IRA — Self-Directed Custodial Account Application — Form 5305-A

Revocation in accordance with the Disclosure Statement should be mailed or delivered to:

Custodian's Name SUNWEST TRUST, INC.
Address P.O. BOX 36371
City ALBUQUERQUE State NM Zip 87176
Attn: IRA DEPARTMENT Phone (505) 237-2225

Depositor Information

Name _____
Home Address _____
City _____ State ___ Zip _____
County _____ Date of Birth _____
Phone: Home _____ Work _____
SSN _____ Plan No. _____
Email address: _____

Adopting this plan agreement constitutes:

○ the initial adoption of an IRA plan agreement, or
○ the amendment and restatement (i.e. replacement) of a previous IRA plan agreement referenced as follows: _____

Your Regular or Spousal Contribution Limit

Tax Year	If Not Age 50	If Age 50 or Older
2010	$5,000	$6,000
2011	$5,000*	$6,000*

*These limits may be adjusted for cost of living changes after 2011

Designation of Beneficiary

Section 1.6 of Article VIII of the Individual Retirement Custodial Account (Form 5305-A) contains an important discussion of your right to name primary and contingent beneficiary(ies). Your designation will revoke all prior IRA beneficiary designations with respect to the referenced IRA account. In the event of your death you hereby direct that any balance in your IRA shall be paid to the following designated beneficiary or beneficiaries. If any primary or contingent beneficiary dies before you, then you wish to have the following result:

○ the interest of that deceased beneficiary, his or her issue and spouse, if any, shall terminate totally and the percentage share of any surviving beneficiary(ies) shall increase on a pro rata basis; or

○ the interest of that deceased beneficiary shall be paid to his or her issue who are alive or who have living issue, such issue will take by right of representation the share the deceased beneficiary would have taken if living, and persons of the same class shall share equally.

If you do not make the above designation, then you are deemed to have elected the "pro rata" selection.

If you designate your spouse as your sole primary beneficiary, and he or she predeceases you, then you intend the funds to be transferred to your contingent beneficiary(ies) who shall become the primary beneficiary(ies) and not pass per stirpes to the issue of your spouse.

You hereby designate the following individual(s) and/or entity(es) to be your beneficiary(ies). You must check Primary or Contingent for each beneficiary. If neither is checked, the designated beneficiary will be deemed to be a primary beneficiary.

○ Contingent ○ Primary
Name _____
Address _____
City _____ State ___ Zip _____
SSN _____ Date of Birth _____
Share % _____ Relationship _____

○ Contingent ○ Primary
Name _____
Address _____
City _____ State ___ Zip _____
SSN _____ Date of Birth _____
Share % _____ Relationship _____

○ Contingent ○ Primary
Name _____
Address _____
City _____ State ___ Zip _____
SSN _____ Date of Birth _____
Share % _____ Relationship _____

Deposit Information

Date _____
Acct./Inst. No. _____
Deposit Amt. _____ For Tax Yr. _____

Type of Contribution

○ **Regular or Spousal for:** ○ Current Year, or ○ Prior Year
○ **Rollover to:** ○ Regular IRA, or ○ Conduit IRA
○ **SEP for:** ○ Current Year, or ○ Prior Year
○ **Recharacterization**
○ **Transfer—From Another IRA Custodian to:**
○ Regular/Spousal IRA, or ○ Conduit IRA
○ **Transfer—Incident to Divorce**
○ **Transfer—Surviving Spouse Elects to Treat as Own**
○ **Special Rollover regarding Exxon Valdez litigation**
○ **Repayment and Postponed Contributions – Complete CWF Form #54**

Financial Disclosure

The Custodian will inform you (by checking one of the two boxes below) whether or not it is reasonable to project the growth of the value of your IRA. See the reverse side of this page for an additional explanation.

✔ IT IS NOT reasonable to project the growth of your IRA because your IRA investments include assets other than bank time deposits or savings accounts.

○ IT IS reasonable to project the growth of your IRA since your IRA assets are time deposits or savings accounts. The following method will be used to furnish you with the financial disclosure.

○ 1. The financial projection tables as shown on the reverse.
○ 2. Special Attachment. For example, a customized disclosure or computer printout.

Signatures & Revocation Right

You have requested that the Custodian establish an Individual Retirement Account (IRA) for you. You certify that your tax identification number (social security number) and other information are correct. In the event that this is a rollover contribution, you hereby irrevocably elect to treat this contribution as a rollover contribution subject to your right to revoke this IRA as discussed below. The rules and conditions governing this IRA form are contained in this application and the IRS Model Form 5305-A plan agreement as modified. You acknowledge that the Custodian has furnished you with a copy of the application, and the Individual Retirement Plan and Disclosure Statement. In addition, you have read the disclosure statement and you qualify to make an initial contribution to this IRA.

You have the ability to terminate this IRA which you are establishing if you comply in a timely fashion with the revocation provisions as discussed on page 8 of the Individual Retirement Account (IRA) Plan Agreement and Disclosure Statement. In general, you have seven (7) calendar days in which to revoke this IRA plan agreement.

SIGN HERE

_____ _____
Depositor's Signature Date

_____ _____
Authorized Signature of Custodian Date

_____ _____
Witness Date
(Use only if signature of the depositor, the custodian or the spouse is required to be witnessed)

Special Situation–Spouse's Signature/Consent

If you reside in a state with community or marital property laws and you are married and you wish to name a person(s) other than or in addition to your spouse as the beneficiary, then you need to obtain your spouse's consent. Otherwise you do not.

Spouse's Notice, Certification of Consent & Signature

I am the spouse of the IRA grantor. I understand that my spouse wishes to name an IRA beneficiary other than or in addition to myself. I hereby agree or consent to my spouse's designation of beneficiaries. I expressly understand that my signature indicates my consent and that the legal effect of this signature is to change the character of the ownership of the interest I have in such IRA funds. I understand that I may consult with my attorney before deciding to give such consent or not.

_____ _____
Spouse's Signature Date

The Projection Schedules

Additional Discussion – Not Reasonable to Project Growth

○ If the first box was checked under "Financial Disclosure," then IT IS NOT reasonable to project the growth of your IRA because your IRA investments include assets other than bank time deposits or savings accounts. Therefore, your final account balance will depend upon many factors—the amount of your contributions, the amount of time the funds are invested, the earnings and/or losses from the investments, expenses incurred such as brokerage commissions and trustee's fees and the overall performance of your investments. We expressly state that the growth in the value of your IRA cannot be guaranteed or projected. An attachment, if any, will explain if there are any transaction fees (brokerage fees, etc.) and/or surrender (termination) fees and explain how they are calculated. The earnings and losses of your investments are directly identified to your investments. There is no need to compute and allocate earnings unless you have invested in a common trust fund. In that case, an attachment will explain the method used to compute and allocate the earnings and losses.

○ If the second circle was checked under "Financial Disclosure," then complete the appropriate column below.

	Annual Contribution									Rollover Contribution								
	☐			☐			☐			☐			☐			☐		
	Table 1 .3% Annual Comp.			Table 2 .3% Annual Comp.			Table 3 .3% Annual Comp.			Table 4 .3% Annual Comp.			Table 5 .3% Annual Comp.			Table 6 .3% Annual Comp.		
End of Year	No Penalty			3-Mo. Penalty			6-Mo. Penalty			No Penalty			3-Mo. Penalty			6-Mo. Penalty		
1	1,003			1,002			1,001			1,003			1,002			1,001		
2	2,009			2,007			2,006			1,006			1,005			1,005		
3	3,018			3,016			3,014			1,009			1,008			1,008		
4	4,030			4,027			4,024			1,012			1,011			1,011		
5	5,045			5,041			5,038			1,015			1,014			1,014		
Age	*60*	*65*	*70*	*60*	*65*	*70*	*60*	*65*	*70*	*60*	*65*	*70*	*60*	*65*	*70*	*60*	*65*	*70*
15	49,394	55,184	61,062	49,357	55,143	61,016	49,320	55,102	60,971	1,148	1,165	1,183	1,147	1,164	1,182	1,146	1,163	1,181
16	48,246	54,019	59,880	48,210	53,979	59,835	48,174	53,938	59,790	1,144	1,162	1,179	1,143	1,161	1,178	1,143	1,160	1,177
17	47,102	52,858	58,701	47,066	52,818	58,656	47,031	52,779	58,613	1,141	1,158	1,176	1,140	1,157	1,175	1,139	1,156	1,174
18	45,961	51,700	57,525	45,926	51,661	57,482	45,892	51,622	57,439	1,137	1,155	1,172	1,137	1,154	1,171	1,136	1,153	1,170
19	44,823	50,545	56,353	44,790	50,507	56,310	44,756	50,469	56,268	1,134	1,151	1,169	1,133	1,150	1,168	1,132	1,149	1,167
20	43,689	49,394	55,184	43,656	49,357	55,143	43,624	49,320	55,102	1,131	1,148	1,165	1,130	1,147	1,164	1,129	1,146	1,163
21	42,559	48,246	54,019	42,527	48,210	53,979	42,495	48,174	53,938	1,127	1,144	1,162	1,126	1,143	1,161	1,126	1,143	1,160
22	41,431	47,102	52,858	41,400	47,066	52,818	41,369	47,031	52,779	1,124	1,141	1,158	1,123	1,140	1,157	1,122	1,139	1,156
23	40,308	5,961	51,700	40,277	45,926	51,661	40,247	45,892	51,622	1,121	1,137	1,155	1,120	1,137	1,154	1,119	1,136	1,153
24	39,187	44,823	50,545	39,157	44,790	50,507	39,128	44,756	50,469	1,117	1,134	1,151	1,116	1,133	1,150	1,116	1,132	1,149
25	38,070	43,689	49,394	38,041	43,656	49,357	38,013	43,624	49,320	1,114	1,131	1,148	1,113	1,130	1,147	1,112	1,129	1,146
26	36,956	42,559	48,246	36,928	42,527	48,210	36,900	42,495	48,174	1,111	1,127	1,144	1,110	1,126	1,143	1,109	1,126	1,143
27	35,845	41,431	47,102	35,818	41,400	47,066	35,792	41,369	47,031	1,107	1,124	1,141	1,106	1,123	1,140	1,106	1,122	1,139
28	34,738	40,308	45,961	34,712	40,277	45,926	34,686	40,247	45,892	1,104	1,121	1,137	1,103	1,120	1,137	1,102	1,119	1,136
29	33,634	39,187	44,823	33,609	39,157	44,790	33,584	39,128	44,756	1,101	1,117	1,134	1,100	1,116	1,133	1,099	1,116	1,132
30	32,534	38,070	43,689	32,509	38,041	43,656	32,485	38,013	43,624	1,097	1,114	1,131	1,096	1,113	1,130	1,096	1,112	1,129
31	31,436	36,956	42,559	31,413	36,928	42,527	31,389	36,900	42,495	1,094	1,111	1,127	1,093	1,110	1,126	1,092	1,109	1,126
32	30,342	35,845	41,431	30,319	35,818	41,400	30,297	35,792	41,369	1,091	1,107	1,124	1,090	1,106	1,123	1,089	1,106	1,122
33	29,252	34,738	40,308	29,229	34,712	40,277	29,208	34,686	40,247	1,087	1,104	1,121	1,087	1,103	1,120	1,086	1,102	1,119
34	28,164	33,634	39,187	28,143	33,609	39,157	28,122	33,584	39,128	1,084	1,101	1,117	1,083	1,100	1,116	1,083	1,099	1,116
35	27,080	32,534	38,070	27,059	32,509	38,041	27,039	32,485	38,013	1,081	1,097	1,114	1,080	1,096	1,113	1,079	1,096	1,112
36	25,999	31,436	36,956	25,979	31,413	36,928	25,960	31,389	36,900	1,078	1,094	1,111	1,077	1,093	1,110	1,076	1,092	1,109
37	24,921	30,342	35,845	24,902	30,319	35,818	24,884	30,297	35,792	1,075	1,091	1,107	1,074	1,090	1,106	1,073	1,089	1,106
38	23,847	29,252	34,738	23,829	29,229	34,712	23,811	29,208	34,686	1,071	1,087	1,104	1,071	1,087	1,103	1,070	1,086	1,102
39	22,775	28,164	33,634	22,758	28,143	33,609	22,741	28,122	33,584	1,068	1,084	1,101	1,067	1,083	1,100	1,067	1,083	1,099
40	21,707	27,080	32,534	21,691	27,059	32,509	21,675	27,039	32,485	1,065	1,081	1,097	1,064	1,080	1,096	1,063	1,079	1,096
41	20,642	25,999	31,436	20,627	25,979	31,413	20,611	25,960	31,389	1,062	1,078	1,094	1,061	1,077	1,093	1,060	1,076	1,092
42	19,580	24,921	30,342	19,566	24,902	30,319	19,551	24,884	30,297	1,059	1,075	1,091	1,058	1,074	1,090	1,057	1,073	1,089
43	18,522	23,847	29,252	18,508	23,829	29,229	18,494	23,811	29,208	1,055	1,071	1,087	1,055	1,071	1,087	1,054	1,070	1,086
44	17,466	22,775	28,164	17,453	22,758	28,143	17,440	22,741	28,122	1,052	1,068	1,084	1,051	1,067	1,083	1,051	1,067	1,083
45	16,414	21,707	27,080	16,402	21,691	27,059	16,390	21,675	27,039	1,049	1,065	1,081	1,048	1,064	1,080	1,048	1,063	1,079
46	15,365	20,642	25,999	15,354	20,627	25,979	15,342	20,611	25,960	1,046	1,062	1,078	1,045	1,061	1,077	1,044	1,060	1,076
47	14,319	19,580	24,921	14,308	19,566	24,902	14,298	19,551	24,884	1,043	1,059	1,075	1,042	1,058	1,074	1,041	1,057	1,073
48	13,276	18,522	23,847	13,266	18,508	23,829	13,256	18,494	23,811	1,040	1,055	1,071	1,039	1,055	1,071	1,038	1,054	1,070
49	12,237	17,466	22,775	12,227	17,453	22,758	12,218	17,440	22,741	1,037	1,052	1,068	1,036	1,051	1,067	1,035	1,051	1,067
50	11,200	16,414	21,707	11,192	16,402	21,691	11,183	16,390	21,675	1,033	1,049	1,065	1,033	1,048	1,064	1,032	1,048	1,063
51	10,166	15,365	20,642	10,159	15,354	20,627	10,151	15,342	20,611	1,030	1,046	1,062	1,030	1,045	1,061	1,029	1,044	1,060
52	9,136	14,319	19,580	9,129	14,308	19,566	9,122	14,298	19,551	1,027	1,043	1,059	1,027	1,042	1,058	1,026	1,041	1,057
53	8,109	13,276	18,522	8,103	13,266	18,508	8,097	13,256	18,494	1,024	1,040	1,055	1,023	1,039	1,055	1,023	1,038	1,054
54	7,085	12,237	17,466	7,079	12,227	17,453	7,074	12,218	17,440	1,021	1,037	1,052	1,020	1,036	1,051	1,020	1,035	1,051
55	6,063	11,200	16,414	6,059	11,192	16,402	6,054	11,183	16,390	1,018	1,033	1,049	1,017	1,033	1,048	1,017	1,032	1,048
56	5,045	10,166	15,365	5,041	10,159	15,354	5,038	10,151	15,342	1,015	1,030	1,046	1,014	1,030	1,045	1,014	1,029	1,044
57	4,030	9,136	14,319	4,027	9,129	14,308	4,024	9,122	14,298	1,012	1,027	1,043	1,011	1,027	1,042	1,011	1,026	1,041
58	3,018	8,109	13,276	3,016	8,103	13,266	3,014	8,097	13,256	1,009	1,024	1,040	1,008	1,023	1,039	1,008	1,023	1,038
59	2,009	7,085	12,237	2,007	7,079	12,227	2,006	7,074	12,218	1,006	1,021	1,037	1,005	1,020	1,036	1,005	1,020	1,035
60	1,003	6,063	11,200	1,002	6,059	11,192	1,001	6,054	11,183	1,003	1,018	1,033	1,002	1,017	1,033	1,001	1,017	1,032
61	0	5,045	10,166	0	5,041	10,159	0	5,038	10,151	0	1,015	1,030	0	1,014	1,030	0	1,014	1,029
62	0	4,030	9,136	0	4,027	9,129	0	4,024	9,122	0	1,012	1,027	0	1,011	1,027	0	1,011	1,026
63	0	3,018	8,109	0	3,016	8,103	0	3,014	8,097	0	1,009	1,024	0	1,008	1,023	0	1,008	1,023
64	0	2,009	7,085	0	2,007	7,079	0	2,006	7,074	0	1,006	1,021	0	1,005	1,020	0	1,005	1,020
65	0	1,003	6,063	0	1,002	6,059	0	1,001	6,054	0	1,003	1,018	0	1,002	1,017	0	1,001	1,017
66	0	0	5,045	0	0	5,041	0	0	5,038	0	0	1,015	0	0	1,014	0	0	1,014
67	0	0	4,030	0	0	4,027	0	0	4,024	0	0	1,012	0	0	1,011	0	0	1,011
68	0	0	3,018	0	0	3,016	0	0	3,014	0	0	1,009	0	0	1,008	0	0	1,008
69	0	0	2,009	0	0	2,007	0	0	2,006	0	0	1,006	0	0	1,005	0	0	1,005
70	0	0	1,003	0	0	1,002	0	0	1,001	0	0	1,003	0	0	1,002	0	0	1,001

A Custodial Self-Directed Traditional IRA Plan Agreement

Disclosure Statement and Financial Disclosure

CUSTODIAL SELF-DIRECTED — NONDEPOSIT INVESTMENTS NOT FDIC-INSURED

Under your self-directed IRA, you may use your IRA funds to purchase mutual funds and other nondeposit investment products. Nondeposit investment products, such as mutual funds, stocks, bonds, etc., are not FDIC-insured; are not deposits or other obligations of this institution, and are not guaranteed by this institution; and involve investment risks, including possible loss of principal.

