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Coverdell Education Savings Account
Custodial Agreement and Disclosure Statement

Coverdell Education
Savings Account

Custodial Agreement and Disclosure Statement

Form **5305-EA** **Coverdell Education Savings Custodial Account**
(March 2002) (Under Section 530 of the Internal Revenue Code)
Department of the Treasury
Internal Revenue Service

Article I

- 1.01 The custodian may accept additional cash contributions provided the designated beneficiary has not attained the age of 18 as of the date such contributions are made. Contributions by an individual contributor may be made for the tax year of the designated beneficiary by the due date of the beneficiary's tax return for that year (excluding extensions). Total contributions that are not rollover contributions described in section 530(d)(5) are limited to \$2,000 for the tax year. In the case of an individual contributor, the \$2,000 limitation for any year is phased out between modified adjusted gross income (AGI) of \$95,000 and \$110,000. For married individuals filing jointly, the phase-out occurs between modified AGI of \$190,000 and \$220,000. Modified AGI is defined in section 530(c)(2).

Article II

- 2.01 No part of the custodial account funds may be invested in life insurance contracts, nor may the assets of the custodial account be commingled with other property except in a common trust fund or a common investment fund (within the meaning of section 530(b)(1)(D)).

Article III

- 3.01 Any balance to the credit of the Designated Beneficiary on the date on which he or she attains age 30 shall be distributed to him or her within 30 days of such date.
- 3.02 Any balance to the credit of the Designated Beneficiary shall be distributed within 30 days of his or her death unless the designated death beneficiary is a family member of the Designated Beneficiary and is under the age of 30 on the date of death. In such case, that family member shall become the Designated Beneficiary as of the date of death.

Article IV

- 4.01 The Depositor shall have the power to direct the Custodian regarding the investment of the above-listed amount assigned to the custodial account (including earnings thereon) in the investment choices offered by the Custodian. The Responsible Individual, however, shall have the power to redirect the Custodian regarding the investment of such amounts, as well as the power to direct the Custodian regarding the investment of all additional contributions (including earnings thereon) to the custodial account. In the event that the Responsible Individual does not direct the Custodian regarding the investment of additional contributions (including earnings thereon), the initial investment direction of the Depositor also will govern all additional contributions made to the custodial account until such time as the responsible individual otherwise directs the Custodian. Unless otherwise provided in this agreement, the Responsible Individual also shall have the power to direct the Custodian regarding the administration, management, and distribution of the account.

Article V

- 5.01 The "Responsible Individual" named by the Depositor shall be a parent or guardian of the Designated Beneficiary. The custodial account shall have only one Responsible Individual at any time. If the Responsible Individual becomes incapacitated or dies while the Designated Beneficiary is a minor under state law, the successor Responsible Individual shall be the person named to succeed in that capacity by the preceding Responsible Individual in a witnessed writing or, if no successor is so named, the successor Responsible Individual shall be the Designated Beneficiary's other parent or successor guardian. Unless otherwise directed by checking the option in the Adoption Agreement, at the time that the Designated Beneficiary attains the age of majority under state law, the Designated Beneficiary becomes the Responsible Individual. If a family member under the age of majority under state law becomes the Designated Beneficiary by reason of being a named death beneficiary, the Responsible Individual shall be such Designated Beneficiary's parent or guardian.
- 5.02 If elected in the Adoption Agreement, the Responsible Individual shall continue to serve as the Responsible Individual for the custodial account after the Designated Beneficiary attains the age of majority under state law and until such time as all assets have been distributed from the custodial account and the custodial account terminates. If the Responsible Individual becomes incapacitated or dies after the Designated Beneficiary reaches the age of majority under state law, the Responsible Individual shall be the Designated Beneficiary.

Article VI

- 6.01 If elected in the Adoption Agreement the Responsible Individual may change the beneficiary designated under this agreement to another member of the Designated Beneficiary's family described in section 529(e)(2) in accordance with the Custodian's procedures.

Article VII

- 7.01 The Depositor agrees to provide the Custodian with all information necessary to prepare any reports required by section 530(h).
- 7.02 The Custodian agrees to submit to the Internal Revenue Service (IRS) and Responsible Individual the reports prescribed by the IRS.

Article VIII

- 8.01 Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through III will be controlling. Any additional articles inconsistent with section 530 and the related regulations will be invalid.

Article IX

- 9.01 This agreement will be amended as necessary to comply with the provisions of the Code and the related regulations. Other amendments may be made with the consent of the Depositor and Custodian whose signatures appear on the Adoption Agreement.

Article X

- 10.01 **Custodian and Administrator:**
- (a) The Custodian for the Custodial Account is New Vision Trust Company, a State Chartered South Dakota Trust Company.
 - (b) The Administrator for the Custodial Account is American IRA, LLC., a North Carolina Limited Liability Company.

- 10.02 **Accuracy of Information:** The Depositor represents and warrants that all information and instructions given to the Custodian by the Depositor will be

complete and accurate and agrees that the Custodian shall not be responsible for any incomplete or inaccurate information provided by the Depositor or Depositor's beneficiary(ies). The Depositor and the Depositor's beneficiary(ies) agree to be responsible for all tax consequences arising from contributions to, and distributions from, the Depositor's Custodial Account and acknowledge that no tax advice has been, nor will any tax advice be, provided by the Custodian.

- 10.03 **Affiliated Business Disclosure and Conflict of Interest Waiver:** The Custodian, New Vision Trust Company, a State Chartered South Dakota Trust Company and American IRA, LLC, a North Carolina limited liability company (Administrator) are affiliated companies by reason of their common ownership and management. Because the two companies are under common ownership and management, the owners of American IRA, LLC, a North Carolina limited liability company will enjoy a direct and/or indirect financial benefit from the fees the Depositor pays to New Vision Trust Company, a State Chartered South Dakota Trust Company. By signing the Account Application, the Depositor acknowledges and understands that: 1) New Vision Trust Company, a State Chartered South Dakota Trust Company and American IRA, LLC, a North Carolina limited liability company are under common ownership and control, 2) by retaining New Vision Trust Company, a State Chartered South Dakota Trust Company, the Depositor is providing a financial benefit to the owners of American IRA, LLC, a North Carolina limited liability company 3) The Depositor is under no obligation to retain New Vision Trust Company, a State Chartered South Dakota Trust Company and that the Depositor is free to retain the services of another, unaffiliated Custodian, and 4) the Depositor, does acknowledge and confirm that the Depositor chose New Vision Trust Company, a State Chartered South Dakota Trust Company freely and with no influence from the Custodian and/or Administrator.
- 10.04 **Agent for the Custodian:** The Custodian has appointed the Administrator to act as agent and/or nominee for the Custodian to perform administrative and/or custodial-related services with respect to the Custodial Account for which the Custodian otherwise has responsibility under this Agreement. All limitations of, and duties owed to the Depositor by the Custodian, and releases or indemnifications of the Custodian by the Depositor in this Agreement shall apply equally to the Administrator. Except where the Depositor is a resident of North Carolina, where all assets shall be vested solely in the name of the Custodian for the benefit of ("FBO") the Depositor, the Administrator may, for administrative convenience, perform duties on behalf of the Custodian which include, but are not limited to, executing applications or adoption agreements, transfers, stock powers, escrow accounts, purchase agreements, notes, deeds, conveyances, liens, placing assets or liabilities in the Administrator's name as Nominee for the Custodian and FBO the Depositor to provide administrative convenience for such transactions, depositing contributions, and income, paying liabilities and distributions and government reporting for Depositors who have established a Custodial Account with the Custodian. Notwithstanding the foregoing, the Custodian shall maintain control over all Account assets.
- 10.05 **Annual Accounting:** The Custodian shall, at least annually, provide the Depositor or Beneficiary (in the case of Depositor's death) with an accounting of the Depositor's account, consistent with the valuation provisions of 11.11 herein. Such accounting shall be deemed to be accepted by the Depositor or the Depositor's Beneficiary, if the Depositor or Beneficiary do not object in writing within 60 days after delivery of such accounting statement.
- 10.06 **Amendment:** The Depositor irrevocably delegates to the Custodian the right and power to amend this Custodial Agreement. In the case of an amendment required by law, Depositor's consent is not required. For amendments made by Custodian, Depositor shall be deemed to have consented where Custodian has provided the Depositor 30 days' prior written notice of the amendment, unless the Depositor notifies the Custodian in writing to the contrary no later than 30 days after delivery of notice of the change and Depositor requests a distribution or transfer of the balance in the Depositor's account(s).
- 10.07 **Termination of Agreement, Resignation and/or Removal of Custodian:**
- (a) Depositor and Custodian may terminate this Agreement at any time upon delivery of written notice to the other party.
 - (b) Resignation of Custodian.
 - i. The Custodian may resign and appoint a successor trustee or custodian to serve under this Agreement, or under another governing agreement selected by the successor trustee or custodian, by delivering written notice to Depositor at least 30 days prior to the effective date of such resignation and appointment. The Depositor shall then have 30 days from the date of such notice to either: 1) request a distribution of the entire balance of Depositor's Account or 2) designate a different successor trustee or custodian and notify the Custodian of such designation. If the Depositor does not request distribution of the account balance or notify the Custodian of the designation of a different successor trustee or custodian within such 30-day period, the Depositor shall be deemed to have consented to the appointment of the successor trustee or custodian and the terms of any new governing instrument, and neither the Depositor nor the successor shall be required to execute any written document to complete the transfer of the account to the successor trustee or custodian. The successor trustee or custodian may rely on any information, including beneficiary designations, previously provided by the Depositor to the Custodian. Where a new governing agreement is selected by the successor trustee or custodian said agreement and related disclosure will be provided to Depositor together with or under separate cover from the notice required in this provision.
 - ii. The Custodian may resign and demand that the Depositor appoint a successor trustee or custodian for the Custodial Account by giving the Depositor written notice at least 30 days prior to the effective date of such resignation. The Depositor shall then have 30 days from the date of such notice to designate a successor trustee or custodian, notify the Custodian of the name and address of the successor trustee or custodian, and provide the Custodian with appropriate evidence that such successor has accepted the appointment and is qualified to serve as trustee or custodian of an individual retirement account.
 - A. If the Depositor designates a successor trustee or custodian and provides the Custodian evidence of the successor's acceptance of appointment and qualification within such 30-day period, the Custodian shall then deliver all of the assets held by the Custodian in the account (whether in cash or personal or real property, wherever located, and regardless of value) to the successor trustee or custodian.
 - B. If the Depositor does not notify the Custodian of the appointment of a successor trustee or custodian within such 30-day period, then the Custodian may distribute all of the assets held by the Custodian in the account (whether in cash or personal or real property, wherever located, and regardless of value) to the Depositor, outright and free of trust, and the Depositor shall be wholly responsible for the tax consequences of such distribution.
 - C. In either case, the Custodian may expend any assets in the account to pay expenses of transfer (including re-registering the assets and preparation of deeds, assignments, and other instruments of transfer or conveyance) to the successor trustee or custodian or the Depositor, as the case may be. In addition, the Custodian may retain a portion of the assets as a reserve for payment of any anticipated remaining fees and expenses. Upon satisfaction of such fees and expenses, the Custodian shall pay over any remainder of the reserve to the successor trustee or custodian or to the Depositor, as the case may be.
 - (c) The Depositor may, at any time, remove the Custodian and replace the Custodian with a successor trustee or custodian of the Depositor's choice by giving 30 days' notice of such removal and replacement. The Custodian shall then deliver the assets of the account as directed by the Depositor. However, the Custodian may retain a portion of the assets of Depositor's Account as a reserve for payment of any anticipated remaining fees and expenses and shall pay over any remainder of this reserve to the successor trustee or custodian upon satisfaction of such fees and expenses.
 - (d) Successor Custodian: If the Custodian's organization changes its name, reorganizes, merges with another organization (or comes under the control of any federal or state agency), or if Custodian's entire organization (or any portion which includes Depositor's Account) is bought by another organization, that organization

(or agency) shall automatically become the trustee or custodian of Depositor's Account, but only if it is the type of organization authorized to serve as a trustee or custodian as set forth in the Code and/or Regulations.

