefinite period), and take an IRA distribution or take certain elective deferrals from an eligible retirement plan after September 11, 2001, and before the end of your active duty, you may make one or more contributions of these assets to your IRA within two years of the end of your active duty.
  9. **Qualified Settlement Income.** You may roll over certain qualified settlement income (e.g. an amount received in connection with the Exxon Valdez litigation) to your IRA under limits provided by law. Generally, the 12-month rule does not apply to such rollovers. It is in your best interest to seek the guidance of a tax or legal professional before taking advantage of such rollover and/or taking such assets from the IRA.
  10. **Rollovers Due to Airline Carrier Bankruptcy.** If you are a qualified airline employee and receive an airline payment amount as defined by law, this amount may be rolled over to a traditional IRA. You must roll over the airline payment amount within 180 days of its receipt.
- Movement of Assets Between Traditional and Roth IRAs.**
1. **Traditional IRA to Roth IRA Conversions.** You may convert all or a portion of your traditional IRA assets to a Roth IRA. Your conversion assets (excluding prorated nondeductible contributions) are subject to federal income tax. Your conversion must be reported to the IRS. The 10 percent early-distribution penalty tax does not apply to conversions. The 12-month rule does not apply to conversions. If you elect to convert your assets using a rollover transaction, the 60-day rule applies.
  2. **Traditional IRA and Roth IRA Recharacterizations.** You may recharacterize, or choose to treat all or a portion of your regular and catch-up traditional IRA contribution as a regular Roth IRA contribution. Similarly, you may recharacterize your regular and catch-up Roth IRA contribution as a regular traditional IRA contribution. You may cancel a conversion through a recharacterization of all or a portion of the amount converted from a traditional IRA to a Roth IRA. You may also recharacterize the amount rolled or directly rolled over to a Roth IRA from an eligible retirement plan, or other recharacterization, as provided by law. A recharacterization election is irrevocable. You must complete a recharacterization no later than your federal income tax-filing due date, including extensions, for the year you make the initial contribution. If you timely file your federal income tax return, you may still recharacterize as late as October 15 for calendar year filers. Recharacterizations must occur by transfer, which means that the assets, adjusted for gains and losses on the recharacterized amount, must be transferred into another IRA. The recharacterized contribution is treated as though you deposited it into the second IRA on the same day you actually deposited it in the first IRA. Recharacterization transactions are reported to the IRS. The election to recharacterize may be completed on your behalf after your death. A written notice of recharacterization, as defined by Treasury Regulation 1.408A-5, Q&A 6(a), is required for recharacterization transactions.
  3. **Traditional IRA to Roth IRA Reconversions.** A reconversion occurs when all or a portion of traditional IRA assets previously converted to a Roth IRA are recharacterized back to a traditional IRA and then converted again. After recharacterizing a conversion, you cannot reconvert until the later of: (1) the beginning of the year

following the year the amount was converted, or (2) the end of the 30-day period following the day of the recharacterization. In other words, you cannot reconvert in the same year as the first conversion. Reconversion transactions are reported to the IRS.

**IRA Distributions.** You or, after your death, your beneficiary may take an IRA distribution, in cash or in kind based on our policies, at any time. However, depending on the timing and amount of your distribution you may be subject to income taxes and/or penalty taxes.

**1. Removal of Excess Contributions.** You may withdraw all or a portion of your excess contribution and attributable earnings before your federal income tax return due date, including extensions, for the taxable year for which you made the contribution. The excess contribution amount distributed will not be taxable, but the attributable earnings on the contribution will be taxable in the year in which you made the contribution and may be subject to the 10 percent early-distribution penalty tax. In certain situations, you may treat your excess as a regular and catch-up IRA contribution for the next year. If you timely file your federal income tax return, you may still remove your excess contribution, plus attributable earnings, as late as October 15 for calendar year filers.

**2. Distributions of Unwanted IRA Contributions by Tax-Filing Date.** You may withdraw all or a portion of your regular and catch-up IRA contribution and attributable earnings in the same manner as an excess contribution. However, you cannot apply your unwanted contribution as a regular IRA contribution for a future year. The unwanted contribution amount distributed will not be taxable, but the attributable earnings on the contribution will be taxable in the year in which you made the contribution, and may be subject to the 10 percent early-distribution penalty tax. If you timely file your federal income tax return, you may still remove your unwanted contribution, plus attributable earnings, as late as October 15 for calendar year filers.

**3. Distribution of Nondeductible and Nontaxable Contributions.** If any of your traditional IRAs or SIMPLE IRAs contain nondeductible contributions or rollovers of nontaxable distributions from employer-sponsored eligible retirement plans, any distributions you take from any of your traditional IRAs or SIMPLE IRAs, that are not rolled over, will return to you a proportionate share of the taxable and nontaxable balances in all of your traditional IRAs and SIMPLE IRAs at the end of the tax year of your distributions. IRS Form 8606, *Nondeductible IRAs*, has been specifically designed to calculate this proportionate return. You must complete IRS Form 8606 each year you take distributions under these circumstances, and attach it to your tax return for that year to validate the nontaxable portion of your IRA distributions reported for that year.