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Introduction and Instructions

INTRODUCTION

You have elected to establish an Individual Retirement Custodial Account with us. We appreciate your decision to choose us as your IRA custodian and we look forward to serving you. We hereby furnish you with the following IRA documents: an IRA application page and this IRA Plan Agreement, Disclosure Statement and Schedule of Fees, if any. We strongly suggest that you take the time to read these materials. It is important that you understand both the tax and non-tax aspects of your IRA. For example, you certainly want to understand the provisions which govern your naming of beneficiaries.

If you have any questions, you may certainly contact our personal banking staff, but we strongly recommend that you consult with your tax or legal advisor for most questions.

Set forth in this booklet are the IRA Plan Agreement and the Disclosure Statement.

GENERAL INSTRUCTIONS

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

PURPOSE OF FORM

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

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

For more information on IRAs, including the required disclosures the custodian must give the depositor, see **Pub. 590**, Individual Retirement Arrangements (IRAs).

DEFINITIONS

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

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

IDENTIFYING NUMBER

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

TRADITIONAL IRA FOR NONWORKING SPOUSE

Form 5305-A may be used to establish the IRA custodial account for a nonworking spouse.

Contributions to an IRA custodial account for a nonworking spouse must be made to a separate IRA custodial account established by the nonworking spouse.

SPECIFIC INSTRUCTIONS

Article IV.—Distributions made under this article may be made in a single sum, periodic payment, or a combination of both. The distribution option should be reviewed in the year the depositor reaches age 70½ to ensure that the requirements of section 408(a)(6) have been met.

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

Individual Retirement Custodial Account

FORM

This is Form 5305-A as revised by the Department of Treasury, Internal Revenue Service in March of 2002. Do not file with the IRS. This IRA account is under section 408(a) of the Internal Revenue Code.

NOTICE OF AGREEMENT

Since your name appears on the application, you understand that you are establishing an Individual Retirement Account (IRA) (under section 408(a) of the Internal Revenue Code) to provide for your retirement and for the support of your beneficiaries after your death. The Custodian named on the application has given you the disclosure statement under the Income Tax Regulations under section 408(i) of the Code. You have deposited with the Custodian the sum indicated on the application, in cash. You and the Custodian make the following agreement with the following terms:

ARTICLE I

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

ARTICLE II

The depositor's interest in the balance in the custodial account is nonforfeitable.

ARTICLE III

1. No part of the custodial funds may be invested in life insurance contracts, nor may the assets of the custodial account be commingled with other property except in a common trust fund or common investment fund (within the meaning of section 408(a)(5)).
2. No part of the custodial funds may be invested in collectibles (within the meaning of section 408(m)) except as otherwise permitted by section 408(m)(3) which provides an exception for certain gold, silver, and platinum coins, coins issued under the laws of any state, and certain bullion.

ARTICLE IV

1. Notwithstanding any provision of this agreement to the contrary, the distribution of the depositor's interest in the custodial account shall be made in accordance with the following requirements and shall otherwise comply with section 408(a)(6) and the regulations thereunder, the provisions of which are herein incorporated by reference.
2. The depositor's entire interest in the custodial account must be, or begin to be, distributed not later than the Depositor's required beginning date, April 1 following the calendar year in which the Depositor reaches age 70½. By that date, the Depositor may elect, in a manner acceptable to the Custodian, to have the balance in the custodial account distributed in:
   (a) A single sum, or
   (b) Payments over a period not longer than the life of the depositor or the joint lives of the depositor and his or her designated beneficiary.
3. If the Depositor dies before his or her entire interest is distributed to him or her, the remaining interest will be distributed as follows:
   (a) if the depositor dies on or after the required beginning date and:
      (i) the designated beneficiary is the depositor's surviving spouse, the remaining interest will be distributed over the surviving spouse's life expectancy as determined each year until such spouse's death, or over the period in paragraph (a)(iii) below if longer. Any interest remaining after the spouse's death will be distributed over such spouse's remaining life expectancy as determined in the year of the spouse's death and reduced by 1 for each subsequent year, or, if distributions are being made over the period in paragraph (a) (iii) below, over such period.
      (ii) the designated beneficiary is not the depositor's surviving spouse, the remaining interest will be distributed over the beneficiary's remaining life expectancy as determined in the year following the death of the depositor and reduced by 1 for each subsequent year, or over the period in paragraph (a)(iii) below if longer.
      (iii) there is no designated beneficiary, the remaining interest will be distributed over the remaining life expectancy of the depositor as determined in the year of the depositor's death and reduced by 1 for each subsequent year.
   (b) If the depositor dies before the required beginning date, the remaining interest will be distributed in accordance with (i) below, or, if elected or there is no designated beneficiary, in accordance with (ii) below:
      (i) The remaining interest will be distributed in accordance with paragraphs (a)(i) and (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), starting by the end of the calendar year following the year of the depositor's death. If, however, the designated beneficiary is the depositor's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the depositor would have reached age 70½. But, in such case, if the depositor's surviving spouse dies before distributions are required to begin, then the remaining interest will be distributed in accordance with (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), over such spouse's designated beneficiary's life expectancy, or in accordance with (ii) below if there is no such designated beneficiary.
      (ii) The remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the depositor's death.
4. If the Depositor dies before his or her entire interest has been distributed and if the beneficiary is not the depositor's surviving spouse, no additional contributions may be accepted in the account.
5. The minimum amount that must be distributed each year, beginning with the year containing the depositor's required beginning date, is known as the "required minimum distribution" and is determined as follows:
   (a) The required minimum distribution under paragraph 2(b) for any year, beginning with the year the depositor reaches age 70½, is the depositor's account value at the close of business on December 31 of the preceding year divided by the distribution

period in the uniform lifetime table in Regulations section 1.401(a)(9)-9. However, if the depositor's designated beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the depositor's account value at the close of business on December 31 of the preceding year divided by the number in the joint and last survivor table in Regulations section 1.401(a)(9)-9. The required minimum distribution for a year under this paragraph (a) is determined using the depositor's (or, if applicable, the depositor and spouse's) attained age (or ages) in the year.

(b) The required minimum distribution under paragraphs 3(a) and 3(b)(i) for a year, beginning with the year following the year of the depositor's death (or the year the depositor would have reached age 70½, if applicable under paragraph 3(b)(i)) is the account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table in Regulations section 1.401(a)(9)-9) of the individual specified in such paragraphs 3(a) and 3(b)(i).

(c) The required minimum distribution for the year the depositor reaches age 70½ can be made as late as April 1 of the following year. The required minimum distribution for any other year must be made by the end of such year.

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

ARTICLE V

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

ARTICLE VI

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

ARTICLE VII

This agreement will be amended as necessary to comply with the provisions of the Code and the related regulations. Other amendments may be made with the consent of the persons whose signatures appear on the application page.

ARTICLE VIII

Article VIII may be used for any additional provisions. If other provisions are added, they must comply with applicable requirements of State law and the Internal Revenue Code.

Introduction

In this Article, the words "you" and "your" mean the person for whose benefit the IRA has been established. The words, "we," "us," and "our" mean the Custodian of your IRA. In addition to the provisions of Articles I-VII, you and we agree that your IRA will be governed by these terms.

1. Duties and Rights

1.1 Notice and Address Change. You and your beneficiaries must deliver or mail any required information to our office unless we ask that you send it elsewhere. Any notice or election is effective only upon actual receipt. You or your beneficiaries must notify us of any change in address.

1.2 Tax Consequences. Because IRAs are so influenced by tax laws, you expressly acknowledge that you should consult with your tax advisor before making almost any IRA transaction. You are responsible for the tax consequences of any contribution or distribution, including rollovers, transfers, recharacterizations, excess contributions, and prohibited transactions. You acknowledge that you have not relied upon us for any advice concerning such tax consequences.

1.3A Investments — Your Duties. You may instruct us in writing to invest your IRA funds into one or more of the savings or time deposit instruments which we are offering at that time. If you do not instruct us, we will invest the assets on your behalf. You, or your authorized investment manager, may also direct us to invest your IRA funds or some portion in any other assets, including common trust funds and common investment funds (within the meaning of Code section 408(a)(5)), as long as such transaction does not violate either the prohibited transaction rules of Code section 4975 or the collectibles rules of Code section 408(m). All investments shall be held in our name or the name of our nominee or in any other form we consider desirable.

If you direct your investments into assets other than our time or savings accounts, then we will not render any investment discretion nor offer any investment advice. When you direct your investments you assume full responsibility and we shall not be liable for any loss you suffer. We shall be able to rely fully on your directions without making any inquiry or investigation. We are granted the discretion to decline your investment direction for any reason. We shall have the right to request that you furnish us with a written attorney's opinion that the proposed transaction will not be a prohibited transaction.

FDIC insurance will only apply to the portion of your IRA funds invested in our time and savings accounts and then only to the extent provided under governing rules. Such insurance does not apply to IRA funds which you self-direct into other types of investments. Securities are not bank deposits or FDIC insured, are not obligations of or guaranteed by the Custodian, and involve risk to principal.

1.3B Investments — Our Duties. We have the following powers, rights and duties regarding the investment of your traditional IRA assets.

a. To hold any property in our name or that of our nominee or in any other form we consider desirable.
b. To invest pursuant to your direction in bonds, notes, debentures, mortgages, trust interests, investment stock, mutual funds, general and limited partnership interest, deposits which bear a reasonable interest rate in the trustee, or in such other property, real or personal, within the United States, as the trustee may deem advisable, or as directed by you.
c. To invest pursuant to your direction in common trust funds and common investment funds (within the meaning of Code section 408(a)(5)).
d. To hold in cash such portion of the IRA assets as shall be reasonable under the circumstances.
e. To exercise any powers and rights of any individual owner with respect to any property of the IRA including, but not limited to, conducting business or litigation, participating in a voting trust, merger, borrowing funds and to do all other acts in its judgment necessary or desirable for the investment of your IRA assets even though the specific power to do such acts is not listed.

1.4 Withdrawals/Termination. You may withdraw any amount of money from your IRA at any time. You must, however, complete our distribution form and furnish us with the reason for your distribution. If you indicate the distribution is because of a disability or death or a substantially equal periodic payment, then you must provide us with

necessary verification in the format we require. Unless you instruct us in writing otherwise, we must withhold income tax on any IRA distribution for federal and state income tax purposes, if applicable. The amount to be withheld would be the amount then required by the applicable tax laws. With any distribution, including transfers, you will be required to pay from your IRA funds, if applicable, the interest penalty for the early surrender of a time deposit(s) and/or any fees related to the distribution.

1.5 Special Distribution Rules to Ensure Compliance with 70½ RMD Rules. You are required to establish a periodic distribution schedule so that you are paid a distribution amount which equals or exceeds your required minimum distribution amount for the year you attain age 70½ and each subsequent year. We have forms available which can be used to establish this schedule. Alternatively, you may elect to use the alternative certification method. You must furnish us a written notice of your intent to use the alternative certification method. Upon your request we will furnish you a form which you can use to make this election.

Unless you instruct us otherwise in writing, you hereby authorize us to issue you a check from your IRA funds on or before November 15 of each year for the amount of your annual required distribution as determined above or deposit such amount into any non-IRA checking or savings account which you maintain with us. If you do not maintain such a non-IRA savings account, then you hereby grant us the authority to establish a non-IRA savings account to receive your RMD. We shall have the right to select a date other than November 15, but we must furnish you 15 days' notice. We shall have the authority but not the duty to distribute this annual required distribution amount from your IRA. You are solely responsible to make sure that your required minimum distributions take place on a timely basis.

1.6 Naming Beneficiaries and Method of Payment. You may name one or more beneficiaries to receive your IRA assets after your death. We require that you use our beneficiary form (or such other form which we have acknowledged in writing) to designate your beneficiary or beneficiaries and that you sign this form and file it with us during your lifetime. You are deemed to have furnished us with your beneficiary designation if you furnished such a form to an entity with respect to which we are considered to be a successor custodian and we have such designation in our files. You may change your beneficiaries at any time, and the consent of a beneficiary is not required unless you reside in a state with community or marital property laws. When you sign a new beneficiary form, you revoke all prior beneficiary designations. If you do not name a beneficiary, or if none of the named beneficiaries are alive on the date of your death, your IRA assets will be paid to your estate. As the beneficial owner of the IRA assets, you can instruct how and when these assets will be paid to the beneficiaries. Such instruction must be in writing. If you don't instruct, your beneficiaries will have the right to choose how and when the assets will be paid. Any method of payment must satisfy the provisions of Article IV and other governing law.

Should any beneficiary pre-decease you, his or her share of the IRA is distributed pursuant to the selection you made on the account application in the Designation of Beneficiary section. The first choice, the pro rata method, terminates the interest of the deceased beneficiary and distributes those funds pro rata according to the remaining beneficiary's share percentage(s). The second choice (a per stirpes method) transfers the deceased beneficiary's share equally to the next generation of his or her living issue. Living issue is defined first as children, then grandchildren, then great-grandchildren (natural and/or adopted). If there are no living issue, then the funds go to the first beneficiary's spouse. Should there be no spouse, the funds will be split pro rata among the other primary beneficiary(ies).

In order that your funds be distributed according to your wishes, we strongly recommend you complete a new beneficiary designation as soon as possible when a beneficiary dies before you.