- (e) After the Depositor's Account with the Custodian is closed, if there are additional assets remaining in, or subsequently credited to, the Depositor's Account, the Custodian will endeavor to distribute or transfer such assets in accordance with the Depositor's prior direction, but after offsetting any applicable administrative expenses and custodial fees.
- (f) The Custodian may establish a policy requiring distribution of the entire balance of the Depositor's Account to the Depositor in cash or property if the balance of the Depositor's Account drops below the minimum balance required under the applicable investment or policy established.

10.08 Custodian's and Administrator's Fees and Expenses:

- (a) Depositor agrees, that by opening an account with Custodian, to pay all fees and charges that are made against Depositor's Account in accordance with the Fee Schedule provided and incorporated by reference herein. All fees are due upon presentment. If your Account is unfunded with zero value, Depositor understands that Depositor's Account will continue to incur fees until Depositor provides written notice to Custodian to close the account. Fees shall not be prorated, and the full amount will be due and payable for any year during which the Depositor's Account is open.
- (b) The Depositor agrees to pay the Custodian any and all fees specified in the Custodian's published fee schedule, as amended from time to time by the Custodian in accordance with this Agreement, for establishing and maintaining this Custodial Account, including any fees for distributions from, transfers to and/or from and terminations of this Custodial Account. The Custodian reserves the right to change its fee schedule at any time, in its sole discretion, by giving 30 days' prior notice to Depositor.
- (c) The Depositor agrees to pay any expenses incurred by the Custodian in the performance of its duties in connection with the account. Such expenses include, but are not limited to, administrative expenses, legal fees, accounting fees, regulatory fees and any taxes or assessments of any kind whatsoever that may be levied with respect to the Custodial Account.
- (d) All such fees, taxes, and other administrative expenses charged to the account shall be collected either from the assets in the Custodial Account or from any contributions to or distributions from such Custodial Account if not paid by the Depositor. The Depositor shall be responsible for any deficiency.
- (e) In the event that for any reason the Custodian is not certain as to who is entitled to receive all or part of the assets in the Custodial Account, the Custodian reserves the right to withhold any payment from the Custodial Account, to request a court ruling to determine the disposition of the Custodial assets, and to charge the Custodial Account for any expenses incurred in obtaining such legal determination.
- (f) The Custodian shall be entitled to receive, from the assets held in the Custodial Account, a fee equal in amount to all income that is generated from any Undirected Cash (defined as any cash in the Custodial Account not invested pursuant to a specific investment direction by the Depositor) which has been deposited by the Custodian into State and/or Federal banking institutions. Fees collected by the Custodian in accordance with this provision related to Undirected Cash in the Custodial Account are associated with cash management activities, including, but not limited to, account maintenance, depository bank selection, transaction processing, sub-accounting, record keeping, and other services performed under the terms of this Agreement. The Custodian retains the right, but does not have the obligation, to reduce this fee by rebating a portion of the fee into the Custodial Account. The Depositor agrees that this fee may be retained by the Custodian as compensation for the services provided by the Custodian under this Agreement. The Custodian may pay all or an agreed portion of this fee to the Administrator as agreed between the Custodian and the Administrator. The Custodian makes no representations or warranties as to the financial status of any depository bank or its ability to satisfy its obligations to the Depositor. The Custodian has sole discretion, without any further approval from the Depositor, as to which third party financial organizations to deposit the Depositor's Undirected Cash. The Depositor hereby indemnifies and agrees to hold such financial organization(s) harmless from following the directions received from the Custodian on the Depositor's behalf including, but not limited to, honoring checks drawn on the Depositor's portion of the pooled custodial accounts that are written by the Custodian and agrees that the duties and powers described herein that are exercised by the Custodian are ministerial in nature and will not operate to cause the Custodian to become a fiduciary with respect to the Depositor's account.
- (g) In addition to any portion of the fee collected by the Custodian as provided in Section 8.8(f), the Custodian shall be entitled to fees from the Depositor for account opening, asset purchases and sales, distributions, transfers, terminations, and annual administration of the Custodial Account, along with other miscellaneous fees, as disclosed in a fee schedule provided by the Custodian to the Depositor. If payment is not received within thirty (30) days from the due date reflected on an invoice, a past due notice will be sent to the Depositor and a late fee equal to (a) \$25.00 for every month or partial month that the invoice is outstanding or (b) the maximum late penalty permitted under the state law of South Dakota where the Custodian is organized, shall be assessed to the Custodial Account. Additionally, assets may be liquidated from the account, without further notice, for any outstanding fees which have not been paid within 30 days of the initial past due notice. If fees are not paid within thirty (30) days after the Custodian has provided the past due notice, the Custodian will begin the process of closing the Custodial Account. Any asset distributed directly to the Depositor as part of closing the Custodial Account will be reported to the IRS on Form 1099-R and may subject the Depositor to possible taxes and penalties. Accounts with past due fees, unfunded accounts, and accounts with zero value will continue to incur administration fees until such time as the Depositor notifies the Custodian (on a form prescribed by the Custodian) of the Depositor's intent to close the account and the Depositor's account is closed or until the Custodian resigns.

- 10.09 Age 70^{1/2} Default Provisions:** If the Depositor does not choose any of the distribution methods under Article IV of this Custodial Agreement by April 1st following the calendar year in which the Depositor reaches age 70^{1/2} (the "Beginning Date") distribution shall be determined based upon the distribution period in the uniform lifetime distribution period table in Regulation section 1.401(a)(9)-9. However, no payment will be made until the Depositor provides the Custodian with a proper distribution request acceptable to the Custodian. The Custodian reserves the right to require a minimum balance in the Depositor's Account in order to make periodic payments from the account. Upon receipt of such distribution request, the Depositor may switch to a joint life expectancy in determining the required minimum distribution if the Depositor's spouse was the sole beneficiary as of the January 1st of the distribution calendar year and such spouse is more than 10 years younger than the Depositor. Depositor's required minimum distribution is calculated using the uniform lifetime table in Regulations section 1.401(a)(9)-9. However, if the Depositor's spouse is the sole designated beneficiary and is more than 10 years younger than the Depositor, the required minimum distribution is calculated each year using the joint and last survivor table in Regulations section 1.401(a)(9)-9. The Custodian shall not be liable for any penalties or taxes related to the Depositor's failure to take a required minimum distribution or to the Depositor's receipt of an amount in excess of the required minimum distribution.

10.10 Death Benefit Default Provisions:

- (a) If the Depositor dies before the Depositor's required Beginning Date, and the beneficiary does not select a method of distribution described in Article IV, Section 4.03(b)(i) or (ii) by the December 31st following the year of the Depositor's death, distributions will be made pursuant to the single life expectancy of the Designated Beneficiary determined in accordance with IRS regulations. However, no payment will be made until the beneficiary provides the Custodian with a proper distribution request acceptable to the Custodian and other documentation that may be required by the Custodian. A beneficiary may at any time request a complete distribution of the Depositor's remaining interest in the Custodial Account. The Custodian reserves the right to require a minimum balance in the account in order to make periodic payments from the Custodial Account.
- (b) If the Depositor dies on or after the Depositor's required Beginning Date, as required by the Code, a distribution shall be made in accordance with Article IV, Section 4.03(a). However, no payment will be made until the beneficiary provides the Custodian with a proper distribution request acceptable to the Custodian and other documentation that may be required by the Custodian. A beneficiary may at any time request a complete distribution of the Depositor's remaining interest in the Custodial Account. The Custodian reserves the right to require a minimum balance in the account in order to make periodic payments from the Custodial Account.

- 10.11 Transitional Rule for Determining Required Minimum Distributions for Calendar Year 2002:** Unless the Custodian provides otherwise, if a

Depositor (or beneficiary) is subject to required minimum distributions for calendar year 2002, such individual may elect to apply the 1987 proposed regulations, the 2001 (or proposed) regulations, or the 2002 final regulations in determining the amount of the 2002 required minimum. However, the Custodian, in its sole discretion, reserves the right to perform any required minimum distribution calculations through its data systems or otherwise based upon any of the three sets of regulations delineated in the previous sentence.

10.12 **Designation of Beneficiary:**

- (a) Except as may be otherwise required by state law, in the event of the Depositor's death, the balance in the account shall be paid to the beneficiary, or beneficiaries, designated by the Depositor on a Beneficiary Designation Form acceptable to, and filed with, the Custodian. The Depositor may change the Depositor's beneficiary or beneficiaries at any time by filing a new Beneficiary Designation Form with the Custodian. If no beneficiary designation is in effect, if none of the named beneficiaries survive the Depositor or if the Custodian cannot locate any of the named beneficiaries after reasonable search, any balance in the account will be payable to the Depositor's estate.
- (b) If the Custodian permits, in the event of the Depositor's death, any beneficiary may name a subsequent beneficiary(ies) to receive the balance of the account to which such beneficiary is entitled upon the death of the original beneficiary by filing a Subsequent Beneficiary Designation Form acceptable to and filed with the Custodian. Payments to such subsequent beneficiary(ies) shall be distributed in accordance with the payment schedule applicable to the original beneficiary or more rapidly if the subsequent beneficiary requests. In no event, can any subsequent beneficiary be treated as a designated beneficiary of the Depositor. The preceding sentence shall not apply with respect to the subsequent beneficiary(ies), if any, designated by the original spouse beneficiary where the Depositor dies before the Depositor's required Beginning Date. In this case, the original spouse beneficiary is treated as the Depositor. If the balance of the account has not been completely distributed to the original beneficiary and such beneficiary has not named a subsequent beneficiary or no named subsequent beneficiary is living on the date of the original beneficiary's death, such balance shall be payable to the estate of the original beneficiary.

10.13 **Change of Designated Beneficiary:**

- (a) If elected in the Adoption Agreement, while the Designated Beneficiary is a minor or otherwise lacks legal capacity, the Responsible Individual may at any time change the Designated Beneficiary for this Coverdell ESA to any member of the family under the age of 30 of the original Designated Beneficiary or direct the Custodian to roll over or transfer the funds in this Coverdell ESA to a Coverdell ESA for any member of the family under the age of 30 of the original Designated Beneficiary. If elected in the Adoption Agreement, when the Designated Beneficiary has legal capacity, the Designated Beneficiary may at any time change the Designated Beneficiary for this Coverdell ESA to any member of the family under the age of 30 of the original Designated Beneficiary or direct the Custodian to roll over or transfer the funds in this Coverdell ESA to a Coverdell ESA for any member of the family under the age of 30 of the original Designated Beneficiary.
- (b) Any change of Designated Beneficiary under this Coverdell ESA agreement shall not be treated as a distribution, if the new Designated Beneficiary is a Member of the Family (as defined under section 10.10) and such new Designated Beneficiary has not attained the age of 30, as of the date of such change.
- (c) Notwithstanding Section 3.01, a new Designated Beneficiary may be named within 30 days after the Designated Beneficiary attains the age of 30.

10.14 **Designated Beneficiary's Minority or Incapacity:** The following provisions apply while the Designated Beneficiary is a minor or lacks legal capacity:

- (a) The Responsible Individual shall have, to the exclusion of the Designated Beneficiary, all of the rights, powers, and responsibilities granted to the Designated Beneficiary under this Custodial Agreement, including, without limitation, the right to receive accountings and notices of amendment and resignation, the power to remove and replace the Custodian, the power to direct investments, the power to request withdrawals, distributions, and payments, and the power to direct a rollover or transfer to the trustee or custodian of a Coverdell ESA for the Designated Beneficiary or another member of the family of the Designated Beneficiary.
- (b) In the event the Responsible Individual dies, becomes disabled, or otherwise fails or refuses to act and no successor Responsible Individual has been appointed, or no duly appointed Responsible Individual is willing or able to serve, then a parent of the Designated Beneficiary or the legal guardian or conservator of the estate of the Designated Beneficiary may appoint a Responsible Individual in writing on a form acceptable to and filed with the Custodian.