**4. Qualified Health Savings Account (HSA) Funding Distribution.** If you are an HSA eligible individual, you may elect to take a qualified HSA funding distribution from your IRA (not including ongoing SEP and SIMPLE IRAs) to the extent such distribution is contributed to your HSA in a trustee-to-trustee transfer. This amount is aggregated with all other annual HSA contributions and is subject to your annual HSA contribution limit. A qualified HSA funding distribution election is irrevocable and is generally available once in your lifetime. A testing period applies. The testing period for this provision begins with the month of the contribution to your HSA and ends on the last day of the 12th month following such month. If you are not an eligible individual for the entire testing period, unless you die or become disabled, the amount of the distribution made under this provision will be includable in gross income for the tax year of the month you are not an eligible individual, and is subject to a 10 percent penalty tax.

**5. Tax-Free Distributions to Charities.** If you have attained age 70 1/2, you may be able to make tax-free distributions directly from your IRA to a qualified charitable organization if permitted by law. Tax-free distributions have been limited to \$100,000 in past years. Consult with your tax or legal professional to determine the availability of this tax-free distribution.

#### **Required Minimum Distributions (RMDs) For You.**

**1. After Age 70 1/2.** Your first RMD must be taken by April 1 following the year you attain age 70 1/2, which is your required

beginning date (RBD). Second year and subsequent distributions must be taken by December 31 of each such year. An RMD is taxable in the calendar year you receive it.

**2. Distribution Calculations.** Your RMD will generally be calculated by dividing your previous year-end adjusted balance in your IRA by a factor from the uniform lifetime table provided by the IRS. This table is indexed to your age attained during a distribution year. This table is used whether you have named a beneficiary and regardless of the age or type of beneficiary you may have named. However, if for any distribution year, you have as your only named beneficiary for the entire year, your spouse, who is more than ten years younger than you, the uniform lifetime table will not be used. To calculate your RMD for that year you will use the ages of you and your spouse at the end of that year to determine a joint life expectancy factor from the IRS's joint and last survivor table. This will be the case even if your spouse dies, or you become divorced and do not change your beneficiary, during that year.

**3. Failure to Withdraw an RMD.** If you do not withdraw your RMD by its required distribution date, you will owe a 50 percent excess accumulation penalty tax on the amount not withdrawn. You can always take more than your RMD in any year but no additional amounts can be credited to a subsequent year's RMD.

**4. Multiple IRAs.** If you have more than one traditional IRA or SIMPLE IRA you must calculate a separate RMD for each one. You may, however, take the aggregate total of your RMDs from any one or more of your personal traditional IRAs or SIMPLE IRAs.

**5. No Rollovers of RMDs.** An RMD must be satisfied before you can roll over any portion of your IRA account balance. The first distributions made during a year will be considered RMDs and can be satisfied by earlier distributions from your other traditional IRAs or SIMPLE IRAs that are aggregated. Any RMD that is rolled over will be fully taxable and considered an excess contribution until corrected.

**6. Transfers of RMDs.** Transfers are not considered distributions. You can transfer any portion of your traditional IRA or SIMPLE IRA at any time during the year provided you satisfy your aggregate RMDs before the end of the distribution year.

**RMDs For Your Beneficiaries.** Your beneficiaries will generally have until December 31 of the year following your death year to begin RMDs unless they elect the five-year rule. Exceptions exist for your surviving spouse and for any beneficiary who must distribute or chooses to distribute his/her share of your traditional IRA within a five-year period. If your death occurs on or after your RBD, your beneficiaries must withdraw any of your RMD that you had not received during the year of your death.

**1. Distribution Calculations In General.** Most beneficiaries will use a single life expectancy method to satisfy these RMDs unless they elect the five-year rule. The five-year rule requires your beneficiary to completely withdraw your IRA assets by the end of the fifth year following your death year. The single life expectancy factor, using the IRS's single life table, will be determined by using the age on December 31 in the year following death of the oldest designated beneficiary, unless multiple beneficiaries exist and separate accounting applies. This initially determined factor is reduced by one for each subsequent year's calculation.

This general rule for determining life expectancy applies if your IRA has at least one designated beneficiary, whether your death occurs before or on or after your RBD. However, if you die on or after your RBD, your remaining life expectancy, determined in your death year and reduced by one in each subsequent year, may be used to determine the distribution each year. This is true if your remaining life expectancy is longer than the beneficiary's life expectancy that same year, determined in the year after your death and reduced by one in each subsequent year, or if your IRA is treated as having no designated beneficiary.