After your death, each primary beneficiary who acquires an interest in your IRA shall have the right to designate his or her own beneficiary(ies) with respect to his or her share. The procedures for designating a beneficiary(ies) which apply to you as the accountholder shall also apply to your beneficiary. When a beneficiary signs a new or revised beneficiary designation form, your beneficiary revokes all of his or her prior beneficiary designations. If the beneficiary does not designate his other beneficiary(ies), or if a designated beneficiary is not alive when the beneficiary dies, then the remaining IRA assets will be paid to such beneficiary's estate. Any method of payment must satisfy the provisions of Article IV and other governing law.

1.7 Special Distribution Rules to Ensure Compliance with Required Minimum Distribution Rules by Beneficiaries and Special Provisions for an Inherited IRA(s). You agree to inform any person who is your beneficiary that he or she is your beneficiary and he or she must inform us of your death. We have the right to require that your beneficiary(ies) furnish us with a certified copy of your death certificate or other documentation as we feel appropriate to verify your death.

After your death, there are rules which mandate that your IRA funds be distributed to your beneficiary(ies) on or before certain time deadlines. The time deadlines which will apply will depend upon whether you died before or on/after your required beginning date and which available option your beneficiary elects. These deadlines are explained in the Disclosure Statement portion of this IRA booklet.

Upon your death, your IRA will be converted into one or more inherited IRAs. The number of inherited IRAs to be created depends upon the number of your primary beneficiaries alive as of the date of your death. There will be an inherited IRA created for each such beneficiary. The following rules will govern such inherited IRAs. These rules are in addition to the other rules of this agreement and will govern if there is a conflict.

You agree that we have the right to establish an inherited IRA account for each beneficiary on our data processing system even before a beneficiary instructs us how he or she will take withdrawals. We will have the authority to move the funds from your IRA to one or more new inherited IRA accounts. We will have the right, if necessary, because of data processing or administrative requirements to surrender the savings and time deposits which comprised your account and establish new ones for the inherited IRAs.

We will transfer an inherited IRA to another IRA custodian or trustee, but only if the requesting beneficiary and the receiving IRA custodian/trustee will furnish us with a special transfer of inherited IRA administrative form so it is clearly acknowledged that it is an "inherited IRA" which is being transferred. Inherited IRAs are not eligible to be rolled over unless the beneficiary is a spouse who is the sole beneficiary.

Each beneficiary will be required to instruct us in writing as to how he or she will withdraw funds from his or her inherited IRA so that the required minimum distributions rules will be satisfied.

A beneficiary who wishes to disclaim his or her interest must do so within nine months of your death and must comply with the requirements of Code section 2518 and applicable state law. Your beneficiary will be required to furnish us a written disclaimer as prepared by his or her attorney.

A spouse beneficiary will be deemed to have elected the life-distribution rule unless he or she expressly elects the five-year rule on or before December 31 of the year following the year of your death. A nonspouse beneficiary will also be deemed to have elected the

life distribution rule unless he or she expressly elects the five-year rule on or before December 31 of the year following the year of your death.

We have forms available which can be used by your beneficiary to instruct us which option he or she elects and to establish a distribution schedule. Alternatively, the beneficiary may elect to use the alternative certification method. The beneficiary must furnish us a written notice of his or her intent to use the alternative certification method. We will furnish the beneficiary a form which can be used to make this election, upon his or her request.

If your beneficiary fails to furnish us with his or her instruction as to how he or she will comply with the required distribution rules which apply to the situation, if applicable, then you hereby authorize us to mail a check to the beneficiary or to set-up a non-IRA savings account for such beneficiary and to deposit such funds into such account. We shall have the authority to make such a distribution by November 1 of the applicable year, but not the duty. Any beneficiary shall be solely responsible to make sure that required distributions take place on a timely basis so the 50% excise tax of Code section 4974(a) will not apply. A nonspouse beneficiary must remember that he or she has no rollover rights with respect to a distribution from an inherited IRA.

1.8 Assignment Rights. You, your beneficiaries, or anyone else may not borrow from your IRA, or pledge any portion of it as security or otherwise assign or create a lien on any part of your IRA account.

1.9 Indemnification. You hereby agree to release us from any and all liability with respect to your IRA except if such liability arises from our intentional misconduct or gross negligence.

1.10 Sale of Custodian-Successor Custodian. If another institution should purchase this, the custodian institution, or any of our IRA deposits, or we elect to change our corporate structure via a merger, consolidation or name change, then you hereby consent that the purchasing entity or the resulting corporate entity will be the successor custodian of your IRA funds with all duties and rights as listed herein.

1.11 General Rule–No FDIC Insurance Coverage. Normally FDIC insurance does NOT apply to assets held within a self-directed IRA because FDIC insurance applies only to certain deposit accounts. Your IRA has primarily been invested or will be invested in investments other than such deposit accounts and therefore will NOT be insured by the FDIC.

Stated another way, under your self-directed IRA, your IRA funds may be used to purchase mutual funds and other nondeposit investment products. The nondeposit investment products are not FDIC insured; are not deposits or other obligations of this institution and are not guaranteed by this institution; and involve investment risks, including loss or principal.

In some instances a portion of your IRA funds will be invested in deposits at this institution or another institution which is an “insured” institution. In such case, such deposits would be insured pursuant to the rules as established by the FDIC. A summary follows. Such IRA deposits are insured on a per institution basis and are insured separately from other deposit accounts, pursuant to the Federal Deposit Insurance Act, up to $250,000. Any IRA, Roth IRA, most eligible deferred compensation plans described in section 457 of the Internal Code, a Keogh plan as described in Code section 401(d) and any individual account plan as defined in section 3(34) of ERISA shall be aggregated and insured in an amount not to exceed $250,000. This aggregation requirement applies to a Keogh plan or an individual account plan only when you have the right to direct the investment of your account. Amounts in excess of $250,000 are not insured.

1.12 Special Terms Regarding SEP-IRA Contributions. Your IRA may accept SEP-IRA contributions which are made either by your employer or, if you are self-employed, by yourself. You hereby acknowledge that we have no responsibility or duty to determine your eligibility for such contributions or the correctness of the contribution amount. This is true even if we furnished you a copy of the IRS model Form 5305-SEP or Form 5305A-SEP or SEP prototype. You also acknowledge that you could well have excess IRA contributions if your employer (or you as the employer) makes a mistake as to which employees of the sponsoring business are entitled to be allocated a share of the employer contribution and the amount of each allocation. Other administrative errors could also occur. Therefore, you agree to hold us harmless with respect to any and all adverse tax consequences (e.g. excess contributions) which arise or may arise as a result of your employer (or you as the employer) making such administrative error(s).

1.13 Reports. Each year we will provide you or your beneficiary with one or more reports showing the activity in your IRA for the preceding year as required by IRS regulations and pronouncements.

You agree that we may furnish these reports by either providing a print version or an electronic version of the reports.

1.14 Reporting Errors. You or your beneficiary must carefully review each report for any errors. You are to notify us immediately if there are any errors. If you do not tell us of any errors within 90 days after the date we mailed the report, we are relieved of any responsibility for the error.

1.15 Corrections of Errors. We shall have the right to correct any error we make with respect to your IRA unless IRS rules and procedures would not permit us to do so. Such errors include both reporting errors and nonreporting errors.

1.16 Special Agreement Regarding Prohibited Transactions. You acknowledge that the prohibited transaction rules set forth in Code section 4975 are complex and can result in harsh tax consequences. Generally, if you or your beneficiary engages in a prohibited transaction in connection with your traditional IRA account at any time during the year, the account stops being an IRA as of the first day of that year. Therefore, you expressly agree that you will consult with your attorney or tax advisor prior to any proposed transaction which might be a prohibited transaction. You shall furnish us with an attorney’s written opinion that a prohibited transaction will not occur on account of the proposed transaction. You agree to hold us harmless for any prohibited transaction which occurs unless we would be principally at fault.

Generally, a prohibited transaction is any improper use of your traditional IRA account or annuity by you, your beneficiary, or any disqualified person.

Disqualified persons include your fiduciary and members of your family (spouse, ancestor, lineal descendant, and any spouse of a lineal descendant).

The following are examples of prohibited IRA transactions.

- Borrowing money from it.
- Selling property to it.
- Receiving unreasonable compensation for managing it.
- Using it as security for a loan.
- Buying property for personal use (present or future) with IRA funds.

Fiduciary. For these purposes, a fiduciary includes anyone who does any of the following.

- Exercises any discretionary authority or discretionary control in managing your IRA or exercises any authority or control in managing or disposing of its assets.
- Provides investment advice to your IRA for a fee, or has any authority or responsibility to do so.

- Has any discretionary authority or discretionary responsibility in administering your IRA.

1.17 Withholding of State Income Tax. If you are a resident of a state which has income tax laws, then we will withhold income tax for such state if we are required by law to do so or if we choose to do so. In general, we will withhold income tax for a state only if we have the minimal contacts with such state so we are required to do so.

1.18 Notices. We may give a notice or report to you or your beneficiary by mailing it to you or your beneficiary at the address last furnished to us. The notice or report is considered given when it is mailed by either an agent or us.

1.19 Agents. We may use agents to assist us in fulfilling our duties under this agreement. Such agents must abide by applicable federal privacy laws and our policies. Access to your personally identifiable financial information is limited to the employees of the agent who have been retained to enter data so that various IRS reporting forms and statements and other non-IRS reports and statements may be prepared.

1.20 Contribution Limitations and Procedures. For any tax year, we will only accept contributions to your IRA which do not exceed the maximum dollar amount which a person may be eligible to contribute for federal income tax purposes (see Disclosure Statement Section 3.2). However, if you provide us with a certification, we may accept a rollover contribution, a SEP contribution, a recharacterized contribution, a transfer contribution, or one of the special types of recontributions as authorized by tax laws enacted in 2005 and 2006. Your contribution will be reported as a contribution for the year in which it is made, unless you clearly instruct us, in writing, that it is for the prior year. This procedural rule also applies to a direct deposit of your tax refund into your traditional IRA.

1.21 Fees. You agree to pay us the fees specified in our current schedule of fees, if any, for establishing, maintaining and administering your IRA. We may replace or change our fee schedule at any time, upon giving you 30-days' written notice. You hereby authorize us to deduct these fees from your IRA assets and to surrender or sell such IRA assets at our discretion to pay any fee of which you have been notified, and which remains unpaid 30 days thereafter. However, in the case of an administrative fee, we will allow you to pay such fee with non-IRA funds, but we have no duty to inform you of this option other than herein.

If your IRA is escheated to a state we will have the discretion to charge a $50 fee. In addition, we will have the discretion to charge a $50 fee if we use the IRS missing person programs or similar programs to find you or your beneficiary or to try to find you or a beneficiary. If state law does not permit such fee or fees, then these fees shall not apply. You expressly authorize us to use the IRS' program if we have not had contact with you for a period of 12 months.

1.22 Termination and Resignation as Custodian. We may resign or terminate our position as custodian of your IRA at any time by giving you written notice. You may then instruct us in writing to transfer your IRA assets to another IRA custodian if done within 30 days of our written notice. If you fail to so instruct us in writing within 30 days of our written notice, the IRA assets will be paid to you by mailing a check to you or by depositing such funds into a non-IRA checking account or savings account which you maintain with us. In addition, if you do not maintain such a non-IRA checking or savings account, then you hereby grant us the authority to establish a non-IRA savings account to receive this transfer.

1.23 Amendments. We may amend this agreement at any time in order to meet the requirements of the tax laws or regulations. We will send you a copy of any such amendment. You also agree that we may amend any provision of Article VIII and it will become effective 30 days after it is mailed to you or your beneficiary.

1.24 Good Faith Payments. We are not liable for any payments we make in good faith. We can rely fully on any information or direction you give us or on any document which we believe sufficient to determine a person's identity. We can rely on the latest beneficiary form in our possession. We may presume that a beneficiary is fully competent until we are told otherwise. If a beneficiary is a minor or is incompetent, we may make payments to the beneficiary's legal representative, or to the person with whom the beneficiary resides or to the beneficiary directly, notwithstanding state law to the contrary.

1.25 Withholding Payments and Resolution of Disputes. We shall have the right to withhold payments from your IRA assets if there is any dispute or uncertainty with respect to these assets. For example, disputes could arise in a divorce situation, or different individuals could claim that they were entitled to be paid as your beneficiaries. This right of ours to withhold payment is expressly authorized until the dispute or uncertainty is settled to our satisfaction by all of the parties. We shall have the right (but not the duty) to request a judicial determination as to ownership of the assets at any time from a Court of law. The Court's determination shall be binding upon us, you and all persons claiming an interest in the assets. You expressly authorize and agree that we have the right to be paid (i.e. deduct) from your IRA assets any fees and expenses including but not limited to legal and accounting fees, whether internal or external, associated with resolving any dispute.

1.26 Transfers and Rollovers. We may request certification acceptable to us before we will accept any transfer or rollover contribution. We reserve total discretion whether or not we will transfer your IRA assets to another custodian or trustee. You certify that you understand that you are not eligible to roll over any required minimum distribution amount. You assume sole responsibility for complying with this requirement. You also expressly state that you have the sole responsibility for complying with all IRS eligibility rules for rollovers, including the rule that you are allowed only one rollover per IRA per 12 months. Also, since the IRS has not expressly ruled whether an individual has until the following Monday or business day when the 60th day ends on a Saturday, Sunday, or holiday, you accept full responsibility if you make such a contribution.

1.27 Authority to Deduct Taxes. In our sole discretion, you authorize us to deduct and pay from your IRA assets the amount necessary to pay any and all taxes which relate to this IRA for which it may be liable.

1.28 Express Duty to Notify Us When You Become an Expatriate. You acknowledge that you have the express duty to notify us (your IRA custodian/trustee) of your expatriation date when you become an expatriate or covered expatriate. In general, an expatriate is either a United States citizen who has relinquished his or her citizenship or is a long term resident who ceases residence in the United States.

You agree to complete such administrative forms as we believe necessary. In our sole discretion, we will have the right to deduct and pay from your IRA assets any amount which reasonably might be owed to the United States Treasury regarding your expatriation. Refer to section 4.5.K for a summary.

2. General Provisions and Special Law Changes

2.1 Entire Agreement/Reproductions. This agreement is made up of two documents: (1) the application form and (2) the IRS model Form 5305-A plan agreement along with Article VIII. You and we have received or retained a copy of these documents. You also acknowledge the fact that we have given you an IRA disclosure state-

ment. A copy of these documents shall be admissible in evidence in any judicial or administrative proceeding as if they were originals. This agreement contains the entire agreement of the parties. It may not be changed orally; you and we must agree to any changes according to the procedure set forth in Section 1.23.

2.2 Controlling Law. The laws of the state in which our principal office is located will govern this agreement for purposes of the relationship between us (i.e. the traditional IRA custodian and the traditional IRA accountholder or the inheriting beneficiary). However, if controlling law must be determined for another reason, then the laws of the state of the accountholder's domicile shall govern this agreement.

2.3 Waiver of a Breach and Severability. Your waiver or our waiver of a breach of any provision of this agreement by the other party shall not operate or be construed as a waiver of any subsequent breach. If any provision of this agreement is held to be illegal or nonenforceable, the remaining provisions shall be construed as if that provision had not been included.

2.4 Privacy Policies. We will furnish you our privacy policies as required by applicable banking laws. We hereby incorporate into this Agreement the terms of our Privacy Policies.

2.5 Special Plan Agreement Changes for the IRA Law Change Made by the Heroes Earned Retirement Opportunities Act. To the extent necessary, the previous provisions are modified to authorize the special IRA tax benefits allowed under the Heroes Earned Retirement Opportunities Act. These changes are discussed under Section 4.4.A of the Disclosure Statement.

2.6 Special Plan Agreement Changes for the IRA Law Changes Affecting Certain Reservists as Set Forth in the Pension Protection Act of 2006. To the extent necessary, the previous provisions are modified to authorize the special IRA tax benefits relating to certain reservists. These changes are discussed under Section 4.4.E(5) of the Disclosure Statement. In general, certain reservists are entitled to recontribute funds during a 2-year time period. The standard 60-day rollover period will not apply.