10.15 Member of the Family: The term "member of the family of the Designated Beneficiary" includes the Designated Beneficiary's: spouse, children, grandchildren, sibling, parent, niece or nephew, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law; and spouses of the foregoing. A first cousin, but not his or her spouse, is also a family member.

10.16 Designated Death Beneficiary: In accordance with Article 3.02 of this Agreement and if permitted by the Custodian, the Depositor, Designated Beneficiary or Responsible Individual shall have the right to name a Designated Death Beneficiary(ies) on a form provided by and acceptable to the Custodian. In the event of the Designated Beneficiary's death, such Designated Death Beneficiary(ies) shall be entitled to the remaining interest in the account. If any such Designated Death Beneficiary is not a member of the family (as defined in Article 10.10 of this Agreement), the remaining balance in the account shall be distributed to the Designated Death Beneficiary within 30 days of the death of the Designated Beneficiary. If any such Designated Death Beneficiary is a member of the family (as defined in Article 10.10 of this Agreement), the remaining balance in the account shall become the Coverdell ESA of the Designated Death Beneficiary. If no death beneficiary designation is in effect or if none of the Death Beneficiaries survive the Designated Beneficiary, the remaining balance will be paid to the estate of the Designated Beneficiary.

(c)

10.17 Terms and Conditions of Designating a Representative: The Depositor understands that the Custodian may permit, but shall not be required to accept, the appointment by the Depositor of a designated representative ("Representative") on the Custodial Account by completing a Representative Designation form acceptable to the Custodian. The Depositor understands that if the Depositor appoints a Representative, such Representative cannot be an individual or firm in which the Depositor's Custodial Account has invested or has an interest. The Depositor understands that it is the Depositor's responsibility to ensure that the Representative is independent of, and in no way connected with the investments held in the Depositor's Custodial Account and/or is not a "Disqualified Person," as defined in section 4975 of the Internal Revenue Code. The Custodian shall not be responsible for determining the relationship between the Depositor's Representative and the Custodial Account. It is the Depositor's responsibility to communicate all trade and/or investment instructions to the Depositor's Representative and all instructions received by the Custodian from the Depositor's Representative (including Representative's agents, employees and/or broker dealer) shall be assumed by Custodian to have been authorized by the Depositor. The Depositor understands that the Depositor may change or remove a Representative at any time by communicating in writing to the Custodian the Depositor's desire to remove such Representative. The Depositor understands that all instructions received from the Depositor's Representative, prior to receipt by the Custodian of the Depositor's written request for the removal of the then designated Representative are deemed authorized by the Depositor and will be executed by Custodian. Custodian has no responsibility to make and has made no investigation or recommendation with respect to the Depositor's Representative and will not compensate any Representative, except as specifically instructed by the Depositor. The Depositor understands and agrees that such Representative is not in any way an agent, employee, representative, or affiliate of the Custodian. The Depositor acknowledges and agrees that the Custodian shall not be responsible for, nor bound by any representations, warranties, statements, or agreements made by any such Representative beyond the terms and provisions contained in this Agreement. The Depositor further understands

that the Custodian has not made and will not make any recommendation or investigation with respect to the Depositor's Representative. Furthermore, the Custodian shall not compensate any of the Depositor's Designated Representative, or any other financial representative, broker, advisor, or issuer in any manner. The Depositor agrees to indemnify and hold harmless, the Custodian for any loss arising from and/or related to the appointment by the Depositor of any Representative and/or which may result from any action or inaction it takes in accordance with any written instructions received from the Depositor's Representative on behalf of the Depositor's Account.

Article XI SELF-DIRECTED IRA PROVISIONS

11.01 Investments, Transfers and Withdrawals of Assets in the Custodial Account:

- (a) **Depositor's Account is "Self-Directed"** What does "Self-Directed" mean? Self-Directed means Depositor, as the Holder of the Custodial Account, is solely responsible for the investment of all assets within Depositor's Account by giving Custodian directives to take any action on behalf of the Custodial Account. That means Depositor is responsible for the selection, management, monitoring and retention of all investments held within Depositor's Account. The investments Depositor selects may involve a high degree of risk, and the Custodian will provide no investment advice nor make any investigation or determination as to the prudence, viability, suitability, legality, or safety of the investments that Depositor selects. The assets selected for investment are solely Depositor's responsibility. This requires that Depositor assures themselves of the financial soundness and appropriateness of the investment for Depositor's Account and retirement objectives and Depositor should have all investments reviewed by a competent legal, tax, and/or financial advisor.
- (b) **The Depositor shall have exclusive responsibility for, and control over, any and all investment of the assets of the Depositor's Custodial Account.** All transactions shall be subject to any and all restrictions or limitations, direct or indirect, which are imposed by the Custodian's charter, articles of incorporation, or bylaws; any and all applicable federal and state laws and regulations; the rules, regulations, customs and usages of any exchange, market or clearing house where the transaction is executed; the Custodian's internal policies, standards and practices; and this Agreement. After the Depositor's death, Depositor's beneficiary(ies) shall have the right to direct the investment of the Depositor's Custodial Account assets, subject to the same conditions that applied to the Depositor in the Depositor's lifetime under this Agreement. The Custodian shall be under no obligation to and will not exercise the voting rights and other shareholder rights with respect to investments in the Depositor's account unless the Depositor provides timely written directions acceptable to the Custodian in accordance with the Custodian's then current policies and procedures. The Depositor shall select the type of investment for the Depositor's assets, provided, however, that the Depositor's selection of investments shall be limited to those types of investments that the Custodian is authorized by its charter, articles of incorporation, or bylaws to offer and comply with the Custodian's internal policies, practices, and standards and are deemed administratively feasible by the Custodian. Cash balances in the Depositor's account, for which no investment instructions have been received, shall be placed in one or more state or federal banking institutions.
- (c) **Responsibility for determining eligibility and tax consequences:** Depositor assumes complete responsibility for 1) determining that Depositor is eligible to make a contribution to Depositor's Account; 2) ensuring that all contributions Depositor makes are within the limits set forth by the relevant sections of the Internal Revenue Code; and 3) the tax consequences of any contribution (including a rollover contribution) and distributions.
- (d) **Custodian Acting in Passive Capacity Only.**
- i. **The Custodian is acting solely as a passive custodian** to hold the Depositor's assets and the Custodian shall have no discretion to direct any investment in the Depositor's Custodial Account. Accordingly, the **Custodian is not a fiduciary (as said term is defined in the Internal Revenue Code, The Employee Retirement Income Security Act of 1974 ("ERISA"), or any other applicable federal, state or local laws)** with respect to the Depositor's Custodial Account. However, through the Custodian's affiliates, the Custodian may receive a commission in connection with the unsolicited purchase or sale of publicly-traded securities.
 - ii. The Custodian shall bear no responsibility to review the prudence, merits, viability or suitability of any investment directed by Depositor and/or Depositor's agent(s) or to determine whether the investment is suitable for the Depositor or acceptable under ERISA, the Internal Revenue Code or any other applicable law. The Custodian shall not offer any investment advice, nor endorse any investment, investment product or investment strategy; and the Custodian does not endorse any investment advisor, representative, broker, or other party selected by the Depositor. The Custodian shall have no responsibility to question any investment directions given by the Depositor and/or by any representative/agent appointed by the Depositor.
 - iii. It is the Depositor's sole responsibility to perform any and all prudent due diligence with regard to any such representative, investment advisor, broker or other party. The Custodian will follow the directions of any such investment advisor, representative, broker or other party authorized by the Depositor in a manner acceptable to the Custodian, and the Custodian will be entitled to all the same protections and indemnities in our reliance upon and execution of the directives of such agent or other party as if such directives were given by the Depositor.
 - iv. The Custodian shall be under no obligation or duty to investigate, analyze, monitor, verify title to, or otherwise evaluate or perform due diligence for any investment directed by the Depositor and/or the Depositor's investment advisor, representative or agent; nor shall the Custodian be responsible to notify the Depositor or take any action should there be any default with regard to any investment.
 - v. Any review performed by the Custodian with respect to an investment shall be solely for the Custodian's own purposes of determining compliance with our internal policies, practices and standards, as are determine from time to time and the administrative feasibility of the investment and neither such review nor its acceptance should be construed in any way as an endorsement of any investment, investment company or investment strategy. The Custodian also has the right to refuse any transaction/investment which the Custodian deems, in its sole discretion, to be beyond the scope of the Custodian's administrative responsibilities, capabilities or expertise or that the Custodian determines in its sole discretion does not comport with the Custodian's internal policies, practices or standards.
 - vi. The Custodian shall have no duty or obligation to notify you with respect to any information, knowledge, irregularities or our concerns relating to the Depositor's investment or the Depositor's investment advisor, broker, agent, promoter, or representative, and any failure to do so shall not result in any liability as the Custodian.
 - vii. The Custodian will use reasonable efforts to acquire or sell investments in accordance with the Depositor's directions within a reasonable period of time after the Custodian has received an acceptable investment direction and the Custodian will make reasonable efforts to notify the Depositor if the Custodian is unable or unwilling to comply with an investment direction. Subject to the foregoing, the Custodian shall remit funds as directed, but has no responsibility to verify or assure that such funds have been invested to purchase or acquire the asset selected by the Depositor.
 - viii. The Custodian reserves the right to refuse to follow any investment direction made by the Depositor that the Custodian determines may be a violation of any Federal or State Law.
- (e) **Investment Documentation.** Any direction from the Depositor, the Depositor's agent and/or Designated Representative to the Custodian with respect to any investment, withdrawal and/or transfer of an asset from the Depositor's Custodial Account, shall be in writing on a form acceptable to the Custodian ("Direction of Investment"). The **Custodian may remit funding for the Depositor's investment upon receipt of such Direction of Investment, without regard to any supporting documentation.** The Custodian shall be fully protected in acting upon any instrument, certificate, paper or transmission believed to be genuine and to be signed or presented by the proper person or persons whether or not by facsimile or other form acceptable to the Custodian, and the Custodian shall be under no duty to make any investigation or inquiry as to any statement contained in any such communication, but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained. The Depositor authorizes and directs the Custodian to execute and deliver, on behalf of the Depositor's Custodial Account, any and

all documents delivered to the Custodian in connection with the Depositor's investments; although the Custodian shall have no duty to deliver such documents and the Custodian shall have no responsibility to verify or determine that any such documents are complete, accurate or constitute the documents necessary to comply with the Depositor's Investment Direction, unless said directions from the Depositor comply with the requirements of this Agreement. Depositor authorizes and directs the Custodian to correct scrivener errors in investment titling and other minor clerical errors with telephone or email consent from the Depositor, the Depositor's agent and/or Designated Representative upon verification of the Depositor, Depositor's agent and/or Designated Representative's identity.