A special exception to the five-year rule allows certain death beneficiaries to exclude 2009 when calculating the five-year period. In order to apply this exception, the IRA owner or plan participant must have died before his/her RBD, after 2003, and prior to 2009. For example, assume the IRA owner died in 2008. If the death

beneficiary, by affirmative election or default, selected the five-year rule, the five-year period would normally require total distribution by December 31, 2013. However, by applying the exception, the beneficiary must now take total distribution by December 31, 2014.

- 2. Designated Beneficiary.** A designated beneficiary is any named beneficiary who has an interest in your IRA on the determination date, which is September 30 of the year following your death year. Named beneficiaries who completely distribute their interests in your IRA, or completely disclaim their interests in your IRA under IRC Section 2518, will not be considered when designated beneficiaries are determined. Named beneficiaries who die after your death but before the determination date will still be considered for the sake of determining the distribution period. If any named beneficiary that is not an individual, such as an estate or charity, has an interest in your IRA on the determination date, and separate accounting does not apply, your IRA will be treated as having no designated beneficiary.

If you name a qualified trust, which is defined in Treasury Regulation 1.401(a)(9)-4, Q&A 5, as your IRA beneficiary, the beneficiaries of the qualified trust are treated as the beneficiaries of your IRA for purposes of determining designated beneficiaries and the appropriate life expectancy period after your death. A qualified trust provides documentation of its beneficiaries to the custodian.

- 3. Death Before Your Required Beginning Date (RBD) With No Designated Beneficiary.** If you die before your RBD and your IRA is treated as having no designated beneficiary, your named beneficiaries will be required to completely withdraw your IRA assets by the end of the fifth year following your death year.
- 4. Death On or After Your RBD With No Designated Beneficiary.** If you die on or after your RBD and your IRA is treated as having no designated beneficiary, RMDs will continue to your named beneficiaries over your remaining single life expectancy as determined in your death year. Once determined, this life expectancy factor will be reduced by one for each subsequent year of the distribution period.
- 5. Spouse Beneficiary.** If your spouse is your only designated beneficiary on the determination date, or if there are multiple designated beneficiaries and separate accounting applies, he/she will use his/her age each year to determine the life expectancy factor for calculating that year's RMD. If your spouse is the only designated beneficiary, or if there are multiple designated beneficiaries and separate accounting applies, and you die before your RBD, your surviving spouse can postpone commencement of his/her RMDs until the end of the year in which you would have attained age 70 1/2. If you die on or after your RBD, your surviving spouse will use the longer of his/her single life expectancy, determined each year after the death year using his/her attained age, or your remaining single life expectancy determined in your death year and reduced by one each subsequent year.

If your spouse is the only designated beneficiary, or if there are multiple designated beneficiaries and separate accounting applies, he/she can treat your IRA as his/her own IRA after your death. This generally happens after any of your remaining RMD amount for the year of your death has been distributed. This is not available to your surviving spouse if he/she is the sole beneficiary of a qualified trust that is named as beneficiary of your IRA.

Your spouse beneficiary could take a distribution of his/her share of your IRA and roll it over to an IRA of his/her own.

- 6. Beneficiaries Naming Successor Beneficiaries.** Our policy may allow your beneficiaries to name their own successor beneficiaries to your IRA. A successor beneficiary would receive any of your IRA assets that remain after your death and the subsequent death of your beneficiaries. This distribution would be in accordance with Article IV.3 of the Agreement, and generally would not allow a successor beneficiary to calculate RMDs generally based on his/her own life expectancy.

- 7. Separate Accounting.** Our policies may permit separate accounting to be applied to your IRA for the benefit of your beneficiaries. If permitted, separate accounting must be applied in accordance with Treasury Regulation 1.401(a)(9)-8, Q&A 2 and 3. A beneficiary is considered the only designated beneficiary of his/her share of the IRA assets if separate accounting applies.

#### **Federal Income Tax Status of Distributions.**

- 1. Taxation.** IRA distributions which are not rolled over will be taxed as income in the year distributed except for the portion of your aggregate SIMPLE IRA and traditional IRA distributions that represents your nondeductible contributions and/or nontaxable rollover amounts. You may also be subject to state or local taxes and withholding on your IRA distributions.
- 2. Earnings.** Earnings, including gains and losses, on your IRA will not be subject to federal income taxes until they are considered distributed.
- 3. Ordinary Income Taxation.** Your taxable IRA distribution is usually included in gross income in the distribution year. IRA distributions are not eligible for special tax treatments, such as ten year averaging, that may apply to other employer-sponsored retirement plan distributions.

If you name a qualified trust, which is defined in Treasury Regulation 1.401(a)(9)-4, Q&A 5, as your IRA beneficiary, the beneficiaries of the qualified trust are treated as the beneficiaries of your IRA for purposes of determining designated beneficiaries and the appropriate life expectancy period after your death. A qualified trust provides documentation of its beneficiaries to the custodian.