2.7 Special Plan Agreement Changes Authorizing Tax-Free Charitable Distributions. To the extent necessary, the previous provisions are modified to authorize the special IRA tax benefits for tax years 2008 to 2011 relating to tax-free charitable distributions. These changes are discussed under Section 4.5.D of the Disclosure Statement. Unless there is another tax law enacted extending this special rule to 2012 and subsequent years, it will not apply for 2012.

2.8 Special Plan Agreement Changes Authorizing a New Type of Inherited IRA as Set Forth in the Pension Protection Act of 2006. To the extent necessary, the previous provisions are modified to authorize the special IRA tax benefits relating to the new type of inherited IRA arising from direct rollovers of the accounts of nonspouse beneficiaries. These changes are discussed under Section 3.10 of the Disclosure Statement.

2.9 Various Contribution Amounts, Income Limits and Limits Relating to the Saver's Tax Credit are to be Adjusted for Cost of Living Beginning, in General, in 2007, as Set Forth in the Pension Protection Act of 2006. To the extent necessary, the previous provisions are modified to authorize these adjustments. These changes are discussed in the Disclosure Statement.

2.10 Special Plan Agreement Changes Authorizing IRA Funds to be Transferred Tax-Free to Health Savings Accounts. On or after January 1, 2007, a person who is eligible to make an HSA contribution, who has funds within a traditional IRA (and in limited cases a Roth IRA) may make a special election once during their lifetime to transfer a certain amount from their traditional IRA to their HSA. This type of special transfer is called a qualified HSA funding distribution. such an election, once made, is irrevocable. The amount transferred in such a direct trustee-to trustee transfer will be excluded from your income. (See section 4.5.J. for discussion of this special tax-free transfer.)

2.11 Special Plan Agreement Changes for Special Rollover Contributions Arising from Exxon Valdez Litigation. To the extent necessary, the previous provisions are modified to authorize the special rollover contributions arising from the Exxon Valdez litigation rules as set forth in the Emergency Economic Stabilization Act of 2008. These changes are discussed in Section 4.4.E(6) of the Disclosure Statement.

Disclosure Statement

1. Introduction

This IRA Disclosure Statement is an explanation of the rules which govern your regular or traditional IRA because that is the type of IRA which you have established. A SEP-IRA is a traditional IRA to which larger contributions are authorized.

You have not established a Roth IRA, or a SIMPLE-IRA. You would need to sign other special documents if you would like these special types of IRAs.

This summary or explanation of your traditional IRA is intended to be a nontechnical explanation. However, as with any plan or program created by the Internal Revenue Code, these rules are complicated. Note that this is a summary and you may well wish to conduct additional research. You are advised to always seek professional tax advice.

2. Revocation Procedure

You are entitled to revoke or cancel your IRA for any reason within seven (7) calendar days of the day you established it. You revoke your IRA by mailing or delivering a written notice to the Custodian's representative as shown on the application page. If you mail your notice, it is deemed mailed on the postmark date if you deposited it, properly addressed, in the United States mail with first class postage. Your timely revocation within the first seven days will mean your original contribution will be returned to you without any adjustment. Be advised that the current procedures of the Internal Revenue Service require us to report your contribution and distribution even if you exercise this right to revoke your IRA.

3. Statutory Requirements of an IRA

3.1 Cash Contributions. Your traditional IRA contribution must be in cash (or cash equivalent, and cannot be property) unless it is a rollover contribution or a recharacterized contribution.

3.2 Contribution Limits. The contribution to your traditional IRA for any taxable year cannot exceed the lesser of the amount set forth in the Chart of IRA Contribution Limits as set forth below, or the amount of your qualified compensation, which is defined to include salaries, wages, self-employment income and other personal service income included in your gross income. Compensation does not include income from property. If you are self-employed, your net earnings must be reduced by any amount allowed as a deduction on your behalf under a qualified plan. Compensation

includes any amount includable as alimony in your gross income under section 71(a)(1) and non-taxable military combat pay.

Chart of IRA Contribution Limits

Tax Year	Amount If Not Age 50 or Over	Amount If Age 50 or Over
2002-2004	$3,000	$3,500
2005	$4,000	$4,500
2006-2007	$4,000	$5,000
2008-2011	$5,000*	$6,000*

*The amounts for 2012 and subsequent years may be larger than $5,000 and $6,000 as they may be adjusted by a COLA.

3.3 Custodian/Trustee Requirements. The custodian or trustee of your traditional IRA must be a bank, trust company, savings and loan association, a federally insured credit union, or other entity approved by the Secretary of the Treasury.

3.4 No Life Insurance. Your contributions or any funds in your IRA cannot be invested in life insurance to any extent.

3.5 Nonforfeitable. Your contributions and IRA funds are nonforfeitable.

3.6 Segregated Funds. Your IRA funds must be kept separate from other property, although these assets may be combined with other property in a common IRA trust fund.

3.7 Distributions which Must Be Taken by Age 70½ IRA Accountholders and Excess Accumulations (Insufficient Distributions).

The following discussion is presented in question and answer format.

Why are there federal tax rules mandating required minimum distributions from a traditional IRA? The primary purpose of a traditional IRA is to provide retirement funds for the traditional IRA accountholder. Therefore, the tax laws require an IRA accountholder to take a required minimum distribution for the year he or she attains age 70½ and each subsequent year. After the IRA accountholder dies, the beneficiary or beneficiaries will be required to take required distributions. There are specific formulas for determining how much must be withdrawn, and when. These amounts are called "required minimum distributions" (RMDs).

What happens if I fail to withdraw the required minimum distribution? Current federal income tax law provides a penalty tax of 50% of the amount required to be distributed, but which was not. For example, if you failed to withdraw a required minimum distribution of $900 for 2011, then you would owe a tax of $450.

What are the tax consequences of receiving an RMD? The general taxation rule for traditional IRAs will apply. You (or your beneficiary) will include the amount received in your gross income for the year of receipt. You will pay taxes with respect to this amount at the marginal income tax rate which applies to you, unless a portion of the distribution is not taxable because it is comprised of basis.

Must I withdraw all of my money because I am 70½, or may I withdraw IRA funds in a number of payments? You are not required to withdraw all of your IRA funds in one year. You may, if you wish, but you are not required to do this. You are also permitted to set up a distribution schedule over a number of years, as long as you take your RMD amount or a larger amount each year.

As long as your money is in your IRA, it remains tax deferred, as do any earnings. By using Periodic Payments over a number of years, you spread your income out over the payment schedule and typically will pay less tax.

3.8 RMDs for Accountholders

What is the basic RMD calculation? There are actually two formulas which must be used to calculate the RMD amount. The RMD equals the IRA's balance as of the preceding December 31, divided by the distribution period set forth in the Uniform Lifetime Table or the Joint and Last Survivor Table.

Formula #1

$$\text{RMD} = \frac{\text{Account Balance}}{\text{Period from Uniform Lifetime Table}}$$

Formula #2

$$\text{RMD} = \frac{\text{Account Balance}}{\text{Period from Joint Lives Table}}$$

The account balance of the IRA as of December 31 of the previous year is adjusted for outstanding rollovers, transfers and recharacterizations, if any.

For example: the fair market value of your IRA as of 12/31/10 is $15,000. Your age is 77 in 2011. The divisor from the Uniform Lifetime Table is 21.2. Your required minimum distribution for 2011 is $15,000/21.2, or $707.55.

Do all distributions count towards satisfying the RMD amount? Almost all distributions do count, even the distribution of nondeductible contributions are counted. However, "corrective distributions" pursuant to Code section 408(d)(4), 408(d)(5), 408(k)(6)(C) or similar items defined by the IRS commissioner do not reduce the RMD amount.

Should I consult with my legal and/or tax advisor? Yes. It is important that you understand these RMD rules, as the 50% tax is very punitive.

What "age" is used to determine the distribution period (i.e. life-expectancy factor) for the first year? The age to be used is the age you attain as of December 31 of the year you attained age 70½. If your date of birth is 1/4/41, then you attain age 70 on 1/4/11, and 70½ on 7/4/11. Therefore, age 70 would be used for 2011. If your date of birth had been 8/10/40, then you would attain age 70½ on 2/10/11, and also age 71 in 2011. Thus, age 71 would be used for 2011.

What is the Uniform Lifetime Table? It is the table which the IRS has instructed be used for determining the distribution period for lifetime distributions to an IRA accountholder when his or her spouse is either not the sole designated beneficiary, or is the sole beneficiary, but is not more than 10 years younger than the accountholder. This is a joint life-expectancy table created by the IRS using the age of the IRA accountholder and a hypothetical beneficiary who is 10 years younger than the accountholder.

Uniform Lifetime Table

Age of IRA Accountholder	Distribution Period (in years)	Age of IRA Accountholder	Distribution Period (in years)
70	27.4	93	9.6
71	26.5	94	9.1
72	25.6	95	8.6
73	24.7	96	8.1
74	23.8	97	7.6
75	22.9	98	7.1
76	22.0	99	6.7
77	21.2	100	6.3
78	20.3	101	5.9
79	19.5	102	5.5
80	18.7	103	5.2
81	17.9	104	4.9
82	17.1	105	4.5
83	16.3	106	4.2
84	15.5	107	3.9
85	14.8	108	3.7
86	14.1	109	3.4
87	13.4	110	3.1
88	12.7	111	2.9
89	12.0	112	2.6
90	11.4	113	2.4
91	10.8	114	2.1
92	10.2	115	1.9

What life-expectancy table is used if the Uniform Lifetime Table is NOT used? It is the Joint and Last Survivor Table. You may find it in IRS Publication 590 or in the final RMD regulation. Again, the only time this table is used is if your spouse is your sole beneficiary at all times during the distribution calendar year and he or she is more than 10 years younger than you are.

When is the determination made that my spouse is my sole beneficiary and is more than 10 years younger? It is made

on January 1 of each required distribution year.

What happens if there is a change in my marital status after January 1? If your spouse would die after January 1, or you become divorced after January 1, you will still be treated as married for such year. However, you would not qualify to use the Joint Table for subsequent years unless you would re-marry and qualify again under the special rule.

What happens if I designate a beneficiary other than or in addition to my spouse who had been my sole beneficiary during the distribution calendar year? The RMD amount will need to be redetermined and it will be a larger amount, using the Uniform Lifetime Table.

What is my required beginning date? The required beginning date is April 1 of the year following the year in which you reach age 70½. You reach age 70½ on the day six months after your 70th birthday. For example, if your 70th birthday is June 25, six months from June 25 is December 25. You would be considered to be "70 and ½" in that year and must begin distributions by April 1 of the next year.

If my first distribution has to be withdrawn by April 1 of the year after the year I reach age 70½, when do I have to take additional distributions? You are required to take distributions for each calendar year after the year you reach age 70½. While you have until April 1 of the year after the year in which you turn age 70½ to take your first distribution, the distribution for the second year must be made by December 31 of such year. The deadline for subsequent distributions is December 31 of each subsequent year.

May I withdraw more than my required minimum distribution? Yes, you are always able to withdraw more, but only to the extent of your IRA account balance.

Must the distribution schedule I establish also be the same as my required minimum distribution schedule? No. The rule is that the amount distributed each year must always equal or exceed your RMD amount for such year.

Am I required to take a minimum distribution from each IRA I have? No. The minimum distribution amount must be calculated separately for each IRA you have. Under the final RMD rules, the IRA custodian must determine your RMD if you request it. However, you do not have to take a distribution from each IRA, as long as you satisfy the total minimum distribution amount from at least one IRA.

Example: Roberta is age 76 (distribution period of 22.0) in 2011, and she has four IRAs at four different IRA custodians:

IRA Custodian	IRA Balance	RMD Amount
First Bank	$5,000.00	$227.27
First Brokerage	$15,000.00	$681.82
Second Bank	$30,000.00	$1,363.64
Second Brokerage	$20,000.00	$909.09
Aggregate RMD TOTAL		$3,181.82

Roberta can take the $3,181.82 from the first IRA, the second IRA, the third IRA, the fourth IRA or in any combination, as long as she satisfies her required minimum distribution of $3,181.82. If Roberta withdraws $3,181.82 from the IRA at First Bank, then she should inform the other three custodians in writing that she has satisfied her RMD requirement by withdrawing funds from the IRA at First Bank.

Since 2002 only the RMDs of "like-kind" IRAs may be aggregated for purposes of this special distribution rule.

Examples of "like-kind" IRAs:

1. Traditional IRAs of a person who holds them as an accountholder;
2. Traditional IRAs of a person who holds them as a beneficiary, as long as related to the same deceased IRA accountholder (i.e. an inherited IRA); and
3. Roth IRAs of a person who holds them as a beneficiary of the same deceased Roth IRA accountholder (i.e. an inherited Roth IRA).

A distribution from an IRA which is not of the same type may not be used to satisfy the RMD requirement of another type of IRA. For example, if John Doe inherits two traditional IRAs from his dad and one traditional IRA from his mom, then he may aggregate the two IRAs he inherited from his dad, but he may not aggregate these two with the inherited one from his mom.

Traditional IRAs, Roth IRAs, and section 403(b) plans are three different types, so the three may not be aggregated. This special aggregation rule does not apply to distributions from Qualified Plans. There must be a separate distribution from each qualified plan, and a distribution from an IRA can never be used to satisfy an RMD for a QP, or vice versa.

What rules apply if I wish to roll over funds from an IRA to a different IRA? Are there any special RMD rules with which I must comply? Yes. The rules applying to rollovers have not changed. A person is not eligible to roll over an RMD. If one does, then it will be an excess contribution.

The IRS rules provide that the first money out of your IRA for a given year is defined to be your required distribution for such year, until your requirement is met. Therefore, if you were to take a distribution early in the year, thinking you could roll it over and later take your RMD amount, the IRS would consider the distribution to be part of your RMD amount, and rolling over an RMD amount is not permissible. You may, of course, use the alternative certification method and take your RMD amount for one IRA from a different IRA.

What rules apply if I wish to transfer funds from an IRA to a different IRA, and am I required to take a required distribution if I have not yet done so? You may transfer your entire IRA balance (including any RMD for such year) from one IRA to another IRA. IRA accountholders must understand that there are some risks associated with the new rules because the two IRA custodians (i.e. sending and receiving) are not responsible to redetermine your RMD amount just because you transfer funds out of their IRA or transfer funds into their IRA. This means that you, the accountholder, will be responsible to make sure that you withdraw your RMD from wherever you wish.

What is an RMD Notice? Every IRA custodian or trustee is required to send you an RMD notice by January 31 of each year informing you what your required distribution amount is for each IRA which you maintain with such IRA custodian or trustee. The annual RMD notice must also inform you of your deadline for taking your RMD. Alternatively, the IRA custodian must advise you that you must take an RMD with respect to a specific IRA plan agreement, inform you of your deadline, offer to calculate the RMD upon your request, and then, if requested, calculate the RMD and provide it to you. The IRA custodian may choose to inform you that you do not need to take a distribution from that specific IRA as long as you were using the alternative certification method and take the RMD amount for that IRA from another IRA plan agreement.

Is my IRA custodian required to give the IRS any information about my RMD? Yes. The IRA custodian must, on an annual basis, indicate on the Form 5498 if an RMD is required. At the present time, the IRS is not requiring that the actual RMD amount be reported to the IRS.

3.9 RMDs for IRA Beneficiaries

Are my IRA beneficiaries required to take RMDs after I die? Yes. The 50% additional tax will be owing to the extent a beneficiary fails to receive an RMD.