- (f) **Deposit Investments.** The deposit investments available through the Custodian may include, but are not limited to, marketable securities traded on a recognized exchange or "over the counter" (excluding any securities issued by the Custodian), covered call options, certificates of deposit, real estate, deeds of trust, mortgages, unsecured notes, limited partnerships, limited liability companies, private stock, other private placement offerings, and other investments to which the Custodian consents. Any cash in the Depositor's Custodial Account shall be invested in accordance with the instructions of the Depositor, or the Depositor's designated representative, subject to the other terms of this Custodial Agreement. If the Depositor does not instruct the Custodian with regard to any Undirected Cash, such cash will be deposited pursuant to paragraph 10.8(f). The Depositor may direct the Custodian to transfer any un-invested funds to an institution of the Depositor's choice at any time.
- (g) **Any Request for a withdrawal or transfer must include the following:** 1) the method of distribution, and 2) the tax identification number of the recipient. Withdrawals and transfers shall be subject to all applicable tax and other laws and regulations, including possible early withdrawal penalties or surrender charges and withholding requirements. The Depositor acknowledges that a distribution of a non-traditional asset, such as real estate, requires an appraisal prior to distribution and all associated fees shall be the sole responsibility of the Depositor. **For those custodial assets where fair market value is not readily ascertainable, the Depositor agrees that the Depositor will provide to the Custodian a qualified independent appraisal of the asset. If the Depositor does not provide such an appraisal, we may report the asset's value at its last known fair market value or at its acquisition cost.** The Custodian reserves the right to reject any withdrawal and/or transfer request it may deem, in its sole discretion, not an appropriate withdrawal and/or transfer and to apply to a court of competent jurisdiction to make a determination with respect to the proper party eligible to receive a distribution from the account. All fees and/or costs, including all reasonable attorney fees incurred by the Custodian associated with an application to the court for a determination distribution subject to a request for withdrawal and/or transfer shall be the responsibility of the Depositor and may be collected by the Custodian from the assets of the Depositor's Account.
- (h) **Payment Instructions** Depositor agrees to furnish payment instructions to the Custodian regarding any invoice, assessment, fee or any other disbursement notification received the Custodian on behalf of Depositor's investments, and Depositor understands that the Custodian has no duty or responsibility to disburse any payment until such instructions are received from Depositor and/or Depositor's Designated Representative. Written direction shall include signature by facsimile or by electronic signature.
- (i) **Investment Funding Requirements** Depositor understands and agrees that Depositor cannot make investments without having available liquid funds in Depositor's Account. In addition, if any investment contains provisions for future contractual payments or assessments, (including margin calls), Depositor acknowledges and agrees that such payments or assessments shall be borne solely by Depositor's Account to the extent such payment is authorized by Depositor and/or Depositor's Designated Representative and may reduce or exhaust the value of Depositor's Account. Depositor further agrees to indemnify the Custodian for any and all payments or assessments which may be imposed as a result of holding the investment within Depositor's Account, and Depositor agrees that the Custodian shall be under no obligation to extend credit to Depositor's Account or otherwise disburse payment beyond the cash balance of Depositor's Account for any payment or assessment related to the investment. Depositor agrees that Depositor is solely responsible for verifying that any bills to be paid from Depositor's Account, and accompanying payment instructions, have been received by the Custodian. Depositor further agrees that the Custodian shall not be responsible for late fees assessed by any third party where Depositor has not verified that payment instructions have been received, or where the receipt of instructions or documentations has been delayed
- (j) **Investment Funds Availability** Any funds received into Depositor's Account which are made by check may be subject to an eleven (11) business day clearing period before funds are available to invest. ALL NEW ACCOUNTS are subject to a seven (7) calendar day waiting period before any funds can be invested.

11.02 Investment Contributions:

- (a) At the direction of the Depositor (or the direction of the beneficiary upon the Depositor's death), and in accordance with the Custodian's obligations under this Agreement, the Custodian shall invest all contributions to the Custodial Account, and earnings thereon, in investments that are acceptable to the Custodian, and that are considered administratively feasible by the Custodian, which may include, but are not limited to, marketable securities traded on a recognized exchange or "over the counter" (excluding any securities issued by the Custodian), covered call options, certificates of deposit, real estate, deeds of trust, mortgages, unsecured notes, limited partnerships, limited liability companies, private stock, other private placement offerings, and other investments to which the Custodian consents, in such amounts as are specifically selected and specified by the Depositor in a Direction of Investment, without any duty to diversify and without regard to whether such property is authorized by the laws of any jurisdiction as a trust investment. The Custodian shall be responsible for the execution of such orders and for maintaining adequate records thereof. However, if any such orders are not received as required, or, if received, are unclear in the opinion of the Custodian, or if there is insufficient Undirected Cash in the Custodial Account to comply with such orders, all or a portion of the contribution may be held un-invested without liability to Custodian for loss of income or appreciation, and without liability to Custodian for interest pending receipt of such orders or clarification, or the contribution may be returned to the Depositor. The Custodian shall have no duty other than to follow the written investment directions of the Depositor and shall be under no duty to question said instructions and shall not be liable for any investment losses sustained by the Depositor under any circumstances.
- (b) The Depositor hereby acknowledges and agrees that the Custodian will deposit all Undirected Cash in the Custodial Account into pooled deposit accounts at one or more State and Federal banking institutions or in United States government securities pending further investment direction by the Depositor. All income generated by Undirected Cash in the Custodian's pooled deposit accounts shall be retained by the Custodian as fees, as described in paragraph 10.8(e) above. The Depositor authorizes the Custodian to transfer any Undirected Cash in the Custodial Account into any State and Federal banking institution or in United States government securities or in securities that are insured or guaranteed by the United States government without any further approval or direction by the Depositor.
- (c) **Non-FDIC Insurance for Investments:** Depositor recognizes that investments purchased and/or held within Depositor's Account: 1) are not insured by the Federal Deposit Insurance Corporation (FDIC); 2) are not a deposit or other obligation of, or guaranteed by, the Custodian; and 3) are subject to substantial risk, may lack liquidity, and may result in a total loss of the investment. You acknowledge and confirm that all risk and loss sustained in your Retirement Account will not affect your retirement income standard; and if a mandatory distribution arises, that Depositor will meet any mandatory distribution requirements by utilizing Depositor's Account and/or other retirement accounts.

- 11.03 **Indemnification:** The Custodian shall have no duty other than to follow the written instructions of the Depositor, the Depositor's agents, investment advisors and/or Designated Beneficiaries, and shall be under no duty to question said instructions and shall not be liable for any investment losses sustained by the Depositor under any circumstances. By performing services under this Agreement, the Custodian is acting as the agent of the Depositor, and nothing in this Agreement shall be construed as conferring fiduciary status on the Custodian. The Depositor agrees to release, defend, indemnify and hold harmless the Custodian from any and all liability, claims, damages, actions, costs, expenses (including, without limitation, all reasonable attorneys' fees) arising from or related to the Custodial Agreement and/or Custodial Account, including but not limited to, losses to the Depositor and/or to the Depositor's beneficiary(ies) as a result of any action taken (or omitted to be taken) pursuant to and/or in connection with any investment transaction directed by the Depositor, the Depositor's agents, investment advisors and/or Designated Beneficiaries, including, without limitation, claims, damages, liability, actions and losses asserted by the Depositor or the Depositor's beneficiary(ies). The Depositor agrees to reimburse and/or advance to us, on demand, all legal fees, expenses, costs, fines, penalties and obligations incurred or to be incurred in connection with the defense, contest, prosecution or satisfaction of any claim made, threatened or asserted pertaining to any investment or action the Depositor, or the Depositor's agent, directed through the Custodian, including, without limitation, claims asserted by the Depositor, any state or federal regulatory authority or self-regulatory organization. In the event of claims by others related to the Depositor's account and/or investment wherein the Custodian is named as a party, the Custodian shall have the full and unequivocal right, at their sole discretion, to select their own attorneys to represent them in such litigation and deduct from the Depositor's account any amounts to pay for any costs and expenses, including, but not limited to, all reasonable attorneys' fees, and costs and internal costs (collectively "Litigation Costs"), incurred by the Custodian in the defense of such claims and/or litigation. The Custodian shall have the full and unequivocal right to freeze the Depositor's account, liquidate the Depositor's assets, and/or initiate legal action in order to obtain the Custodian's Litigation Costs. The Depositor also understands and agrees that the Custodian will not be responsible to take any action should there be any default with regard to any investment directed by the Depositor. The Depositor understands that no one at the Custodian has authority to agree to anything different than the Depositor's foregoing understandings of the Custodian's policy. No changes to the Custodian's policy are effective unless made in accordance with the terms of this Agreement. The term Custodian includes New Vision Trust Company, a State Chartered South Dakota Trust Company, its agents, assigns, nominees, delegates, joint ventures and/or affiliates including, but not limited to American, IRA, LLC a North Carolina limited liability Company, its affiliates and/or assigns.
- 11.04 **Registration:** All assets of the Custodial Account shall be registered in the name of the Custodian or of a suitable nominee. The Custodian reserves the right to appoint a nominee for the purposes of holding title to assets of the Custodial Account. The same nominee of the Custodian, with respect to the holding of assets of other investors, whether held under agreements similar to this one or in any capacity whatsoever; and the Custodian may commingle the assets so held to the extent permitted by law. However, the Custodial Account and each other account or asset so held shall each be separate and distinct; a separate account therefore shall be maintained by the Custodian (or by the nominee on behalf of the Custodian). The assets of the Custodial Account may be held by the Custodian in individual or bulk segregation either in the Custodian's vaults or vaults of the Custodian's agent or through brokerage accounts of entities permitted to hold assets of the applicable type under the Securities Exchange Act of 1934 or the Commodities Exchange Act.
- 11.05 **Investment Advisor:** The Depositor may appoint an Investment Advisor, qualified under Section 3(38) of the Employee Retirement Income Security Act of 1974, to direct the investment of the Custodial Account or any specified portion of the Custodial Account. The Depositor shall notify the Custodian in writing of any such appointment by providing the Custodian a copy of the instruments appointing the Investment Advisor and evidencing the Investment Advisor's acceptance of such appointment, an acknowledgment by the Investment Advisor that it is a fiduciary of the account, and a certificate evidencing the Investment Advisor's current registration under the Investment Advisor's Act of 1940. The Custodian shall comply with any investment directions furnished to it by the Investment Advisor, unless and until it receives written notification from the Depositor that the Investment Advisor's appointment has been terminated. The Custodian shall have no duty other than to follow the written investment directions of such Investment Advisor and shall be under no duty to question said instructions, and the Custodian shall not be liable for any investment losses sustained by the Depositor as a result of following the written investment directions of the Depositor's Investment Advisor.
- 11.06 **No Investment Advice:** The Depositor acknowledges and agrees that the Custodian does not provide or assume responsibility for any tax, legal or investment advice with respect to the investments and assets in the Custodial Account and shall not be liable for any loss which results from the Depositor's exercise of control over the Custodial Account. The Depositor further understands and agrees that the Custodian neither sells or endorses any investment products. If the services of the Custodian were marketed, suggested or otherwise recommended by any person or entity, such as a financial representative or investment promoter, the Depositor understands that such promoters and/or marketers are not in any way agents, employees, representatives, affiliates, partners, independent contractors, consultants, or subsidiaries of the Custodian, and that the Custodian is not responsible for and are not bound by any statements, representations, warranties or agreements made by any such promoter, marketer or entity. The Depositor agrees to consult with the Depositor's own CPA, attorney, financial planner and/or any other professionals the Depositor deems necessary or advisable, prior to directing the Custodian to make any investment in the Depositor's account. The Depositor and the Depositor's beneficiary(ies) release, indemnify and agree to hold the Custodian harmless in the event that any investment or sale of the assets in the Custodial Account, pursuant to a direction by the Depositor or the Depositor's Investment Advisor, violates any federal or state law or regulation or otherwise results in a disqualification, penalty, tax or fine imposed upon the Custodian, the Administrator, the Depositor or the Custodial Account.
- 11.07 **Alternative Investments:** The Depositor may, at the Depositor's discretion, direct the Custodian to purchase "alternative" investments which shall include, but not be limited to, investments which are individually negotiated by the Depositor and/or the Depositor's agent, or part of a private placement of securities offered in reliance upon exemptions provided by Sections 3(B) and 4(2) of the Securities Act of 1933 and Regulation D promulgated thereunder. It is the Depositor's sole responsibility to determine whether or not the Depositor's selected investment(s) is required to be registered as a security with any applicable federal and/or state regulatory authority. The Custodian reserves the right to not follow such direction or process such investment(s) for administrative reasons. Such action should not be construed as investment advice or an opinion by the Custodian as to the investment's prudence or viability. If the Depositor or the Depositor's agent should direct the Custodian to purchase an alternative investment, as defined above, the following special certifications and provisions shall apply:
- a) The Depositor agrees to submit or cause to be submitted all offering documentation related to the alternative investment for an administrative review by the Custodian, if so requested. The Custodian reserves the right to charge a reasonable fee for such administrative review.
 - b) If the alternative investment(s) contains a provision for future contractual payments or assessments, including margin calls, the Depositor acknowledges that such payments shall be borne solely by the Depositor's Account, that authorization to make such payments shall come from the Depositor or the Depositor's agent, and that making such payments may reduce or exhaust the value of the Depositor's Account. The Depositor further agrees to maintain sufficient liquid funds in the Depositor's Account to cover any such payments or assessments and agrees that the Custodian is not responsible for monitoring the balance of the account to verify compliance with this Section.
 - c) If the alternative investment(s) contain administrative and/or management requirements or duties beyond the Custodian's capabilities or expertise to provide, then the Depositor agrees to seek out suitable agents or counsel necessary to perform such duties and deliver a written service agreement acceptable to the Custodian for execution on behalf of the Depositor's Account.
 - d) If the Depositor directs the Custodian to enter into an individually-negotiated debt instrument, including a promissory note, deed of trust, real estate contract, mortgage note or debenture, the Custodian strongly encourages the Depositor to retain the services of a third-party Note Servicing Agent

Agreement with a third-party Agent, on a form acceptable to the Custodian. Said Note Servicing Agent shall be the Depositor's agent and not the Custodian's agent and shall be responsible for administering the terms of the debt instrument on behalf of the Depositor's Account. Should the Note Servicing Agent ever become unwilling or unable to perform the duties outlined in the Note Servicing Agent Agreement, then the Depositor understands and agrees that all duties of the Note Servicing Agent shall revert to the Depositor until a successor Agent is named. The Custodian will not act as a Note Servicing Agent, i.e., the Custodian does not monitor the Depositor's account to ensure receipt of note payments, notify the Depositor in the event of default, prepare or compute payoff balances, prepare or file Form 1098, etc.