**Estate and Gift Tax.** The designation of a beneficiary to receive IRA distributions upon your death will not be considered a transfer of property for federal gift tax purposes. Upon your death, the value of all assets remaining in your IRA will usually be included in your gross estate for estate tax purposes, regardless of the named beneficiary or manner of distribution. There is no specific estate tax exclusion for assets held within an IRA. After your death, beneficiaries should pay careful attention to the rules for the disclaiming any portion of your IRA under IRC Section 2518.

**Federal Income Tax Withholding.** IRA distributions are subject to federal income tax withholding unless you or, upon your death, your beneficiary affirmatively elect not to have withholding apply. The required federal income tax withholding rate is 10 percent of the distribution. Upon your request for a distribution, by providing IRS Form W-4P or an appropriate substitute, we will notify you of your right to waive withholding or elect to have greater than 10 percent withheld. Annual Statements. Each year we will furnish you and the IRS with statements reflecting the activity in your IRA. You and the IRS will receive IRS Forms 5498 and 1099-R. IRS Form 5498 or an appropriate substitute indicates the fair market value of the account, including IRA contributions, for the year. IRS Form 1099-R reflects your IRA distributions for the year.

By January 31 of each year, you will receive a report of your fair market value as of the previous calendar year. If applicable, you will also receive a report concerning your annual RMD.

**Federal Tax Penalties and IRS Form 5329.** Several tax penalties may apply to your various IRA transactions, and are in addition to any federal, state, or local taxes. Federal penalties and excise taxes are generally reported and remitted to the IRS by completing IRS Form 5329, and attaching the form to your federal income tax return. The penalties may include any of the following taxes:

- 1. Early-Distribution Penalty Tax.** If you take a distribution from your IRA before reaching age 59 1/2, you are subject to a 10 percent early-distribution penalty tax on the taxable portion of the distribution. However, certain exceptions apply. Exceptions to the 10 percent penalty tax are distributions due to death, disability, first-time home purchase, eligible higher education expenses, medical expenses exceeding a certain percentage of adjusted gross

income, health insurance premiums due to your extended unemployment, a series of substantially equal periodic payments, IRS levy, traditional IRA conversions, qualified reservist distributions, and qualified HSA funding distributions. Properly completed rollovers, transfers, recharacterizations, and conversions are not subject to the 10 percent penalty tax.

2. **Excess Contribution Penalty Tax.** If you contribute more to your IRA than you are eligible to contribute, you have created an excess contribution, which is subject to a 6 percent excise tax. The excise tax applies each year that the excess contribution remains in your IRA. If you timely file your federal income tax return, you may still remove your excess contribution, plus attributable earnings, as late as October 15 for calendar year filers.
3. **Excess Accumulation Penalty Tax.** Any portion of a RMD that is not distributed by its deadline is subject to a 50 percent excess accumulation penalty tax. The IRS may waive this penalty upon your proof of reasonable error and that reasonable steps were taken to correct the error, including remedying the shortfall. See IRS Form 5329 instructions when requesting a waiver.

**Disaster Tax Relief.** Subject to IRC Section 1400Q, individuals in certain federally-declared disaster areas may be given the opportunity to take qualified distributions (subject to applicable time periods defined by law) in aggregation from IRAs and other eligible retirement plans up to the prescribed limit (e.g., \$100,000 for Midwestern Disaster). Typically, these rules permit an individual to prorate any amounts required to be included in gross income over a three tax year period or include it all in the year of distribution. In addition, an individual may be allowed three years after the date of receipt to roll over or repay all or part of the qualified distribution without being subject to the one rollover per 12-month rule or the 60-day requirement. Certain first-time homebuyer or hardship distributions may be eligible for rollover within a prescribed time period. Also, for additional disaster area information and IRS guidance on associated tax relief, refer to IRS notices and publications, or visit the IRS's web site at [www.irs.gov](http://www.irs.gov).

## FINANCIAL DISCLOSURE

IRS regulations require us to provide you with a financial projection of the growth of your IRA account based upon certain assumptions where possible. Because your account is a self-directed IRA giving you access to a wide range of equity investments including stocks, ETFs and mutual funds, such a projection is not possible.

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 we will send you a written report stating the current value of your IRA assets. We will disclose separately a description of:

- (a) The type and amount of each charge to your account;
- (b) the method of computing and allocating earnings from investments in your account; and

- (c) any portion of your contributions, 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 may deduct all reasonable expenses incurred in the administration of your IRA, including any legal, accounting, distribution, transfer, termination or other designated fees. Such fees may be charged to you or directly to your IRA account. In addition, depending on your choice of investment vehicles, you may incur brokerage commissions or other costs attributable to the purchase or sale of assets.