What is the general RMD formula for an IRA beneficiary? It is the same formula which applies to a living IRA accountholder, except the life-expectancy table to be used is different. An IRA beneficiary uses the

Single life Table. An IRA beneficiary never uses either the Uniform Lifetime Table or the Joint and Last Survivor Table.

The Formula:

12-31-XX of Preceding Year = RMD for Current Year
Period from Single Life Table (As Adjusted)

Does the RMD Waiver Rule for 2009 affect other years? Yes, if the five year applies because the beneficiary had elected it, the five year rule is now applied without considering 2009. For example, if an IRA accountholder had died in 2006, so the beneficiary would have been required to close the inherited IRA by December 31, 2011, he or she will now have until December 31, 2012 to close the inherited IRA.

What RMD rules apply to the beneficiary? The RMD rules depend upon whether you die before or on/after your required beginning date. You and your beneficiary will want to understand the following six situations. In addition, the IRS has made clear that even though your spouse beneficiary does not have the right to elect to treat your IRA as his or her own because he or she is not the sole beneficiary or for some other reason, your spouse may still roll over a distribution as long as the standard rollover rules are satisfied.

Situation #1. If your spouse is your sole beneficiary, and you die before the required beginning date, then your spouse may choose from three options:

Five-Year Payout – Under this option, your spouse must remove all funds from the IRA by December 31 of the year that contains the fifth anniversary of your death. As much or as little as your spouse desires can be removed each year, as long as the entire IRA balance is distributed by the deadline.

Election as Own – Your spouse is able to elect to treat his or her interest as a beneficiary in your IRA as his or her own IRA. This is true even if distribution has commenced to your spouse. The effect of this election is that all standard distribution rules will apply to your spouse's new IRA.

Your spouse makes such an election when he or she redesignates the IRA to be his or her own IRA as an owner rather than as a beneficiary. Such election is also deemed made when, if at any time, your spouse fails to take an RMD within an appropriate time period or contributes any additional amounts to the IRA.

Your spouse is eligible to make this election only if he or she is the sole beneficiary of your IRA and he or she must have an unlimited right to withdraw funds from the IRA.

Life-Distribution Rule – If your spouse is the sole beneficiary of your IRA, then he or she is required to commence distributions over his or her life-expectancy - no later than the later of: December 31 of the year you would have attained age 70½, or December 31 of the following year if you would die in the year you would have attained age 70½.

A special rule applies if your spouse is your sole beneficiary and you die before your required beginning date and then your spouse dies before payments commence to him or her. In this case, the 5-year rule or the life-distribution rule will be applied as if your spouse is the IRA accountholder.

Situation #2. If your spouse is your sole beneficiary, and you die after the required beginning date, then your spouse may establish a periodic distribution schedule which will be based on his or her life-expectancy factor as set forth in the Single Life Table as prepared by the Internal Revenue Service – in Internal Revenue Code regulation 1.401(a)(9)-9. Each year's factor is based on your spouse's age as of his or her birth date for such year. For example, if you died in 2006 at age 79, and your spouse attained age 71 in 2006, then your spouse's factor will be 15.5 (age 72) for 2007, 14.8 (age 73) for 2008, 14.1 (age 74) for 2009, etc.

After your spouse dies, there will be a different method of determining the distribution period to govern the required distributions to any subsequent beneficiary(ies) for years after the year your spouse dies. This method requires a preliminary factor to be determined from the Single Life Table for the year of the spouse's death by using the birth date your spouse either attained or would have attained for the year of his or her death. The actual factors to be used for subsequent years are determined by reducing the preliminary factor by one for each subsequent year. For example, if your spouse died in 2009 at age 74, then the factors to be used for subsequent years will be as follows: 13.1 (14.1-1.0) for 2010; 12.1 (14.1-2.0) for 2011; 11.1 (14.1-3.0) for 2012, etc.

Your beneficiary is, of course, permitted to take more than the required distribution amount.

As discussed in situation #1, your spouse may elect to treat your IRA as his or her own at any time.

Situation #3. If your beneficiary is a living person other than your spouse, or your spouse is not your sole beneficiary, and you die before your required beginning date, then the beneficiary has two options:

Five-Year Payout – All funds must be distributed by December 31 of the year that contains the fifth anniversary of your death. As much or as little as the beneficiary desires can be removed each year, as long as the entire IRA balance is distributed by the deadline.

Life-Distribution Rule – Under this option, the distribution is based on the beneficiary's life-expectancy, using one-year reduction. This is the option which automatically applies unless your beneficiary elects the five-year payout option on or before 12/31 of the year after the year of death.

If a beneficiary using the life-distribution rule neglects to take a distribution when required, normally a 50% excise tax would be owing on the amount which was required to be withdrawn but was not. The IRS is allowed to waive this excise tax if the beneficiary would agree to a total distribution of the IRA account by 12/31 of the year which includes the fifth anniversary of the accountholder's death. Although the IRS is allowed to waive the 50% excise tax, it is not required to do so.

Situation #4. If your beneficiary is a living person other than your spouse, or your spouse is not your sole beneficiary, and you die after your required beginning date, then the applicable distribution period for years after the year of your death will be based on the remaining life-expectancy of your designated beneficiary. The beneficiary's remaining life-expectancy is calculated using the age of your beneficiary in the year following the year of your death. For subsequent years, the initial factor is reduced by one for each subsequent year.

Situation #5. If you did not designate a living person as a beneficiary and you died before your required beginning date, then the estate or other beneficiary will be required to use the 5-year rule.

Situation #6. If you do not designate a living person as a beneficiary and you die on or after your required beginning date, then the applicable distribution period (i.e. the original factor) for years after the year of your death is based on your age and life-expectancy as determined as of December 31 of the year you die. For subsequent years, the original factor is reduced by one for each elapsed year.

Special Exception. Under Situation #2 or Situation #4, the distribution period will be based on the remaining life expectancy of the accountholder, as determined under Situation #6, rather than that of the beneficiary, if it results in a longer distribution period.

Surviving Spouse's Right to Treat Deceased Spouse's IRA as Own. A spouse who is the sole primary beneficiary, and who has an unlimited right to withdraw amounts from the deceased spouse's IRA, has the right to treat this IRA as his or her own IRA at any time after the spouse's date of death. When a surviving spouse elects to treat the deceased spouse's IRA as his or

her own, the IRA is no longer an "inherited" IRA. The effect of treating the deceased spouse's IRA as his or her own IRA is that the surviving spouse is now treated as if he or she had originally made the IRA contributions. The surviving spouse is now considered to be the IRA owner, for whose benefit the IRA is maintained, for all purposes under the tax laws (e.g. the application of the 10% excise tax for pre-age 59½ distributions, the right to designate a beneficiary(ies), the right to convert the funds to a Roth IRA, the RMD Rules, etc).

The RMD rules will apply to this "elected" IRA only if the surviving spouse attains age 70½ or older during the year his or her spouse died. The RMD rules will NOT apply to this "elected" IRA if the surviving spouse is sufficiently young so that he or she is not subject to the RMD rules for the current year.

The IRS has written the rule to be — the RMD for the calendar year of the election and each subsequent year is made by using the age of the surviving spouse.

The surviving spouse, however, may choose to use a special rule (i.e. the exception). If the surviving spouse's election to "treat as own" occurs during the same year in which the deceased spouse died, then the surviving spouse has the right to be paid the RMD amount, if any, as determined for the deceased IRA owner. The surviving spouse only needs to be paid the RMD amount which had not yet been distributed to the deceased IRA owner prior to his or her death.

If I designate a trust as my IRA beneficiary, will such trust be entitled to use a distribution period which normally would apply only to a beneficiary who is an individual? Yes. If special rules are met, the beneficiaries of a trust will be treated as if they had been the beneficiaries of the IRA. The effect of this is that the age of such beneficiary(ies) may then be used to determine the distribution period which applies after your death.

The trustee of the trust, by October 31 of the year after your death, must either provide a copy of the actual trust document for the trust that is named as a beneficiary as of your date of death, or provide a final list of all beneficiaries of the trust as of October 31 of the year after the accountholder's death (including contingent and remainderman beneficiaries with a description of their entitlement); certify to the best of his or her knowledge that the list is correct and complete and that requirements 1-3 below are satisfied; and agree to provide a copy of the trust instrument upon demand.

1. The trust is a valid trust under state law, or would be but for the fact that there is no CORPUS.
2. The trust is irrevocable or will, by its terms, become irrevocable upon your death.
3. The beneficiaries of the trust who are the beneficiaries with respect to the trust's interest in the IRA are identifiable from the trust instrument.

What life-expectancy table is used to determine the life expectancy which applies to an inheriting IRA beneficiary?
Single Life Table

Age of IRA Beneficiary	Distribution Period (in yrs)	Age of IRA Beneficiary	Distribution Period (in yrs)	Age of IRA Beneficiary	Distribution Period (in yrs)	Age of IRA Beneficiary	Distribution Period (in yrs)
0	82.4	28	55.3	56	28.7	84	8.1
1	81.6	29	54.3	57	27.9	85	7.6
2	80.6	30	53.3	58	27	86	7.1
3	79.7	31	52.4	59	26.1	87	6.7
4	78.7	32	51.4	60	25.2	88	6.3
5	77.7	33	50.4	61	24.4	89	5.9
6	76.7	34	49.4	62	23.5	90	5.5
7	75.8	35	48.5	63	22.7	91	5.2
8	74.8	36	47.5	64	21.8	92	4.9
9	73.8	37	46.5	65	21.0	93	4.6
10	72.8	38	45.6	66	20.2	94	4.3
11	71.8	39	44.6	67	19.4	95	4.1
12	70.8	40	43.6	68	18.6	96	3.8
13	69.9	41	42.7	69	17.8	97	3.6
14	68.9	42	41.7	70	17.0	98	3.4
15	67.9	43	40.7	71	16.3	99	3.1
16	66.9	44	39.8	72	15.5	100	2.9
17	66.0	45	38.8	73	14.8	101	2.7
18	65.0	46	37.9	74	14.1	102	2.5
19	64.0	47	37.0	75	13.4	103	2.3
20	63.0	48	36.0	76	12.7	104	2.1
21	62.1	49	35.1	77	12.1	105	1.9
22	61.1	50	34.2	78	11.4	106	1.7
23	60.1	51	33.3	79	10.8	107	1.5
24	59.1	52	32.3	80	10.2	108	1.4
25	58.2	53	31.4	81	9.7	109	1.2
26	57.2	54	30.5	82	9.1	110	1.1
27	56.2	55	29.6	83	8.6	111+	1.0

3.10 RMDs for Beneficiaries of an Inherited IRA Arising from a Direct Rollover from a 401(k) Plan or Other Eligible Retirement Plan (ERP)

On or after January 1, 2007, if you are a nonspouse beneficiary of a deceased plan participant, then you will be able to directly roll over your inherited funds into a new type of inherited IRA, if the plan is amended to authorize such a direct rollover. Prior to 2007, a nonspouse beneficiary of a pension plan participant was unable to roll over such inherited funds. He or she was required to take distributions from the pension plan as the plan stipulated.

You will be required to take required distributions from this new type of inherited IRA. The IRS has adopted the approach that the inherited IRA established to receive the direct rollover must apply the same required distribution rules as set forth in the ERP. That is, if the ERP mandated that the 5-year rule applies, then the 5-year rule must be applied by the inherited IRA, unless a special election has been made to use the life-distribution rule. If the ERP mandated the life-distribution rule, then the life-distribution rule must be applied by the inherited IRA.

Special rule and election. If the 5-year rule applies, the nonspouse beneficiary may elect to use the life-distribution rule rather than the 5-year rule. There are two requirements. First, the funds must be directly rolled over before the end of the year following the year of death. Secondly, the life-distribution rule must be determined using the same nonspouse beneficiary. Note that the amount ineligible to be directly rolled over includes the required distribution amount for any prior year to the extent not distributed.

4. Federal Income Tax Consequences

4.1 Generally you may add up to the applicable contribution limit (see page 8) of earned income to your IRA account each year and have it be either fully or partially tax deductible (see Deductibility Chart). If your contribution is tax deductible, then you receive two tax benefits: (1) an immediate tax savings because you will pay fewer taxes because of the deduction and (2) the earnings generated by the IRA funds are not taxed until distributed. If your contribution is not tax deductible, you still receive the tax benefit of tax deferral on the IRA's earnings. You may also qualify for a tax credit as discussed later.

4.2 Deferred Taxation. Your IRA funds (whether contributions or related earnings) are not taxed until actual distribution unless (1) you engage in a prohibited transaction, (2) you invest in collectibles, (3) your contribution is nondeductible, (4) you pledge your IRA as security, or (5) you engage in a trade or business with these funds so that the unrelated business income tax imposed by Internal Revenue Code section 511 applies. If you engage in a prohibited transaction at any time during the year, your IRA funds will be treated as if they were distributed on January 1 of that year. IRC section 4975 names the prohibited transactions. Some examples: (1) borrowing from your IRA; (2) selling property to your IRA; (3) using your IRA as security for a loan; or (4) receiving unreasonable compensation for managing your IRA. If any of your IRA funds are invested in collectibles after 1981, the amount invested is considered distributed to you in that year. Collectibles include tangible personal property such as artwork, rugs, antiques, metals, gems, coins, alcoholic bever-

ages, etc. Exception #1: IRA funds may be invested in certain gold, silver, and platinum coins issued by the United States. Exception #2: IRA funds may be invested in any coin issued under the laws of any state. Exception #3: After December 31, 1997, an IRA may purchase certain gold, silver, platinum or palladium bullion. Such bullion must be in the physical possession of the IRA trustee or custodian. Such bullion must be of a fineness that a contract market requires for metals which may be delivered in satisfaction of a regulated futures contract.

4.3 Establishment and Contribution Deadline. You are able to establish a traditional IRA on or before April 15 of the following tax year unless the 15th falls on a Saturday or Sunday or there is a holiday recognized for federal income tax purposes.

You must make your contribution of regular or spousal contributions by the time prescribed by law for filing your Federal income tax return for such year, but determined without regard to extensions. Normally, this is April 15 of the subsequent year.

Electronic Contribution of Federal Tax Refund. The IRS has authorized a procedure to allow you to have all or a portion of your federal tax refund electronically deposited to a retirement plan (in addition to, or instead of, a checking or savings account); this would include a traditional and/or Roth IRA.You will need to use IRS Form 8888, and you will indicate (at the time you file your return) up to three accounts into which you wish to have your federal tax refund electronically deposited. The funds may be deposited with any U.S. financial institution, and you must provide valid routing and account numbers. You will attach Form 8888 to your tax return. The ability to allocate direct deposit refunds among multiple accounts is available to all individual filers using the 1040 series of forms. Such a contribution will be considered to be a contribution for the current calendar year unless you designate it as being for the prior tax year.

4.4 Types of IRA Contributions, Contribution Limits and Deduction Rules. Eight (8) types of contributions may be made to an IRA: (i) regular; (ii) spousal; (iii) rollover; (iv) transfer; (v) SEP; (vi) recharacterization; (vii) an authorized recontribution; and (viii) a special rollover as authorized for certain Exxon Valdez litigation. The amount which you can deduct depends upon your contribution type. Be aware that neither you nor your employer are eligible to make a SIMPLE contribution or a Roth IRA contribution using this IRA agreement. You must use a special SIMPLE-IRA plan agreement, or a Roth IRA plan agreement to make any of these types of contributions. A contribution will be treated as a regular annual contribution unless you would instruct otherwise and such contribution type would be appropriate.

4.4.A Regular. You are eligible for a regular contribution if you do not reach age 70½ in the calendar year for which you wish to make the contribution, and you have compensation (income earned from performing material personal services). You may also qualify for a contribution if you meet the special eligibility requirements for a rollover, transfer, SEP, or recharacterization contribution, or an authorized recontribution.