- e) The Custodian is responsible for safekeeping only those documents which the Depositor or the Depositor's agent deliver to the Custodian.
- f) The Depositor agrees to be responsible for any and all collection actions, including contracting with a collection agency or instituting legal action, and bring any other suits or actions which may become necessary to protect the rights of the account as a result of the operation or administration of the investment(s).
- g) Once the Depositor or the Depositor's agent authorize funds to be distributed from the Depositor's account for purposes of investment, the Depositor agrees to be responsible for the following:
 - i. verifying that the individual or investment company that the Depositor selected placed the Depositor's funds into the proper investment;
 - ii. obtaining the necessary documentation from the individual or investment company to verify that the funds are correctly invested, including, but not limited to, shares or units, proper recordation, loan to value ratio, etc.; and
 - iii. sending the original documentation evidencing the investment to the Custodian or, in the case of a promissory note investment, to a third-party servicing agent. The Custodian will not monitor the account to ensure receipt of such documentation and will rely solely on the Depositor to provide this information.

11.08 **Prohibited Transactions:** The Depositor acknowledges and agrees that the Custodial Account is subject to the provisions of section 4975 of the Code which defines certain prohibited transactions. The Depositor acknowledges and agrees that the Custodian shall make no determination as to whether any transaction or investment in the Custodial Account is prohibited under sections 4975, 408(e) or 408A of the Code, or under any other state or federal law. The Depositor understands that should the Custodial Account engage in a prohibited transaction and depending on the type of prohibited transaction, certain assets of the Custodial Account will be deemed to have been distributed and will be subject to taxes as well as possible penalties. The Depositor agrees that the Depositor will consult with a tax and/or legal professional of the Depositor's choice to ensure that none of the investments in the Custodial Account will constitute a prohibited transaction and that the investments in the Custodial Account comply with all applicable federal and state laws, and/or regulations. The Custodian shall bear no responsibility for determining any investment directed by the Depositor is compliant with any applicable regulations, federal, state and/or local laws. The Depositor understands and acknowledges that the Plan can lose its exemption from federal income tax if the Depositor and/or the Depositor's beneficiary engages in a "Prohibited Transaction." If any other "Disqualified Person" engages in a Prohibited Transaction with The Plan, the Disqualified Person will be subject to an excise tax equal to 15% of the amount involved each year until the transaction is corrected.

A Disqualified Person may be any of the following:

- (a) The Depositor, (as the owner of the plan);
- (b) A member of the Depositor's family (i.e., the Depositor's spouse, ancestors, lineal descendants and their spouses);
- (c) The Custodian of the plan;
- (d) Any person providing services or is a fiduciary to the plan;
- (e) Any corporation, partnership, trust, or estate in which the Depositor owns (either directly or indirectly) 50% or more; and/or
- (f) An officer, director, shareholder holding 10% or more, or highly compensated employee of the 50% or more owned entity described above.

The above list is for reference purposes only and the Depositor acknowledges and agrees to review IRS Code Section 4975(e) for the complete definition of "Disqualified Person."

The term Prohibited Transaction means any direct or indirect:

- (a) sale or exchange, or leasing, of any property between a plan and a Disqualified Person;
- (b) lending of money or other extension of credit between a plan and a Disqualified Person;
- (c) furnishing of goods, services, or facilities between a plan and a Disqualified Person;
- (d) transfer to, or use by or for the benefit of, a Disqualified Person of the income or assets of a plan;
- (e) act by a Disqualified Person who is a fiduciary whereby he deals with the income or assets of a plan in his own interest or for his own account; or
- (f) receipt of any consideration for his own personal account by any Disqualified Person who is a fiduciary from any party dealing with the plan in connection with a transaction involving the income or assets of the plan.

The above list is for reference purposes only and the Depositor acknowledges and agrees to review IRS Code Section 4975(c) for the complete definition of "Prohibited Transaction."

If the Custodial Account loses its tax exemption because of a prohibited transaction, the fair market value of the Custodial Account assets (net of any nondeductible contributions remaining in the Custodial Account) as of the first day of the year of the transaction must be included in the Depositor's gross income for the taxable year in which the loss of exemption occurs. If this takes place before the Depositor has attained age 59½, the Depositor will also be subject to the 10% premature distribution penalty tax on the amount so included in gross income unless there is an applicable exception. If the Depositor pledges any part of The Plan as security for a loan, the part so pledged will be treated as a distribution in the taxable year in which the pledging occurs and will be taxed accordingly.

11.09 **Unrelated Business Income Tax:** The Depositor acknowledges and agrees that the Custodial Account is subject to the provisions of Internal Revenue Code Sections 511-514 relating to Unrelated Business Taxable Income (UBTI) of tax-exempt organizations. If the Depositor directs the Custodian to make an investment in the Custodial Account which generates UBTI, the Depositor agrees to prepare or have prepared the required IRS Form 990-T tax return, an application for an Employer Identification Number (EIN) for the Custodial Account (if not previously obtained), and any other documents that may be required, and to submit them to the Custodian for filing with the Internal Revenue Service at least ten (10) days prior to the date on which the return is due, along with an appropriate directive authorizing the Custodian to execute the forms on behalf of the Custodial Account and to pay the applicable tax from the assets in the Custodial Account. The Depositor understands and acknowledges that the Custodian will not make any determination of whether or not investments in the Custodial Account generate UBTI; has no duty to and does not monitor whether or not the Custodial Account has incurred UBTI; and does not prepare Form 990-T on behalf of the Custodial Account.

11.10 **Disclosures and Voting:** The Custodian, where requested by the Depositor in writing, shall deliver, or cause to be executed and delivered, to the Depositor all notices, prospectuses, financial statements, proxies and proxy soliciting materials relating to assets credited to the account. The Custodian shall not vote any shares of

stock or take any other action, pursuant to such documents, with respect to such assets except upon receipt from the Depositor to the Custodian of written instructions acceptable to the Custodian. Nothing in this provision releases Depositor of Depositor's obligation to monitor any and all assets in Depositor's Account, and Depositor does hereby agree to release, defend, indemnify and hold harmless the Custodian from any and all liability, claims, damages, actions, costs, expenses (including, without limitation, all reasonable attorneys' fees) arising from or related to the delivery of documents by Custodian under this paragraph of the Agreement.

- 11.11 **Miscellaneous Expenses:** In addition to those expenses set out in Article X, section 10.8 of this Agreement, the Depositor agrees to pay any and all expenses incurred by the Custodian in connection with the Custodial Account, including expenses of preparation and filing any returns and reports with regard to UBTI, including taxes and estimated taxes, as well as any transfer taxes incurred in connection with the investment or reinvestment of the assets of the Custodial Account. The Custodian, in its sole discretion, and at the Depositor's expense, may request a taxpayer identification number for the Custodial Account, file any returns, reports, and applications for extension, and pay any taxes or estimated taxes owed with respect to the Custodial Account. The Custodian may retain suitable accountants, attorneys, or other agents to assist it in performing such responsibilities.
- 11.12 **Valuations:** The assets in the Custodial Account shall be valued annually at the end of each calendar year in accordance with Section 408(i) and other guidance provided by the IRS, and that the total value of Depositor's Account will be reported to the IRS on Form 5498 each year. However, the Custodian retains the right to value the assets in the Custodial Account more frequently. In valuing the assets of the Custodial Account for record keeping and government reporting purposes, the Custodian will ascertain the fair market value of each investment, where such valuation is readily ascertainable, through utilizing various third-party pricing sources and designated valuation agents. However, the Custodian does not guarantee the accuracy of prices obtained from these sources. Where assets are illiquid, or their value is not readily ascertainable on either an established exchange or generally recognized market, the valuation is by necessity not a true market value and is merely an estimate of value, and the Depositor agrees not to rely on any such valuation for any other purposes. The Depositor agrees to provide the year end value of any illiquid and/or non-publicly traded investments, which may include without limitation limited partnerships, limited liability companies, privately held stock, real estate investment trusts, hedge funds, real estate, secured and unsecured promissory notes, and any other investments as the Custodian shall designate, by no later than the following January 31st. If the Custodian does not receive a current year end fair market value by the following January 31st for any such investment, the Custodian may, within its sole discretion take appropriate actions to receive the fair market value from an independent third party that specializes in valuations, paying the cost of such valuation from the liquid assets held in the Custodial Account, or in the alternative after having first received the cost of the valuation from the Depositor or the Depositor's beneficiary(ies) if liquid investments in the Custodial Account are otherwise insufficient. Unless the Custodian has received a written fair market valuation to the contrary, promissory notes and privately offered corporate debt will have valuations reflected at the face value shown on the original note or debt instrument, or if the note is subject to an amortization schedule and the amortization schedule has been provided to the Custodian by the Depositor, valuation may be shown at the principal amount shown on the amortization schedule as of the end of the previous year. For those custodial assets where fair market value is not readily ascertainable, the Depositor agrees that the Depositor will provide to the Custodian a qualified independent appraisal of the asset. If the Depositor does not provide such an appraisal, the Custodian may report the asset's value at its last known fair market value or at its acquisition cost. The Depositor shall have no recourse against the Custodian for any damages arising from and/or related to such valuation. The Depositor, and upon the Depositor's death, the Depositor's beneficiary(ies), agree to indemnify and hold harmless the Custodian from any and all losses, expenses, settlements, or claims with regard to investment decisions, distribution values, tax reporting or any other financial impact or consequence arising from or arising from the valuation of assets in the Custodial Account.
- 11.13 **Insurance, Tax and Other Payments:** The Depositor bears sole responsibility for obtaining insurance coverage for the assets in the Custodial Account. The Custodian shall not bear or assume any responsibility to notify the Depositor or to secure or maintain any fire, casualty, liability or other insurance coverage, including but not limited to title insurance coverage, on any real or personal property owned in the Custodial Account or on any property which serves as collateral under any mortgage, deed of trust, or other security instrument with respect to any promissory note or other evidence of indebtedness in the Custodial Account. The Depositor acknowledges and agrees that it is the sole responsibility of the Depositor to decide what insurance is necessary or appropriate for any investment in the Custodial Account, and to direct the Custodian in writing (on a form acceptable to the Custodian) to pay the premiums for any such insurance. The Custodian shall not be responsible for notification or payments of any real estate taxes, homeowners' association dues, utilities or other charges with respect to any investment held in the Custodial Account unless the Depositor specifically directs the Custodian to pay the same in writing (on a form acceptable to the Custodian) within a sufficient period of time for such direction to be accomplished in accordance with the Custodian's normal business practices, and sufficient funds are available to pay the same from the Custodial Account. The Depositor acknowledges and agrees that it shall be the Depositor's responsibility to provide to the Custodian and/or to ensure that the Custodian has received any and all bills for insurance, taxes, homeowners' dues, utilities or other amounts due for assets held in the Custodial Account. Furthermore, the Depositor agrees that it shall be the Depositor's responsibility to determine that payments have been made by verifying the payments on the Depositor's Custodial Account statements. The Depositor shall bear any, and all risk associated with the failure to obtain and/or maintain proper insurance coverage to protect the assets of the Custodial Account and/or fees and penalties associated with the Depositor's failure to pay taxes or other payments related to the assets of the Custodial Account.

Article XII Miscellaneous Provisions

- 12.01 **Electronic Communications, Signatures, and Records:** Subject to any limitations contained in Treasury Regulation section 1.401(a)-21 and any other applicable federal or state law or regulation, the Depositor acknowledges and agrees that the Custodial Account shall be subject to the provisions of the Uniform Electronic Transactions Act, as passed in the state where the Custodian is organized (South Dakota Codified Law Sections 53-12 et. seq.), and the federal Electronic Signature in Global and National Commerce Act (ESIGN Act, as contained in 15 U.S.C. 7001), as those laws pertain to electronic communication, electronic signatures, and electronic storage of Custodial Account records. In lieu of the retention of the original records, the Custodian may cause any, or all, of its records, and records at any time in its custody, to be photographed or otherwise reproduced to permanent form, and any such photograph or reproduction shall have the same force and effect as the original thereof and may be admitted in evidence equally with the original.
- 12.02 **Applicable Law; Waiver; Venue and Arbitration:**
- This Agreement is subject to all applicable federal laws and regulations and shall be governed by and construed under the applicable laws of the state of South Dakota. The laws of the State of South Dakota shall govern any procedural matters, excluding any applicable limitation period.
 - EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY PROCEEDINGS RELATING TO THIS AGREEMENT OR ANY PERFORMANCE OR FAILURE TO PERFORM OF ANY OBLIGATION HEREUNDER.
 - The Depositor agrees that any claim or cause of action against the Custodian, arising out of or relating in any way to this Agreement or the Custodian's role as custodian, must be filed within one (1) year after the claim or cause of action accrued, or the shortest duration permitted under applicable law if such

period is greater than one (1) year. The Depositor agrees to waive any statute of limitation to the contrary. The Depositor further agrees that the Custodian shall not be liable for special, indirect, consequential or punitive damages, and the Depositor agrees to waive any such claims or damages against the Custodian to the maximum extent permitted by applicable law. The Depositor agrees that any action filed against the Custodian, arising out of or relating in any way to this Agreement or the Custodian's role as the Custodian, shall be exclusively brought in the county courts of Minnehaha County, South Dakota or in the U.S. District court for the Second Circuit of South Dakota Southern Division-Sioux Falls, and the Depositor agrees to submit to the jurisdiction of these courts both in connection with any such action the Depositor, or the Depositor's beneficiaries may file and in connection with any action which the Custodian may file against the Depositor or the Depositor's beneficiaries.

- d) **MANDATORY ARBITRATION:** Any dispute, claim or controversy arising out of or relating to this Agreement or the Custodial Account or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this Agreement or the Custodial Account to arbitrate, shall be determined by binding arbitration in Sioux Falls, South Dakota before a former judge. The arbitration shall be administered either by JAMS pursuant to its Comprehensive Arbitration Rules and Procedures or at the sole discretion of the Custodian by an arbitrator, who is a former judge, acceptable to the Custodian pursuant to its rules that shall govern. Judgment on the Award may be entered in any court having jurisdiction. This clause shall not preclude parties from seeking provisional remedies in aid of arbitration from a Court of appropriate jurisdiction. Allocation of Fees and Costs: The arbitrator may, in the Award, allocate all or part of the costs of the arbitration, including the fees of the arbitrator and the reasonable attorneys' fees of the prevailing party.
- 12.03 **Severability:** If any provision of this Custodial Account Agreement is found to be illegal, invalid, void or unenforceable, such provision shall be severed and such illegality or invalidity shall not affect the remaining provisions which shall remain in full force and effect. Neither the Depositor's or the Custodian's failure to enforce, at any time or for any period of time, any of the provisions of this Agreement shall be construed as a waiver of such provisions, or the Depositor's right or the Custodian's right to enforce each and every such provision
- 12.04 **Telephone Recording Acknowledgment of and Authorization for Telephone Recordings:** The Custodian reserves the right to install and/or maintain automatic telephone recording equipment on telephone lines used by personnel servicing the Custodial Account. By signing this Agreement, the Depositor acknowledges the Custodian's rights and expressly authorize the Custodian to record, play back and use for the Custodian's interest any and all telephone calls between the Depositor, the Depositor's agents and/or designated beneficiaries and the Custodian.
- 12.05 **Nonbank Custodian Provision:** If the Custodian is a nonbank custodian, the Designated Beneficiary, Depositor or Responsible Individual shall substitute another trustee or custodian in place of the Custodian upon receipt of notice from the Commissioner of the Internal Revenue Service or his delegate that such substitution is required because the Custodian has failed to comply with the requirements of Income Tax Regulations Section 1.408-2(e), or is not keeping such records, making such returns, or rendering such statements as are required by applicable law, regulations, or other rulings. The successor trustee or custodian shall be a bank, insured credit union, or other person satisfactory to the Secretary of the Treasury pursuant to Section 408(a)(2) of the Code. Upon receipt by the Custodian of written acceptance by its successor of such successor's appointment, Custodian shall transfer and pay over to such successor the assets of the account (less amounts retained pursuant to Section 10.04 of the Custodial Agreement) and all records (or copies thereof) of the Custodian pertaining thereto, provided that the successor trustee or custodian agrees not to dispose of any such records without the Custodian's consent.
- 12.06 **Publicly-Traded Securities:** If publicly-traded securities are to be included in the Depositor's Custodial Account, orders shall be executed through a securities broker/dealer registered under the Securities Exchange Act of 1934 and designated by the Depositor upon such form as the Custodian may require. Any brokerage account maintained in connection herewith shall be in the Custodian's name as the custodian of the Depositor's account. The Custodian shall be authorized to honor transactions within the brokerage account without obligation to verify prior authorization of same by the Depositor. Any cash received by the brokerage account, whether as income or proceeds of transactions, may be held by the brokerage account pending directions, and the Custodian shall have no obligation to direct the broker to remit such cash until directed to do so by the Depositor, in writing, but may receive remittances without direction if the same are made by the broker. Investments outside the brokerage account shall be made in accordance with the other provisions of this Agreement. Any brokerage commissions attributable to the assets in the Depositor's Account will be charged to the Depositor's Account through the Depositor's brokerage account. The Depositor cannot reimburse the Custodial Account for such commissions. Commissions or other fees may be received by the Custodian and/or the Custodian's affiliates from third parties for assistance in performing certain services for the Depositor's Account.
- 12.07 **Notices and Method of Notice:** All notices required under this Agreement must be in writing, signed by a person duly authorized to provide such notice and delivered by one of the following methods: (i) personal delivery, (ii) a nationally-recognized, next-day courier service, with signature of recipient required, (iii) first-class registered or certified mail, postage prepaid, (iv) facsimile/fax or (v) electronic mail to the party's address specified as follows:
(a) **If to Depositor** – Notice shall be provided to the address, fax and/or email provided by the Depositor on the Depositor's Application unless a different address is provided by the Depositor in writing to the Custodian.
(b) **If to Custodian** – Notice shall be provided to New Vision Trust Company, a State Chartered South Dakota Trust, East 8th Street, Suite 200R, Sioux Falls, South Dakota, 57103, with a copy mailed to Administrator, American IRA, LLC at 135 Broad Street, Asheville, NC 28801. Notice shall be deemed effective (a) upon receipt, (b) when delivered in person, (c) upon confirmation of receipt when transmitted by facsimile transmission or by electronic mail (d) upon delivery where dispatch by registered or certified mail, postage prepaid or (e) on the next Business Day if transmitted by national overnight courier with confirmation of delivery.
- 12.08 **Counterparts:** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Furthermore, signatures delivered via facsimile or E-mail shall have the same force and effect as the originals thereof.
- 12.09 **Entire Agreement:** This Agreement sets forth the entire agreement between the Parties and supersedes any prior agreements between the Parties pertaining to the subject matter of this Agreement, including the Contract.
- 12.10 **No Representations:** The Depositor acknowledges that, except as expressly set forth herein, no representations of any kind or character have been made by the Custodian and/or the Custodian's agents, and/or representatives to induce the execution of this Agreement.
- 12.11 **No Modification:** No modification of the terms of this Agreement shall be effective unless in a writing signed by the Custodian.
- 12.12 **USA Patriot Act Notice: IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT UNDER THE USA PATRIOT ACT OF 2001.** To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. What this means for Depositor: When Depositor opens an account, Custodian will

ask for Depositor's name, address, date of birth, and other information that will allow us to identify you. Custodian will also ask to see a photo-bearing, government-issued identification, such as driver's license, military, passport, veteran or similar ID.

General Instructions

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

Purpose of Form

Form 5305-EA is a model custodial account agreement that meets the requirements of section 530(b)(1) and has been pre-approved by the IRS. A Coverdell education savings account (ESA) is established after the form is fully executed by both the Depositor and the Custodian. This account must be created in the United States for the exclusive purpose of paying the qualified elementary, secondary, and higher education expenses of the Designated Beneficiary.

If the model account is a trust account, see Form 5305-E, Coverdell Education Savings Trust Account.

Do not file Form 5305-EA with the IRS. Instead, the Depositor must keep the completed form in its records.

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. Any person who may serve as a Custodian of a traditional IRA may serve as the Custodian of a Coverdell ESA.

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

Designated Beneficiary. The Designated Beneficiary is the individual on whose behalf the custodial account has been established.

Family member. Family members of the Designated Beneficiary include his or her spouse, child, grandchild, sibling, parent, niece or nephew, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law, and the spouse of any such individual. A first cousin, but not his or her spouse is also a "family member".

Responsible Individual. The Responsible Individual, generally, is a parent or guardian of the Designated Beneficiary. However, under certain circumstances, the Responsible Individual may be the Designated Beneficiary.

Identification Numbers

The Depositor and Designated Beneficiary's social security numbers will serve as their identification numbers. If the Depositor is a nonresident alien and does not have an identification number, write "Foreign" in the block where the number is requested. The Designated Beneficiary's social security number is the identification number of his or her Coverdell ESA. If the Designated Beneficiary is a nonresident alien, the Designated Beneficiary's individual taxpayer identification number is the identification number of his or her Coverdell ESA. An employer identification number (EIN) is required only for a Coverdell ESA for which a return is filed to report unrelated business income. An EIN is required for a common fund created for Coverdell ESAs.

Specific Instructions

Note: The age limitation restricting contributions, distributions, rollover contributions, and change of beneficiary are waived for a designated beneficiary with special needs.

Article X. Article X and any that follow may incorporate additional provisions that are agreed to by the Depositor and Custodian to complete the agreement. They may include, for example, provisions relating to: definitions, investment powers, voting rights, exculpatory provisions, amendment and termination, removal of the Custodian, Custodian's fees, state law requirements, treatment of excess contributions, and prohibited transactions with the Depositor, Designated Beneficiary, or Responsible Individual, etc. Attach additional pages as necessary.

Optional provisions in Article V and Article VI. Form 5305-EA may be reproduced in a manner that provides only those optional provisions offered by the Custodian.