The regular or spousal contribution to your IRA for any taxable year cannot exceed the lesser of the amount set forth in the Chart of IRA Contribution Limits as set forth below or the amount of your compensation, which is defined to include salaries, wages, self-employment income and other personal service income included in your gross income. Compensation does not include income from property. If you are self-employed, your net earnings must be reduced by any amount allowed as a deduction on your behalf under a qualified plan, SEP or SIMPLE. Compensation includes any amount includable as alimony in your gross income under section 71(a)(1). As of January 1, 2009, the term compensation also includes any differential wage payment. This is any payment made by an employer to an individual with respect to the time he or she is performing service in the uniformed services while on active duty for a period of more than 30 days and which represents all or a portion of the wages the individual would have received from the employer if he or she was performing service for the employer.

The Heroes Earned Retirement Opportunities Act (HEROA), provides a special rule that an individual who has nontaxable combat-zone pay on or after January 1, 2004, may use such pay to make his or her IRA contribution for 2004, 2005, 2006, or subsequent years, as applicable. HEROA is retroactive for tax years beginning in 2004.

If you qualify for this special contribution, for 2004 or 2005 you will have until May 29, 2009, to make this special contribution. If the contribution would reduce your tax liability for a particular year, then you may file for a refund. You will wish to check with your tax advisor. Thereafter, you will have the longer of one year from the date of the retroactive contribution or three years from the date of the filing of your original tax return to file an amended return to request the refund.

Chart of IRA Contribution Limits

Tax Year	Amount If Not Age 50 or Over	Amount If Age 50 or Over
2002-2004	$3,000	$3,500
2005	$4,000	$4,500
2006-2007	$4,000	$5,000
2008-2011	$5,000*	$6,000*

*The amounts for 2012 and subsequent years may be larger than $5,000 and $6,000 as they will be adjusted by a COLA.

4.4.B Spousal. You will be eligible to make a spousal contribution if the following rules are satisfied:

- You and your spouse must each have your own traditional IRA.
- You must be married as of the end of the tax year (i.e. December 31).
- You must file a joint income tax return.
- You must have qualified compensation includable in gross income which is less than that of your spouse.

Your annual traditional IRA contribution for 2010 and 2011 will be limited to the lesser of $5,000 or $6,000, as applicable, or the sum of your compensation which is includable in gross income for such year plus the compensation of your spouse as reduced by your spouse's contribution to his or her own traditional IRA and Roth IRA. In addition, when your Roth IRA contribution is aggregated with your traditional IRA contributions and with the contributions of your spouse, the maximum permissible amount for all IRAs will be the lesser of $10,000, $11,000 or $12,000, as applicable, or 100% of your qualified combined incomes.

You should be aware that there is a combined limit for contributions to your traditional IRA (i.e. this IRA) and your Roth IRA, if any. The aggregate limit is also the lesser of 100% of your qualified compensation or the amount from the Chart of IRA Contribution Limits.

This limit does not have a great impact on the traditional IRA, as the law adopts the approach that the maximum amount which may be contributed to the traditional IRA is not affected by the amount contributed to the Roth IRA, because the maximum amount which may be contributed to the Roth IRA is determined as follows: Maximum amount permitted to be made to a traditional IRA reduced by the amount actually contributed.

The IRA Deduction Rules

Although you may be eligible to make a regular or a spousal contribution, you may not be entitled to deduct the entire contribution.

How much of your IRA contribution will be deductible? The answer depends upon your

tax-filing status, whether or not you and/or your spouse are covered by an employer-sponsored retirement plan at work, (i.e. whether or not you are an active participant) and your modified adjusted gross income (AGI). The amount you can deduct, in general, is the contribution limit amount as reduced by the amount you cannot deduct.

You are an "active participant" for a year if you are covered by a retirement plan. You are "covered" by a retirement plan for a year if your employer or union has a retirement plan under which money is added to your account or you are eligible to earn retirement credits. You are not considered an active participant if you are covered in a governmental plan only because of service as 1) an Armed Forces Reservist, for 90 days or less of active service, or 2) a volunteer firefighter whose accrued benefit does not exceed a certain amount. Your Form W-2 for the year should indicate your participation status. Also, IRS Publication 590 and Notice 87-16 contain more information on these rules.

If you are single and you are not covered under an employer-sponsored retirement plan, then you are entitled to a full deduction to the extent of your contributions, regardless of your income.

If you are married and neither you nor your spouse are covered under an employer-sponsored retirement plan, then you are entitled to a full deduction to the extent of your contributions, regardless of your income.

If you are single and you are covered under an employer-sponsored retirement plan (i.e. you are an active participant), the following formula is used to determine the portion of your contribution which qualifies to be deducted. Your IRA limit (the lesser of 100% of your compensation or the applicable contribution limit) must be reduced by an amount which bears the same ratio as the excess of your adjusted gross income over a base dollar amount bears to $10,000. The base dollar amount is $56,000 for 2010 and $56,000 for 2011. In future years this amount will be increased by a cost-of-living factor. You can use the IRS worksheets in the Form 1040 or 1040A booklet instructions or Publication 590 to determine your partial IRA deduction. You are unable to deduct any portion of your IRA contribution if your adjusted gross income equals or exceeds $65,000 for 2010 and $65,000 for 2011.

If you are married and both you and your spouse are covered under an employer-sponsored retirement plan, the following formula is used to determine the portion of your contribution which qualifies to be deducted. For 2008 and subsequent years, the IRA limit for each of you (the lesser of 100% of your compensation or the applicable contribution limit) must be reduced by an amount which bears the same ratio as the excess of your adjusted gross income over a base dollar amount bears to $20,000. See the table below. This formula is also used if you are an active participant, but your spouse is not.

Schedule of Income Limit Changes for Married Filing Jointly

Year	Base Amt	Upper Amt
2006	$75,000 -	$85,000
2007	$83,000 -	$103,000
2008	$85,000 -	$105,000
2009-2010	$89,000 -	$109,000
2011	$90,000 -	$110,000

If you are married and you are not an active participant, but your spouse is an active participant, then the following formula is used to determine the portion of your contribution which qualifies to be deducted The IRA limit for 2010 (the lesser of 100% of your compensation or the applicable contribution limit (see Disclosure Statement Section 4.4.A) must be reduced by an amount which bears the same ratio as the excess of your adjusted gross income over a base dollar amount of $167,000, bears to $10,000. For 2011, the base dollar amount increases to $169,000.

Any amount determined under the above formulas which is not a multiple of $10 shall be rounded to the next lowest $10. However, an IRA accountholder will be able to deduct a minimum of $200 as long as his or her AGI is not above the phaseout amount.

To compute your reduced IRA deduction, you must determine your “modified adjusted gross income.” If you file Form 1040, refigure the amount on the page 1 “adjusted gross income” line without taking into account any of the following amounts: IRA deduction; student loan interest deduction; tuition and fees deduction; domestic production activities deduction; foreign earned income exclusion; foreign housing exclusion or deduction; exclusion of qualified savings bond interest shown on Form 8815, Exclusion of Interest From Series EE and I U.S. Savings Bonds Issued After 1989 (For Filers With Qualified Higher Education Expenses); and exclusion of employer-provided adoption benefits shown on Form 8839, Qualified Adoption Expenses. This is your modified AGI.

A special rule provides that a married individual is not considered married for IRA purposes for any year in which the individual and the individual's spouse file separate returns and did not live together at any time during the tax year.

Any taxpayer (not just active participants) may elect on the tax return to treat an otherwise deductible contribution as nondeductible.

The following chart summarizes these contribution and deduction rules.

IRA Contribution Deductibility Chart for 2010

(for participants and/or spouses in employer-sponsored retirement plans.)

Amount of Modified AGI - (Combined modified AGI if married)

Single or Head of Household

Below $56,001—*Entitled to full deduction*

$56,001-$65,999.99—*Entitled to prorated deduction amount*

$66,000 or over—*No deduction permissible*

Married - joint return, both are covered

Below $89,001—*Entitled to full deduction*

$89,001-$108,999.99—*Entitled to prorated deduction amount*

$109,000 or Over—*No deduction permissible*

Married - joint return, but only you are covered

Below $89,001—*Fully Deductible*

$89,001-$108,999.99—*Entitled to prorated deduction amount*

$109,000 or over—*No deduction permissible*

Married - joint return, but only your spouse is covered

Below $167,001—*Fully Deductible*

$167,001-$176,999.99—*Entitled to prorated deduction amount*

$177,000 or over—*No deduction permissible*

Married Filing Separately

Below $10,000—*Entitled to prorated deduction amount*

$10,000 or Over—*No deduction permissible*

IRA Contribution Deductibility Chart for 2011

(for participants and/or spouses in employer-sponsored retirement plans.)

Amount of Modified AGI - (Combined modified AGI if married)

Single or Head of Household

Below $56,001—*Entitled to full deduction*

$56,001-$65,999.99—*Entitled to prorated deduction amount*

$66,000 or over—*No deduction permissible*

Married - joint return,
both are covered

Below $90,001—*Entitled to full deduction*

$90,001-$109,999.99—*Entitled to prorated deduction amount*

$110,000 or Over—*No deduction permissible*

Married - joint return,
but only you are covered

Below $90,001—*Fully Deductible*

$90,001-$109,999.99—*Entitled to prorated deduction amount*

$110,000 or over—*No deduction permissible*

Married - joint return, but only your spouse is covered

Below $169,001—*Fully Deductible*

$169,001-$178,999.99—*Entitled to prorated deduction amount*

$179,000 or over—*No deduction permissible*

Married Filing Separately

Below $10,000—*Entitled to prorated deduction amount*

$10,000 or Over—*No deduction permissible*

Special HEROA Rules

As discussed previously, the tax rules have been changed so that a person's combat-zone compensation earned on or after January 1, 2004, is now considered to be compensation or earned income for IRA contribution purposes. If an individual was ineligible to make an IRA contribution for 2004 and/or 2005, because the only income they had was nontaxable combat-zone income, such individual is now authorized to make retroactive IRA contributions for 2004 and 2005. An individual is allowed three years in which to make a contribution. If the IRA contribution results in a lower tax bill for 2004 or 2005, the individual can file an amended return to request a refund. The time period for filing an amended return is the later of one year from the date of the retroactive contribution or three years from the filing date of the original tax return.

Considerations for Making Nondeductible IRA Contributions. You may be a person who has been or is eligible to make a "nondeductible" IRA contribution, but who has chosen not to. Even though you are ineligible to make a "deductible" contribution to a traditional IRA or make a contribution to a Roth IRA, you are eligible to make a nondeductible contribution to a traditional IRA. You may feel that the fact that the earnings of nondeductible IRA contributions are tax deferred is not a sufficient tax benefit to subject yourself to the administratively burdensome rules which apply to IRA distributions when there have been nondeductible contributions.

However, with the law change repealing the eligibility requirements for Roth IRA conversions, you may wish to reconsider whether or not you would benefit by making nondeductible IRA contributions for 2006-2010 and then making a conversion contribution in 2010. Because the rules are complex, you will want to discuss this possibility with your tax advisor.

Determining One's Traditional IRA Deduction and The Taxable Portion of One's Social Security Benefits. There are rules that govern when Social Security benefits and Tier 1 Railroad Retirement benefits must be included in a taxpayer's gross income. If you receive such benefits, then you must include a portion of these benefits in your gross income if your provisional income exceeds either of two threshold amounts. Your provisional income includes modified adjusted gross income (adjusted gross income plus tax-exempt interest plus certain foreign-source income) plus 50% of your Social Security or Railroad Retirement benefit.

If your provisional income exceeds the following applicable threshold amount – $32,000 for married taxpayers filing joint returns, $25,000 for unmarried taxpayers and $0 for married taxpayers filing separate returns – then you are required to include in gross income the lesser of (1) 50% of your Social Security or Railroad Retirement benefit or (2) 50% of the excess of your provisional income over the applicable threshold level.

If your provisional income exceeds the following applicable threshold amount – $44,000 for married taxpayers filing joint returns, $34,000 for unmarried taxpayers and $0 for married taxpayers filing separate returns, then you are required to include in gross income the lesser of (1) 85% of your Social Security or Railroad Retirement benefit or (2) the sum of 85% of the excess of your provisional income over the applicable threshold level plus the lesser of: (a) the amount determined using the applicable threshold described in the immediately preceding paragraph or (b) $4,500 if you are unmarried, $6,000 if you are married and filing jointly and $0 if you are married but are filing a separate return.

The IRS has designed a number of special worksheets (see Appendix B of IRS Publication 590) for those traditional IRA accountholders who are active participants in an employer sponsored plan and/or who receive social security benefits. In some cases the social security benefits will need to be included in the individual's modified adjusted gross income and this will impact the deductible and nondeductible calculation. In similar fashion, the IRS has developed worksheets for when an individual is taking a distribution from his or her traditional IRA will have to include this amount in income which in turn may make some the social security benefits taxable (i.e. includable in income) and possible impact the deductible and nondeductible calculation.

4.4.C Simplified Employee Pension (SEP) and Salary-Reduction SEPs. A Simplified Employee Pension (SEP) is a written arrangement (a plan) that allows an employer to make contributions for the retirement of its employees, without becoming involved in more complex retirement plans. Normally, the employer has total discretion whether or not it will make a contribution and to what extent. If the employer does make contributions, these contributions must bear a uniform relationship to total compensation unless the plan is properly integrated with Social Security and must not exceed the lesser of 25% of the employee's compensation, or $49,000 for 2010 and $49,000 for 2011. For subsequent years the $49,000 may change, since it is to be adjusted for cost-of-living reasons. These contributions would be made to each employee's own IRA. Distributions from a SEP-IRA are subject to the standard IRA taxation rules.

If you are self-employed, then you are considered to be both the employer and the employee; therefore a contribution will be made on your behalf if one is made. A special definition of compensation applies for someone who is self-employed. Refer to IRS Publication 590 and 560.

The employer must make its contribution to the SEP-IRAs of eligible employees by the time prescribed by law for filing its Federal Income Tax Return for such year, including extensions.

In order to have a SEP, the employer must maintain either a Form 5305-SEP, Form 5305A-SEP, a SEP prototype, or an individually designed plan, and each eligible employee must establish his or her own IRA. The employer may establish the plan and may make the contribution at any time during the year; but to deduct contributions, the employer must make them not later than the due date (including extensions) of the employer's tax return for the year. For an additional discussion of SEPs, you should refer to the copy of the Form 5305-SEP or IRS Form 5305A-SEP, IRS Publication 590 and IRS Publication 560.

4.4.D Transfers. You are entitled to transfer other traditional IRA funds or assets into this

IRA, if the other IRA plan agreement authorizes such a transfer. You are not, of course, entitled to any deduction for such a transfer contribution. You may not transfer funds to this traditional IRA from a SIMPLE-IRA, unless you have satisfied the "2 years of participation" rule applicable to SIMPLE-IRAs. Also, you should review Section 4.10 for a discussion of the rules for recharacterizing a contribution. A recharacterized contribution is one which is treated in some ways as a transfer and in other ways as a rollover.

4.4.E Rollovers. If you meet certain requirements, you are entitled to roll over funds into this IRA which were distributed to you from an IRA, a 403(b) plan, a qualified plan, a SIMPLE-IRA, or a governmental section 457 plan. You are not entitled to any deduction for these rollover contributions.

The information presented below is intended to provide you with general information. You are strongly advised to see your tax advisor. A rollover is valid only if you make an irrevocable election in writing to the new custodian/trustee at the time of the contribution.

Why would I want to roll over funds into an IRA paid from an IRA or employer plan? You will avoid paying current taxes, which is the normal result when a distribution is received. That is, you avoid paying current taxes on the distribution amount plus the 10% additional tax which would apply if you were not yet age 59½, unless a special exception applied. These recontributed funds plus related future earnings will continue to compound or grow tax-deferred until distribution.