COVERDELL EDUCATION SAVINGS ACCOUNT DISCLOSURE STATEMENT

GENERAL INFORMATION

Coverdell Education Savings Accounts (Coverdell ESAs) were established under the Taxpayer Relief Act effective in 1998. This type of account was originally called an Education Individual Retirement Account and the annual contribution limit per Designated Beneficiary for 1998 through 2001 was \$500. Effective for contributions made for tax year 2002, the annual contribution limit is increased to \$2,000 per Designated Beneficiary. The Economic Growth and Tax Relief Reconciliation Act increased the annual contribution limit, as well as made other important changes that are described in the following questions and answers. Amounts deposited in the account grow tax-free until distributed, and the Designated Beneficiary will not owe tax on any withdrawal from the account if the Designated Beneficiary's qualified education expenses at an eligible educational institution for the year equal or exceed the amount of the withdrawal. If the Designated Beneficiary does not need the money for educational purposes, the account balance can be rolled over to a Coverdell ESA of certain family members who can use it for their education. Amounts withdrawn from a Coverdell ESA that exceed the Designated Beneficiary's qualified education expenses in a taxable year are generally subject to income tax and to an additional tax of 10 percent.

There are potentially three (or more) parties involved in the establishment of, making contributions to, and directing distributions from the account. These parties are referred to in the following questions and answers, and include the:

Depositor: The Depositor is the initial contributor who establishes the Coverdell ESA by executing the Adoption Agreement and who contributes the initial contribution. Subsequent contributions to the account may be made by the original Depositor or by other eligible contributors. The Depositor may also be the Designated Beneficiary and/or the Responsible Individual.

Designated Beneficiary: The Designated Beneficiary is the individual for whose benefit the Coverdell ESA is established. Except for "special needs designated beneficiaries", no contribution can be made after the Designated Beneficiary's 18th birthday. The Designated Beneficiary may also be the Depositor and/or the Responsible Individual.

Responsible Individual: The Responsible Individual is the individual who generally controls all decisions regarding the account, including authorizing payments from the account. There can be only one Responsible Individual at any time and generally must be a parent or legal guardian of the Designated Beneficiary. However, in certain cases the Designated Beneficiary may automatically become his or her own Responsible Individual. The Responsible Individual may also be the Depositor.

Q1: What is a Coverdell Education Savings Account (Coverdell ESA)?

A1: A Coverdell ESA is a trust or custodial account that is created or organized in the United States exclusively for the purpose of paying the qualified education expenses of the Designated Beneficiary of the account. The account must be designated as a Coverdell ESA when it is created in order to be treated as a Coverdell ESA for tax purposes.

Q2: For whom may a Coverdell ESA be established?

A2: A Coverdell ESA may be established for the benefit of any child under the age of 18. Contributions to a Coverdell ESA is not permitted after the Designated Beneficiary reaches his/her 18th birthday.

Q3: Where may an individual open a Coverdell ESA?

A3: An individual may open a Coverdell ESA with any bank, or other financial institution that has been approved to serve as a nonbank trustee or custodian of an individual retirement account (IRA), and the bank or entity is offering Coverdell ESAs.

Q4: When may a taxpayer start contributing to a Coverdell ESA?

A4: A taxpayer may start making contributions on January 1, 1998, or at any time thereafter.

Q5: How much may be contributed to a Coverdell ESA on behalf of a Designated Beneficiary?

A5: For tax years 1998 through 2001, the maximum contribution limit per year was \$500 in aggregate contributions made for the benefit of any Designated Beneficiary. For tax year 2002 and thereafter, the maximum contribution limit per year is \$2,000 in aggregate contributions made for the benefit of any Designated Beneficiary. Contributions may be made into a single Coverdell ESA or into multiple Coverdell ESAs for the benefit of any one Designated Beneficiary.

Q6: What happens if more than the maximum annual contribution limit is contributed to a Coverdell ESA on behalf of a Designated Beneficiary for a particular calendar year?

A6: Aggregate contributions for the benefit of any one Designated Beneficiary in excess of annual limit for a particular calendar year are treated as excess contributions. If the excess contributions (and any earnings attributable to them) are not withdrawn from the ESA that received the excess contribution by May 31st of the calendar year following the calendar year in which the excess was made, the excess contribution is subject to a 6 percent excise tax for each year the excess amount remains in the account. If the excess contributions (and any earnings) are timely withdrawn, no 6 percent excise tax applies. However, any earnings distributed in such a corrective distribution will be taxable to the Designated Beneficiary, but no 10% additional tax applies to the earnings.

Q7: May contributions other than cash be made to a Coverdell ESA?

A7: No. Coverdell ESAs are permitted to accept contributions made in cash only.

Q8: May contributors take a deduction for contributions made to a Coverdell ESA?

A8: No. Contributions to a Coverdell ESA are not deductible. Therefore, contributions to a Coverdell ESA create "basis" in the account. This means that any distributions that are not used for qualified education expenses are taxable only with respect to any earnings on the contributions.

Q9: Are there any restrictions on who can contribute to a Coverdell ESA?

A9: Any individual may contribute to a Coverdell ESA if the individual's modified adjusted gross income for the taxable year for which the contribution is made is no more than \$95,000 (\$190,000 for married taxpayers filing jointly). For purposes of this section, "modified AGI" means the AGI of the taxpayer for the taxable year increased by amounts excluded from gross income under sections 911 (foreign earned income); 931 (income from Guam, American Samoa, or Northern Mariana Islands); and 933 (income from Puerto Rico). The maximum annual contribution per Designated Beneficiary is gradually reduced for individuals with modified adjusted gross income between \$95,000 and \$110,000 (between \$190,000 and \$220,000 for married taxpayers filing jointly).

For example, an unmarried taxpayer with modified adjusted gross income of \$96,500 could make a maximum contribution for the year per Designated Beneficiary of \$1,800 ($\$110,000 - \$96,500 \times .1333 = \$1,800$). A married individual filing jointly with modified adjusted gross income of \$215,000 could make a maximum contribution for the year per Designated Beneficiary of \$350 ($\$220,000 - \$215,000 \times .07 = \350). Taxpayers with modified adjusted gross income above \$110,000 (\$220,000 for married taxpayers filing jointly) cannot make contributions to anyone's Coverdell ESA.

Q10: May a Designated Beneficiary contribute to his/her own Coverdell ESA?

A10: Yes.

Q11: Does a taxpayer have to be related to the Designated Beneficiary in order to contribute to the Designated Beneficiary's Coverdell ESA?

A11: No.

Q12: Can entities make contributions to the Designated Beneficiary's Coverdell ESA?

A12: Yes. Any entity can make contributions to the Designated Beneficiary's Coverdell ESA without regard to such entity's adjusted gross income. For example, Century Computer Services, Inc. decides to make Coverdell ESA contributions on behalf of any child under the age of 18 of their employees in the amount of \$500. Century Computer Services, Inc. qualifies as a contributor regardless of the company's adjusted gross income, but the company cannot take a deduction for such contributions. Also, other contributions up to \$1,500 could be made into the same Coverdell ESA or another Coverdell ESA on behalf of any one these employees' children.

Q13: Is the contributor to a Coverdell ESA required to have compensation or earned income in order to make contributions?

A13: No. The contributor (whether an individual or an entity) is not required to have earned income or compensation.

Q14: What is the deadline for making contributions to a Coverdell ESA for a particular tax year?

A14: Beginning for contributions made for tax year 2002, the deadline to make contributions is the tax filing deadline for such year not including extensions. Thus, in most cases, the deadline to make contributions for a tax year is the following April 15th. The contributor should designate in writing to the trustee or custodian the tax year for which the contribution is being made.

Q15: Are there any special reporting requirements for a Coverdell ESA?

A15: Yes. The trustee or custodian will issue an annual Form 5498-ESA to the IRS and to the Designated Beneficiary reporting contributions made for the tax year, and any rollover contributions or transfers received during the tax year. The trustee or custodian will also issue Form 1099-Q to the IRS and to the Designated Beneficiary whenever distributions or transfers are paid from the account. The Designated Beneficiary is responsible for determining whether or not a distribution is taxable and to file Form 5329 with the IRS if excess contributions have been made to the account or if distributions were made that exceed the qualified education expenses for the year. If a rollover or transfer is made from the Coverdell ESA of one Designated Beneficiary to another eligible family member of the Designated Beneficiary, certain statements must be attached to the tax returns of both the original Designated Beneficiary and the eligible family member to which the account was rolled over or transferred (see Form 1040 instructions). Taxable distributions from a Coverdell ESA are included in gross income on the "Other Income" line of Form 1040. The trustee or custodian is not required to report the taxable amount of any distribution from the ESA, except for earnings that are distributed on a returned contribution. Instead, the trustee or custodian will report the December 31st fair market value on Form 1099-Q. The Designated Beneficiary will use the worksheet in IRS Publication 970 to figure the earnings, basis and taxable amount of any ESA distributions.

Q16: How many Coverdell ESAs may a Designated Beneficiary have?

A16: There is no limit on the number of Coverdell ESAs that may be established for a particular Designated Beneficiary. However, for any given taxable year the total aggregate contributions to all the accounts for a particular Designated Beneficiary may not exceed the annual contribution limit described in Q&A 5.

Q17: May a Designated Beneficiary take a tax-free withdrawal from a Coverdell ESA to pay qualified education expenses if the Designated Beneficiary is enrolled less than full-time at an eligible educational institution?

A17: Yes. Whether the Designated Beneficiary is enrolled full-time, half-time, or less than half-time, he/she may take a tax-free withdrawal to pay qualified education expenses.

Q18: What happens when a Designated Beneficiary withdraws assets from a Coverdell ESA to pay for qualified education expenses?

A18: Generally, the withdrawal is tax-free to the Designated Beneficiary to the extent the amount of the withdrawal does not exceed the Designated Beneficiary's qualified education expenses.

Q19: What are "qualified education expenses"?

A19: "Qualified education expenses" mean qualified higher education expenses for tuition, fees, books, supplies, and equipment required for the enrollment or attendance of the Designated Beneficiary at an eligible educational institution. Qualified higher education expenses also include room and board (generally the school's posted room and board charge, or \$2,500 per year for students living off-campus and not at home) if the Designated Beneficiary is at least a half-time student at an eligible educational institution. A student will be considered to be enrolled at least half-time if the student is enrolled for at least half the full-time academic workload for the course of study the student is pursuing as determined under the standards of the institution where the student is enrolled.

The standards for determining whether a student is enrolled at least half-time are the same as those used for the Hope Scholarship Credit. A student is eligible for the Hope Scholarship Credit if: (1) for at least one academic period (e.g., semester, trimester, quarter) beginning during the calendar year, the student is enrolled at least half-time in a program leading to a degree, certificate, or other recognized educational credential and is enrolled in one of the first two years of postsecondary education, and (2) the student is free of any conviction for a Federal or State felony offense consisting of the possession or distribution of a controlled substance. For purposes of the Hope Scholarship Credit, a student will be considered to be enrolled at least half-time if the student is enrolled for at least half the full-time academic workload for the course of study the student is pursuing as determined under the standards of the institution where the student is enrolled. The institution's standard for a full-time workload must equal or exceed the standards established by the Department of Education under Higher Education Act and set forth in 34 CFR 674.2(b).

Beginning in 2002, qualified education expenses also include qualified elementary and secondary education expenses for tuition, fees, academic tutoring, special needs services in the case of a special needs beneficiary, books, supplies, and other equipment which are incurred in connection with the enrollment or attendance of the Designated Beneficiary as an elementary or secondary school student at a public, private or religious school. Such expenses also include room and board, uniforms, transportation, and supplementary items and services (including extended day programs) which are required or provided by a public, private or religious school in connection with such enrollment or attendance, and expenses for the purchase of any computer technology or equipment or Internet access and related services, if such technology, equipment, or services are to be used by the Designated Beneficiary and the Designated Beneficiary's family during any of the years the Designated Beneficiary is in school.

Qualified education expenses also include amounts contributed to a qualified state tuition program. Also, qualified education expenses are reduced by any amount provided by scholarship, educational assistance allowance, or any other payment (other than a gift or bequest) which is excludable from gross income under any law of the United States.

Q20: What is an eligible educational institution?

A20: For purposes of qualified higher education expenses, an eligible educational institution is any college, university, vocational school, or other postsecondary educational institution that is described in section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088) and, therefore, eligible to participate in the student aid programs administered by the Department of Education. This category includes virtually all accredited public, nonprofit, and proprietary postsecondary institutions. (The same eligibility requirements for institutions apply for the Hope Scholarship Credit, the Lifetime Learning Credit, and early withdrawals from IRAs for qualified higher education expenses).