What rules must be satisfied to gain the beneficial tax treatment bestowed on rollover contributions?

4.4.E(1) Rollover <u>to</u> an IRA <u>from</u> another IRA. If a person receives a distribution (i.e. the check is made payable to the IRA accountholder) of all or a part of his or her IRA, he or she can re-deposit the funds into an IRA without being taxed on the receipt of the funds, if:

- The funds are rolled over (i.e. re-deposited) within 60 days after the day the funds were received,
- The funds were not a required minimum distribution, and
- The person has not rolled over a previous distribution from the same IRA within the last year. The one-year period commences on the date the person received the previous distribution and not on the date of the redeposit.

Special Explanation. If you have two IRA plan agreements, IRA-1 at institution #1 and IRA-2 at institution #2 and you roll over assets of IRA-1 into a new IRA-3, you may also roll over assets from IRA-2 into IRA-3 or any other IRA within one year after the distribution from IRA-1. These distributions are both eligible to be rolled over since you are allowed one rollover per separate IRA. However, within the one-year period, you cannot again roll over the assets you rolled over into IRA-3 into any other IRA.

You must roll over into the new IRA the same property which you received from your old IRA. There is no authority, as there is with qualified plan distributions, for you to roll over the proceeds of the sale of the property.

When does the 60-day rollover period end and are there any exceptions to the 60-day requirement? The IRS has never formally stated that a person has until the following business day to make his or her rollover if the 60th day ended on a Saturday, Sunday or holiday. Therefore, the conservative approach is to complete the rollover on or before the 60 days without extension. You accept full responsibility if you make such a contribution.

There are three exceptions to the 60-day rule. First, if your distribution deposit was put into an institution which has had its deposits "frozen," then you may have longer than 60 days to complete the rollover. Refer to IRS Publication 590 for a discussion of the special "frozen deposit" rules. The second exception is, if you withdrew your funds for purposes of using such funds under the First-Time Home Buyer exception as discussed later, but your acquisition or construction was delayed, then the 60-day limit is changed to 120 days. The second exception applies only to distributions occurring on or after January 1, 1998.

The third exception is that the IRS may waive the 60-day requirement where it would be against equity or good conscience not to do so.

You may use the IRS' special letter request program if you believe applying the 60-day rule to your situation would be against equity and good conscience. You will need to apply to the IRS for such waiver and receive such waiver before you may make your rollover. If applicable, we will use the automatic waiver rule. This rule applies in the following situation.

An automatic waiver of the 60-day requirement is granted by the IRS if the following conditions have been met: (i) the financial institution received the funds from the individual before the end of the 60-day period; (ii) the individual followed all of the financial institution's procedures for making a rollover contribution into another eligible retirement plan; (iii) solely due to an error by the financial institution, the funds were not timely deposited into the other eligible retirement plan; (iv) the deposit must have constituted a valid rollover but for the delay and (v) the funds must be deposited within one year from the beginning of the 60-day rollover period (i.e. the day after the day of receipt). The source of authority for this automatic waiver is Revenue Procedure 2003-16.

Special Rule for SAR-SEPs. If you are a highly compensated employee and you make a transfer or take a distribution from your SEP-IRA before the nondiscrimination test has been satisfied (ADP test), the distribution will be subject to regular income tax and the 10% additional tax for pre-age 59½ distributions, if applicable.

Caution: A person may never roll over funds from an IRA to a SIMPLE-IRA.

Special Rule for a SIMPLE-IRAs. The general rules which apply for IRA-to-IRA rollovers also apply in this situation. In addition, a rollover from a SIMPLE-IRA to a traditional IRA is only permissible if the distribution from the SIMPLE which you are rolling over occurred after the two-year period which commences on the date you first participated in the related SIMPLE plan.

4.4.E(2) Rollover and Direct Rollover to an IRA <u>from</u> a Qualified Plan or Other Eligible Employer Plan. When you separate from service or you reach retirement age, your employer is required by law, within a reasonable period of time before making a distribution, to furnish you with a special explanation form (i.e. a section 402(f) notice). This form will inform you if your entire account balance is entitled to be rolled over (or directly rolled over) or if only a portion is eligible. This form will then give you three options, and you will be asked to furnish your instruction. The first option—you can roll over or directly roll over 100% of your vested account balance which is eligible to be rolled over. The withholding rules do not apply to whatever amount you elect to directly roll over. The second option—you can have your vested account balance paid to you in cash. If so, the plan administrator is required by law to withhold 20% of the amount to be distributed, to the extent it is eligible to be rolled over. The third option—you can elect to have some of your vested account balance paid to you in cash (and the 20% withholding would apply, if applicable) and you could directly roll over the remainder.

By rolling over or directly rolling over your distribution to a traditional IRA, you then are not required to include the distribution in your taxable income and you will not owe the 10% additional tax which generally ap-

plies to a person who has not attained age 59½.

An "automatic" rollover rule applies for 2005 and subsequent years. If your vested account balance never exceeded $5,000, but it did exceed $1,000, and you failed to elect to have such distribution paid to an eligible retirement plan in a direct rollover or to receive the distribution directly, the plan administrator may execute the necessary documents to establish an individual retirement plan on your behalf, with a financial institution selected by the plan administrator.

Under the rules, a "direct rollover" is a distribution from an eligible retirement plan that would be eligible to be rolled over, but is instead paid directly to another retirement plan. The transaction must be executed for the benefit of the person entitled to receive the distribution from the employer's plan.

Commencing January 1, 2008, the law authorizes certain individuals with funds in an employer-sponsored plan to directly rollover some or all of his or her account balance into a Roth IRA. The standard eligibility rules for a conversion apply. See the discussion regarding the conversion rules set forth later in this booklet. The amount moved to the Roth IRA will be a conversion contribution. The individual will be required to include the distribution in his or her income for federal income tax purposes. An individual will want to discuss such a transaction with his or her tax advisor BEFORE making such a conversion contribution.

A direct rollover may be accomplished by any reasonable means of direct payment to an eligible retirement plan. If payment is made by check, the check must be negotiable only by the trustee of the eligible retirement plan. For example, "ABC Bank as trustee of the IRA of Maria Evert" or the "Trustee of XYZ Corporation Profit Sharing Plan FBO Jim Davis." If payment is made by wire transfer, it must be directed only to the trustee. It is permissible to have the plan furnish you with a check, if you are instructed to deliver the check to the trustee, and the check is made payable, as indicated above, solely to the trustee.

If your distributions during the year are reasonably expected to total less than $200, then the plan administrator need not offer you the right to directly roll over these funds.

Again, the plan administrator will inform you to what degree your vested account balance in a qualified plan or other employer plan is eligible to be rolled over. The general rule is—the distribution of any portion of your vested account balance will be eligible to be rolled over, except five types of distributions which are ineligible.

Once you are subject to the Required Distribution Rules, you must start taking distributions from your account each year. These RMD distributions are ineligible to be rolled over to an IRA. You are also ineligible to roll over any distribution which is paid over life or life expectancy (single or joint) or any distribution which is one of a series of substantially equal periodic payments (i.e. installments) for a period spanning ten years or more. Also, corrective distributions of excess deferrals and contributions, defaulted loans and hardship distributions are ineligible to be rolled over.

Additional rules applying to rollovers and direct rollovers.

- You must roll over the property you received, unless you sell it. If you sell the property, you may roll over the proceeds of the sale.

  You CANNOT roll over any life insurance to an IRA.
- You must complete the rollover within 60 days after the day the distribution was received. If there are multiple distributions, in general, the 60 days starts to run from the last distribution.
- If you die, your surviving spouse may roll over all or part of a distribution, but the rules discussed above must be satisfied.
- Often in divorce, one spouse (i.e. the alternate payee) is given, by court order, the right to be paid the other spouse's pension benefits. Any amount paid to a spouse or former spouse pursuant to a qualified domestic relations order is eligible to be rolled over if the distribution would qualify under the above-described rules if the spouse or nonspouse was substituted for the employee.
- The amount you choose to keep and not roll over must be included in your gross income as ordinary income in the year in which you receive it. In addition, unless a special exception applies, you will be subject to the 10% additional tax if you have not attained age 59½.

4.4.E(3) Rollover and Direct Rollover to an IRA from a Section 403(b) plan/annuity. If you receive an eligible rollover distribution from a tax-sheltered annuity, you may roll over these funds to an IRA within 60 days of receipt. However, you should be aware that an annuity contract qualifies as a section 403(b) plan/annuity only if the contract is written so that distributions attributable to contributions made pursuant to a salary-reduction agreement can be paid only if the annuitant has attained age 59½, separated from service, died or became disabled, or, in the case of a hardship, the distribution was received on or before December 31, 1998.

If you die, your surviving spouse may roll over any tax-sheltered annuity funds to an IRA as long as the applicable rollover rules are satisfied.

4.4.E(4) Rollover and Direct Rollover to an IRA from a Governmental Section 457 Plan. If you receive an eligible rollover distribution from a governmental section 457 plan, then you may roll over these funds into an IRA within 60 days of receipt. As discussed in the section dealing with rollovers from qualified plans, not all distributions are eligible to be rolled over. The plan administrator is to inform you in writing what portion of your distribution is eligible to be rolled over or directly rolled over.

4.4.E(5) Special Recontribution Rules for Certain Military Reservists. A military reservist called to active duty for 180 days or more on or after September 11, 2001, has special recontribution rights. The standard 60-day rollover rule is overridden by this special rule. The military reservist has the right to recontribute a distribution over a 2-year period ending two years after his or her active duty ended. The recontribution may be made in one or more contributions, and such recontributions are independent of the normal contribution limits. The recontribution amount cannot exceed the distribution amount.

If there is some tax rule which would otherwise prevent the individual from realizing the tax benefit of his/her recontribution, the law expressly authorizes that a refund or credit be allowed. This refund or credit is to be allowed even if it would be considered late under other tax rules, including res judicata.

4.4.E(6) Special Rollover Contribution(s) Arising From Exxon Valdez Litigation.

The Emergency Economic Stabilization Act of 2008 contains authority for a new type of rollover and/or Roth conversion contributions. Any individual who is a plaintiff in the civil action In re Exxon Valdez (No. 89-095-CV) (HRH)(Consolidated (D. Alaska) and who receives any qualified settlement income during the tax year may contribute some or all of such income to his or her IRA or other eligible retirement plan of which he or she is a participant (or beneficiary). Qualified settlement income is defined to be any interest earned with respect to the damages awarded plus any punitive damage awards which are otherwise includible in taxable income. The individual may make one or more such contributions for such year. The deadline to make such contributions for most taxpayers will be April 15th of the following year as it is for annual IRA

contributions as long as the individual has designated such contribution as being for the prior tax year. Technically, the deadline is the taxpayer's tax filing deadline for such tax year (not including tax extensions). By contributing such funds to a traditional IRA or other non- designated Roth eligible retirement plan the individual will NOT be required to include the qualified settlement income in his or her taxable income for the year of receipt. There is a deemed rollover. Taxation is deferred until later distributed from the IRA. This is a new type of rollover contribution since the source of the finds was a payment by Exxon or its insurer rather than another IRA or eligible retirement plan. There is a special contribution limit. An individual may contribute the lesser of: (1) the amount of that year's qualified settlement income or (2) $100,000 as reduced by the amount of any qualified settlement income contributed to an IRA or other eligible retirement plan in prior years.

A qualifying individual will have another choice. He or she may contribute the qualified settlement income to a Roth IRA or a designated Roth account within a 401(k),403(b) or 457 plan. In such case the individual will be required to include such amount in his or her taxable income for the year of receipt and such amount shall be considered to be basis (or investment in the contract). There is a deemed Roth conversion contribution. This is a new type of Roth conversion contribution. The funds going into the Roth IRA or designated Roth account are not pre-tax dollars in an IRA or 4010 plan, but are coming from Exxon or its insurer.

A qualifying individual also has a third choice. He or she may contribute a portion of such qualifying settlement income to a traditional IRA or other eligible retirement plan and contribute a portion to a Roth IRA or a designated Roth account.

Any individual who is a beneficiary of the plaintiffs estate and who has acquired the right to receive such qualified settlement income from the plaintiff may also make the special contributions discussed above as long as such individual is the spouse or an immediate relative of the plaintiff.

4.4.E(7) Tax Credit for IRA contributions and salary reduction contributions. If you are an eligible individual, you may be able to claim a credit for a percentage of your qualified retirement savings contributions, such as contributions to your traditional or Roth IRA or salary reduction contributions to your SEP or SIMPLE.

You must meet the following five requirements in order to claim this credit for any given year.

- Be at least 18 years of age as of December 31 of such year
- Not be a dependent on someone else's tax return
- Not be a student as defined in Internal Revenue Code section 25B(c)
- Have adjusted gross income under certain limits which are based on your filing status.
- Must not have received certain distributions which disqualify you from claiming the credit, or certain distributions which were made to your spouse.

The maximum contribution amount allowed to be used in calculating this credit is $2,000, even though you may have contributed more than that amount to your IRA.

A formula is used to calculate the amount of your credit.

This formula is complex, since it requires you to reduce your qualifying contributions by the amount of certain distributions — even by the amount of certain distributions to your spouse, if you are married.

The formula to be used is: Contributions - Certain Distributions x Applicable Percentage = Credit.

Contributions equal the sum of contributions to a traditional IRA, contributions to a Roth IRA, elective deferrals to a 401(k) plan, elective deferrals under a section 457 plan, and certain voluntary employee contributions. This total contribution amount must be reduced by certain distributions which occur during a testing period. The testing period for a tax year is comprised of the current tax year, the two preceding tax years, and the carry-back period for such tax year (i.e. January 1 to April 15), plus extensions.

Therefore, the total contribution amount must be reduced by any distribution amounts paid to you or your spouse during the above-described period from a section 401(a) plan, 401(k) plan, section 402(a) plan, section 457 plan, a traditional IRA, or a Roth IRA, which are not rolled over. However, a technical correction was enacted to make clear that a reduction in the allowable credit will not be required for that portion of any distribution which is not includable in gross income by reason of a trustee-to-trustee transfer of a rollover distribution.

The applicable percentage for 2010 is based on modified adjusted gross income (AGI) and your tax-filing status, and is determined by the following table:

Joint Return

AGI Over	AGI Not Over	Percentage
$0	$33,500	50%
$33,500	$36,000	20%
$36,000	$55,500	10%
$55,500	N/A	0%

Head of Household

AGI Over	AGI Not Over	Percentage
$0	$25,125	50%
$25,125	$27,000	20%
$27,000	$41,625	10%
$41,625	N/A	0%

Other Filers Including Married, Filing Separately

AGI Over	AGI Not Over	Percentage
$0	$16,750	50%
$16,750	$18,000	20%
$18,000	$27,750	10%
$27,750	N/A	0%

The applicable percentage for 2011 is based on modified adjusted gross income (AGI) and your tax-filing status, and is determined by the following table:

Joint Return

AGI Over	AGI Not Over	Percentage
$0	$34,000	50%
$34,000	$36,500	20%
$36,500	$56,500	10%
$56,500	N/A	0%

Head of Household

AGI Over	AGI Not Over	Percentage
$0	$25,500	50%
$25,500	$27,375	20%
$27,375	$42,375	10%
$42,375	N/A	0%

Other Filers Including Married, Filing Separately

AGI Over	AGI Not Over	Percentage
$0	$17,000	50%
$17,000	$18,250	20%
$18,250	$28,250	10%
$28,250	N/A	0%

This credit is nonrefundable, and it is meant to be used to reduce a person's regular tax liability and alternative tax liability. If the credit is greater than your tax liability, you may use only the amount of credit necessary to reduce your tax liability to zero (0) — any amount of credit remaining will not be refunded to you.