For purposes of elementary and secondary education expenses, an eligible education institution means any school which provides elementary education or secondary education (kindergarten through grade 12), as determined under state law.

Q21: What happens if a Designated Beneficiary withdraws an amount from a Coverdell ESA but does not have any qualified education expenses to pay in the taxable year he/she makes the withdrawal?

A21: Generally, if a Designated Beneficiary withdraws an amount from a Coverdell ESA and does not have any qualified education expenses during the taxable year, a portion of the distribution is taxable. The taxable portion is the portion that represents earnings that have accumulated tax-free in the account. The taxable portion of the distribution is also subject to a 10 percent additional tax unless an exception applies. Form 5329 is required to be filed with the IRS by the Designated Beneficiary. The 10 percent additional tax does not apply to distributions made: (1) to a death beneficiary (or to the estate of the Designated Beneficiary) after the death of the Designated Beneficiary; (2) attributable to the Designated Beneficiary become disabled within the meaning of section 72(m)(7) of the Internal Revenue Code; or (3) made on account of a scholarship, allowance or payment to the extent such payment or distribution does not exceed the amount of such scholarship, allowance or payment.

Q22: Is a distribution from a Coverdell ESA taxable if the distribution is contributed to another Coverdell ESA?

A22: Any amount distributed from a Coverdell ESA and rolled over to another Coverdell ESA for the benefit of the same Designated Beneficiary or certain members of the Designated Beneficiary's family is not taxable. An amount is rolled over if it is paid to another Coverdell ESA on a date within 60 days after the date of the distribution. Members of the Designated Beneficiary's family include the Designated Beneficiary's spouse, children, grandchildren, sibling, parent, niece or nephew, son-in-law, daughter-in-law, father-in-law, mother-in-law, or sister-in-law, and the spouse of any such individual. A first cousin, but not his or her spouse is also a family member of the Designated Beneficiary. The annual contribution limit to Coverdell ESAs does not apply to these rollover contributions. For example, an older brother who has \$5,000 left in his Coverdell ESA after he no longer needs the account for education purposes can roll over the full \$5,000 balance to a Coverdell ESA for his younger sister who is still in high school without paying any tax on the transfer or rollover. The eligible family member to whose Coverdell ESA such amount is rolled over or transferred must be under the age of 30. Only one rollover between Coverdell ESAs is permitted during a 12-month period.

- Q23: What happens to the assets remaining in a Coverdell ESA after the Designated Beneficiary finishes his/her education?**
- A23:** There are two options. The amount remaining in the account may be withdrawn for the Designated Beneficiary. The Designated Beneficiary will be subject to both income tax and the additional 10 percent tax on the portion of the amount withdrawn that represents earnings if the Designated Beneficiary does not have any qualified education expenses in the same taxable year he/she makes the withdrawal. Alternatively, if the amount in the Designated Beneficiary's Coverdell ESA is withdrawn and rolled over (or transferred) to another Coverdell ESA for the benefit of an eligible member of the Designated Beneficiary's family, the amount rolled over or transferred will not be taxable.
- Q24: Rather than rolling over money from one Coverdell ESA to another, may the Designated Beneficiary of the account be changed from one Designated Beneficiary to another without triggering a tax?**
- A24:** Yes, provided: (1) the terms of the particular trust or custodial account permit a change in designated beneficiaries, and (2) the new Designated Beneficiary has not attained age 30 and is a member of the previous Designated Beneficiary's family.
- Q25: May a student or the student's parents claim the Hope Scholarship Credit or Lifetime Learning Credit for the students's expenses in a taxable year in which the student receives money from a Coverdell ESA on a tax-free basis?**
- A25:** Yes, effective for tax year 2002. If a student is receiving a tax-free distribution from a Coverdell ESA in a particular taxable year (beginning in 2002), the student's expenses may generally be claimed as the basis for a Hope Scholarship Credit or Lifetime Learning Credit for that same year, provided however that the distributed amount from the Coverdell ESA is not used for the same educational purposes as the tax credit.
- Q26: May contributions be made to both a qualified state tuition program and a Coverdell ESA on behalf of the same Designated Beneficiary in the same taxable year?**
- A26:** Yes, beginning in tax year 2002. The excise tax prohibiting contributions to both a Coverdell ESA and a qualified state tuition program was repealed for 2002 and forward. Therefore, contributions may be made to a Coverdell ESA on behalf of a Designated Beneficiary during the same taxable year in which any contributions are made to a qualified state tuition program on behalf of the same Designated Beneficiary. However, if distributions from a Coverdell ESA and a qualified state tuition program exceed the Designated Beneficiary's qualified education expenses for the year, the Designated Beneficiary is required to allocate the expenses between the distributions to determine the amount includible in gross income, if any.
- Q27: What happens to the assets remaining in the Coverdell ESA after the death of the Designated Beneficiary?**
- A27:** Generally within 30 days after the death of the Designated Beneficiary, distribution is made to the Designated Beneficiary's estate; or the Responsible Individual may change the name of the Designated Beneficiary to an eligible family member under the age of 30 of the original Designated Beneficiary, if the agreement permits. Alternatively, if the agreement permits the naming of a Designated Death Beneficiary, any remaining balance in the account on the date of death of the Designated Beneficiary shall become payable to such Designated Death Beneficiary. If the Designated Death Beneficiary is not an eligible family member of the Designated Beneficiary, the entire balance must be distributed within 30 days of the death of the Designated Beneficiary. If the Designated Death Beneficiary is an eligible family member of the Designated Beneficiary, the entire balance may be rolled over or transferred tax free to a Coverdell ESA on behalf of such Designated Death Beneficiary. Any distributions paid after the date of death of the Designated Beneficiary are taxable to the extent such distribution represents earnings, unless the account is rolled over or transferred to a Coverdell ESA on behalf of an eligible family member of the Designated Beneficiary.
- Q28: What happens to the assets remaining in the Coverdell ESA after the Designated Beneficiary attains the age of 30?**
- A28:** Any balance remaining in the Coverdell ESA when the Designated Beneficiary attains the age of 30 must be distributed to such Designated Beneficiary within 30 days. However, if permitted under the Agreement, the remaining balance may be rolled over or transferred to a Coverdell ESA on behalf of an eligible family member.
- Q29: Do the age requirements described above apply to "special needs" Designated Beneficiaries?**
- A29:** No. A Coverdell ESA established on behalf of any Designated Beneficiary with special needs (as determined by IRS regulations) may continue to receive contributions after the Designated Beneficiary's 18th birthday. In addition, any remaining balance in a Coverdell ESA on behalf of any Designated Beneficiary with special needs is not required to be distributed within 30 days after the Designated Beneficiary attains the age of 30.
- Q30: Does the Internal Revenue Service provide a publication that contains more information on Coverdell ESAs?**
- A30:** Yes. IRS Publication 970, Tax Benefits for Higher Education, contains information regarding the Coverdell ESA, as well as claiming the Hope Credit, Lifetime Learning Credit, student loans, penalty-free withdrawals from IRAs for certain education expenses, employer-provided educational assistance and qualified state tuition programs. The Custodian recommends that the Depositor, Designated Beneficiary and/or Responsible Individual read Publication 970 before making contributions to or taking distributions from a Coverdell ESA. Publication 970 can be downloaded from the IRS web site at www.irs.gov.
- Q.31: Can payments received from a military death gratuity or a payment from Servicemember's Group Life Insurance (SGLI) be contributed to a Coverdell ESA?**
- A.31:** Yes, if you received a military death gratuity or a payment from the SGLI after October 6, 2001, you may roll over all or part of the amount received to one or more Coverdell ESAs for the benefit of members of the beneficiary's family. Such payments are made to an eligible survivor upon the death of a member of the armed forces. The contribution to a Coverdell ESA from survivor benefits received after June 16, 2008, cannot be made later than 1 year after the date on which you receive the gratuity or SGLI payment. If you received survivor benefits before June 17, 2008, with respect to a death from injury occurring after October 6, 2001, you could have contributed to a Coverdell ESA no later than June 17, 2009. The amount contributed from the survivor benefits is treated as part of your basis in the Coverdell ESA and will not be taxed when distributed. Also, the one

rollover per Coverdell ESA during a 12-month period does not apply to a military death gratuity or SGLI payment.

Q.32 Are the changes to the Coverdell ESA rules made under the Economic Growth and Tax Relief Reconciliation Act of 2001 that were effective in 2002 subject to EGTRRA's sunset provision?

A.32 Yes. Certain rules are scheduled to expire after 2010 as part of EGTRRA's sunset provision. These rules include: the maximum annual Coverdell ESA contribution; the AGI limits of the contributor; the definition of qualified education expenses; the deadline for making a contribution for a given year; the coordination of the rules between Coverdell ESAs and the Hope Scholarship Credit or Lifetime Learning Credit.

COVERDELL EDUCATION SAVINGS ACCOUNT ADOPTION AGREEMENT

DEPOSITOR INFORMATION

Name: _____ Birthdate: _____
Address: _____
SSN: _____ Home Phone #: _____ Bus. Phone #: _____

DESIGNATED BENEFICIARY INFORMATION

Name: _____ Account No: _____
Address: _____
SSN: _____ Home Phone #: _____ Bus. Phone #: _____
Birthdate: _____

DEATH BENEFICIARY INFORMATION

In the event of the Designated Beneficiary's death, the balance shall be paid to the Primary Beneficiaries who survive the Designated Beneficiary in equal shares (or the specified shares, if indicated). If the Primary or Contingent box is not checked, the beneficiary will be deemed to be a Primary Beneficiary.

Primary	Contingent	Name: _____	SSN: _____	Birthdate: _____
<input type="checkbox"/>	<input type="checkbox"/>	Address: _____	Relationship: _____	Share: _____ %
Primary	Contingent	Name: _____	SSN: _____	Birthdate: _____
<input type="checkbox"/>	<input type="checkbox"/>	Address: _____	Relationship: _____	Share: _____ %

ACCOUNT INFORMATION

Initial Contribution \$ _____ Date: _____ Custodian: _____
 Regular Contribution for tax year: _____ .
 Rollover from another Coverdell ESA
 Transfer from another Coverdell ESA. Transfer received from: _____
 Military Death Gratuity/SGLI Payments

RESPONSIBLE INDIVIDUAL INFORMATION

Name: _____ Birthdate: _____
Address: _____
SSN: _____ Home Phone #: _____ Bus. Phone #: _____
Relationship to Designated Beneficiary: _____

The Responsible Individual shall shall not continue to serve as the Responsible Individual after the Designated Beneficiary attains the age of majority pursuant to section 5.02 of the Custodial Agreement.

The Responsible Individual may may not change the beneficiary designated under this Custodial Agreement pursuant to section 6.01 of the Custodial Agreement.

Note: The Responsible Individual may be the Depositor, but generally must be a parent or legal guardian of the Designated Beneficiary.

SIGNATURES

Under penalties of perjury, I certify that the above information (including my social security number and the Designated Beneficiary's and Responsible Individual's social security number) is correct. I hereby agree to participate in the Coverdell Education Savings Custodial Account offered by the Custodian. I acknowledge receipt of a copy of the plan document under which this Coverdell Education Savings Custodial Account is established, a copy of this Adoption Agreement, and a copy of the Disclosure Statement with respect to this Coverdell Education Savings Custodial Account. In the event that this is a rollover contribution, the undersigned hereby irrevocably elects to treat this contribution as a rollover contribution. If the Responsible Individual Information is completed above, I appoint the above-named person as Responsible Individual with the rights, powers, and responsibilities set out in the Coverdell Education Savings Custodial Account Agreement.

Witness: _____ Depositor Signature: _____ Date: _____

*New Vision Trust Company
401 E. 8th Street, Suite 200R
Sioux Falls, South Dakota 57103
Phone: (605) 679-4949*



Responsible Individual's Signature: _____ Date: _____

Attest: _____ Authorized Signature of Custodian: _____ Date: _____