4.5 Distributions.

4.5.A In General. For IRA purposes, a distribution is defined to be a removal of funds or property from an IRA which is actually paid to you or your beneficiary or which is transferred to another qualifying IRA or inherited IRA.

A distribution will either be fully taxable, partially taxable or will not be taxable because all, some or none of the amount distributed will be required to be included in income for federal income tax purposes.

However, see the discussion at Section 4.5.D, as certain charitable IRA distributions are tax free (i.e. they are not required to be included in income and be taxed).

4.5.B Transfers. A transfer occurs when ownership of the IRA funds or property is changed from one IRA custodian/trustee on behalf of an IRA depositor or beneficiary to a subsequent IRA custodian/trustee on behalf of the same depositor or beneficiary. A transfer is not a reportable event to either the individual or the IRS, because an actual payment has not been made. The following types of transfers may take place with respect to your IRA: (1) you may transfer funds to another of your IRAs; (2) your spouse who is your spouse beneficiary may elect to treat your IRA as his or her own IRA; (3) there may be a transfer of your IRA funds to your spouse or ex-spouse, if pursuant to a court decree or property settlement or (4) there will be a transfer by operation of law from your IRA to your beneficiary's inherited IRA.

4.5.C Tax Treatment of Distributions. Any money or property that you receive from your IRA is a distribution. The general rule is that any distribution is included in the gross income of the recipient in the year received. The favorable ten-year averaging or capital gain provisions of IRC section 402 do not apply. If you have made nondeductible contributions, then a portion of the distribution will not be taxable, as determined by applying the rules of IRC section 72 as modified by some special IRA rules. See IRS Publication 590.

General Rule. Distributions from your traditional IRA may be fully or partly taxable, depending on whether your IRA includes any nondeductible contributions or other basis.

Fully taxable. If only deductible contributions were made to your traditional IRA (or IRAs, if you have more than one), you have no basis in your IRA. Because you have no basis in you IRA, any distributions are fully taxable when received.

Partly taxable. If you made nondeductible contributions to any of your traditional IRAs, you have a cost basis (investment in the contract) equal to the amount of those taxed contributions. These nondeductible contributions are not taxed when they are distributed to you. They are a return of your investment in your IRA.

Only the part of the distribution that represents nondeductible contributions (your cost basis) is tax free. If nondeductible contributions have been made, distributions consist partly of nondeductible contributions (basis) and partly of deductible contributions, earnings, and gains (if there are any). Until all of your basis has been distributed, each distribution is partly nontaxable and partly taxable.

Form 8606. You must complete Form 8606, and attach it to your return, if you receive a distribution from a traditional IRA and have ever made nondeductible contributions to any of your traditional IRAs. Using the form, you will figure the nontaxable distributions and your total IRA basis.

Note. If you are required to file Form 8606, but you are not required to file an income tax return, you still must file Form 8606. Complete Form 8606, sign it, and send it to the IRS at the time and place you would otherwise file an income tax return.

In addition, see Disclosure Statement Section 4.9, for a discussion of the special rules which apply if you convert your funds from this traditional IRA to a Roth IRA.

4.5.D Discussion of the Special Rules Applying to Tax-Free Charitable IRA Distributions/Contributions.

Qualified Charitable Distributions are back for 2010 and 2011. Special distribution rules first enacted in 2005 for tax years 2006-2007 and then extended for 2008-2009 have again been extended for 2010-2011. Unless there is another tax extension, these rules will not apply for 2012 and subsequent years.

The general tax rule is that a qualified charitable distribution will count towards your required minimum distribution. A special rule applies to qualified charitable distributions made between January 1, 2011 and January 31, 2011. You may elect to treat such distributions as made for 2010 and they will also count towards your 2010 required minimum distribution.

A qualified charitable distribution (QCD) is a nontaxable distribution made directly by the trustee of your IRA (other than a SEP or SIMPLE-IRA) to an organization eligible to receive tax-deductible contributions. You must have been at least age 70½ when the distribution was made. Also, you must have the same type of acknowledgement of your contribution that you would need to claim a deduction for a charitable contribution. *See Records To Keep in IRS Publication 526.*

Charitable Contributions. Your total QCDs of the year cannot be more than $100,000. If you file a joint return, your spouse can also have a QCD of up to $100,000. However, the amount of the QCD is limited to the amount of the distribution that would otherwise be included in income. If your IRA includes nondedutible contributions, the distribution is first considered to be paid out of otherwise taxable income.

What requirements must I meet in order to take advantage of this charitable contribution law? (a) You must be age 70½ or older; (b) You must have a traditional or Roth IRA; (c) You must be allowed to itemize deductions on your Form 1040 income tax return; (d) Your contribution to a qualifying charity must also have been able to qualify as an itemized deduction, but for this special charitable contribution rule under Code section 170 (disregard the percentage limits). **Caution:** You receive the tax-free charitable contribution treatment only if the entire amount would have qualified as a charitable deduction. Thus, if the contribution amount is reduced because of a benefit received by you in exchange, or because the custodian does not obtain sufficient substantiation, the exclusion is not available with respect to any part of the IRA distribution; (e) The distribution, but for this rule, must otherwise have been required to be included in your gross income. The withdrawal of basis (i.e. nondeductible contributions or nontaxable distributions) from a traditional IRA and/or Roth IRA is not includable in income, and consequently, such withdrawal does not qualify as a tax-free charitable contribution; and (f) Payment, no matter in what form (electronic transfer, check, etc.), must be made directly from the IRA to the qualifying charitable organization. The instrument used for payment must not be negotiable by the IRA accountholder. The IRS has stated, however, that the accountholder may hand deliver the payment to the charity.

IRS Reporting Tasks for QCD's. There is no special reporting for QCD's by the IRA custodian. Many times IRA accountholders and their tax advisors think the IRA custodian should be preparing the Form 1099-R to show the distribution as being tax-free. This is not the IRS procedure. A QCD is to be reported as a "normal" distribution since you are older than age 59½. You will be required to complete lines 15a and 15b of your federal income tax return. The general rule is that most IRA distributions are fully taxable so line 15a is left blank and the taxable amount is inserted on line 15b. An exception applies to QCDs. If the total distribution is a QCD, enter 0 on line 15b and write QCD next to line 15b. If only part of the distribution is a QCD, enter the part that is not the QCD on line 15b. Enter QCD next to line 15b.

4.5.E Federal Income Tax Withholding. If you receive an IRA distribution which is payable upon demand, the payer-custodian will withhold federal income tax at the rate of 10%, unless you elect not to have any withholding or instruct to have a greater amount withheld. You use Form W-4P to in-

struct your custodian that you do not want withholding.

The standard withholding rules, as summarized above, apply fully to any distribution you take from your traditional IRA, even though you make a Roth IRA conversion contribution by rolling it over to a Roth IRA. Special withholding rules apply if you are a covered expatriate.

4.5.F. Tax Credit for the Elderly. If you are age 65 or older, amounts you receive from your IRA may qualify for the retirement income credit. See IRS Publication 524.

4.5.G Effect on Taxation of Social Security and Railroad Retirement Benefits. Commencing with the 1994 tax year (i.e. January 1, 1994), new rules govern when Social Security benefits and Tier 1 Railroad Retirement benefits must be included in a taxpayer's gross income. If you receive such benefits, then you must include a portion of these benefits in your gross income if your provisional income exceeds either of two threshold amounts. Your provisional income includes modified adjusted gross income (adjusted gross income plus tax-exempt interest plus certain foreign-source income) plus 50% of your Social Security or Railroad Retirement benefit.

If your provisional income exceeds the following applicable threshold amount – $32,000 for married taxpayers filing joint returns, $25,000 for unmarried taxpayers and $0 for married taxpayers filing separate returns – then you are required to include in gross income the lesser of (1) 50% of your Social Security or Railroad Retirement benefit or (2) 50% of the excess of your provisional income over the applicable threshold level.

If your provisional income exceeds the following applicable threshold amount – $44,000 for married taxpayers filing joint returns, $34,000 for unmarried taxpayers and $0 for married taxpayers filing separate returns, then you are required to include in gross income the lesser of (1) 85% of your Social Security or Railroad Retirement benefit or (2) the sum of 85% of the excess of your provisional income over the applicable threshold level plus the lesser of: (a) the amount determined using the applicable threshold described in the immediately preceding paragraph or (b) $4,500 if you are unmarried, $6,000 if you are married and filing jointly and $0 if you are married but are filing a separate return.

The consequence of this rule may be: (1) if you are an active participant, any taxable Social Security amounts will increase your AGI for purposes of the deductible/ nondeductible calculation and (2) a distribution from your IRA could result in some of your Social Security benefits being taxable.

4.5.H Ten Percent Additional Tax. The general IRA taxation rule is that an IRA distribution will be included in the income of the recipient, and it will also be subject to an additional tax equal to 10% of the amount required to be included in income, unless one of the following 12 exceptions applies.

The first exception is if you are age 59½ or older at the time of the distribution.

The second exception is if you are disabled. You are considered disabled if you can furnish proof that you cannot do any substantial gainful activity because of your physical or mental condition. A physician must determine that your condition can be expected to result in death or be of long continued and indefinite duration.

The third exception is if you die. Payments to a beneficiary are not subject to the 10% additional tax. If your spouse elects to treat your IRA as his or her own, then any subsequent payments to your spouse will not be as a beneficiary, and would be subject to the 10% additional if he or she was younger than age 59½.

The fourth exception is for substantially equal periodic payments.The 10% additional tax will not apply if the distribution is part of a series of substantially equal periodic payments (not less frequently than annually) made for your life (or life expectancy) or the joint lives (or joint life expectancies) of you and your beneficiary. However, if this schedule is changed prior to the later of attaining age 59½ or the schedule being in effect for 5 years, then a new penalty tax will be imposed. This tax will be equal to the tax that would have been imposed had the "substantially equal" exception not applied (i.e. all previous distributions will be assessed the 10% tax plus an amount equal to the accrued interest).

The fifth and sixth exceptions are for certain distributions used to pay certain medical expenses or to pay certain health insurance premiums. The additional 10% tax will not apply if the distribution is used to pay medical expenses that exceed 7.5% of your adjusted gross income. This means that the medical expenses must qualify as an itemized deduction on your federal income tax return. The 10% additional tax will also not apply to a distribution which is used to pay health insurance premiums in certain situations after you become unemployed. In order to qualify for this special rule, you must have been receiving unemployment benefits for at least 12 consecutive weeks. The distribution must occur in either the year you received the unemployment benefits or during the next tax year. This special rule no longer applies to distributions made once you have been reemployed for at least 60 days after your initial separation from service. You will qualify to use this unemployment exception even if you are self-employed, if you would have been eligible for unemployment benefits but for your self-employment.

The seventh exception is if the distribution is used to pay certain first-time home buyer expenses.

Qualified first-time home buyer distributions are distributions from an IRA which are used to pay the qualified acquisition costs of the principal residence of the first-time home buyer.

The first-time home buyer can be you, your spouse or your child or grandchild, and any ancestor of you or your spouse. To qualify as a first-time home buyer, you, and if married, your spouse, must not have had any ownership interest in a principal residence for the two-year period ending on the date of acquisition of the principal residence being purchased under this exception. The date of acquisition is defined as the date a binding contract to purchase the residence is entered into, or the date on which construction or reconstruction of the residence begins.

Qualified acquisition costs include the cost of acquiring, constructing, or reconstructing a residence. The term also includes any usual and reasonable settlement, financing and closing costs. The funds that are distributed for the first-time home purchase must be used, within 120 days after the day the funds were received, to pay the qualified acquisition costs.

If the distributed amount is recontributed, i.e. rolled over, within the 120-day period, there will be no income tax or penalty tax consequences. Written documentation will be necessary to insure compliance with these rules. If the funds are not recontributed within this time period, the amount will be taxable and subject to the 10% premature distribution penalty, if applicable.

Under this exception, you are limited to an aggregate amount of $10,000 for your lifetime. While you may be able to use this exception more than once in your lifetime, the total lifetime distribution that can fall under this exception is $10,000.

The eighth exception is if the distribution is used to pay certain higher education expenses.

Distributions made from an IRA will not be subject to the 10% premature distribution penalty tax if the funds are used to pay the qualified higher education expenses of yourself, your spouse, your children or grandchildren for the year for education fur-

nished at an eligible educational institution. Be aware, the definition of qualifying education expenses for IRA purposes is different than the definition applying for Coverdell ESA purposes.

Qualified higher education expenses include tuition, fees, books, supplies, and equipment required for enrollment or attendance at an eligible educational institution. This amount may also include, for students who are carrying at least one-half of the normal full-time course load, reasonable expense amounts incurred for room and board.

An eligible educational institution is generally any accredited college, university, junior college, community college or post-secondary vocational institution that is approved to participate in the Department of Education student aid programs.

The amount of educational expenses for which a distribution from an IRA can be used and not be subject to the penalty under this exception must be reduced by the amount of any qualified scholarship, educational assistance allowance, or payment that is excludable from gross income.

The ninth exception is if the distribution has occurred because of an IRS levy.

The tenth exception is if the distribution is converted to a Roth IRA. Such conversion contribution may be accomplished either by making a special rollover contribution or a special transfer contribution to a Roth IRA.

The eleventh exception is that the 10% additional tax will not apply to certain military reservists. A military reservist called to active duty for 180 days or more on or after September 11, 2001, is not subject to the 10% premature penalty tax of Code section 72(t), as long as the distribution was or is made during his or her time on active duty. This provision is retroactively effective as of September 11, 2001. If you took a distribution during the period of September 11, 2001, to August 17, 2006, you may be entitled to a tax refund.

The twelfth exception is that the 10% tax will not apply if you are a covered expatriate and you are deemed to have received a distribution of your entire IRA account under the special tax rules applying to expatriates.

4.5.I (1) Special Rules Applying To IRAs For Relief Related to Hurricanes, Storms, Floods and Tornados. There are special rules applying to withdrawals and repayments from an IRA for taxpayers who suffered an economic loss as a result of certain federally declared disasters such as hurricanes, storms, floods and tornados. This is a complex tax topic. A person needs to determine if there is a public event which qualifies for the special rules and if he or she qualifies for the special tax rules. You should visit the IRS web site at www.irs.gov <http://www. irs.gov> and review the guidance for tax relief in disaster situations. You should consult with your tax advisor.

4.5.I (2) General Discussion Of How The Special IRS Relief Rules and Procedures Impact IRAs. The federal tax laws give the IRS broad authority to grant relief when the President declares a disaster and FEMA designates an area or areas for assistance. This authority is set forth in Code section 7508A and regulation 301.7508. The primary relief given by the IRS is to extend the time a taxpayer has to file various tax returns and pay the tax owing. However, there are many deadlines by which a taxpayer, such as an IRA account holder, must complete a tax transaction. However, it is possible, if there has been a disaster, that the IRS could extend a tax deadline. Regulation section 301.7508-l(c)(iii) provides for the postponement by the IRS of rules for making certain IRA contributions, taking certain distributions, recharacterizing IRA contributions or making rollovers. For example, if Jane Doe withdrew $8,000 from her IRA on June 1, 2008, but she did not complete her rollover within the 60 days, the general rule is that she could not make the rollover contribution. However, if because of a disaster occurring in early June, the IRS had set a new deadline as August 29, 2008, then Jane Doe could complete her rollover by August 29, 2008. An individual must consult with his or her tax advisor and the IRS for the special tax rules applying if there has been a disaster.

4.5.J Exceptions to General Rule. There are six exceptions to the general rule concerning when a distribution is not subject to tax: (i) nondeductible contributions (ii) rollovers; (iii) the return of a current-year contribution before the due date of the current year's tax return; (iv) the return of certain excess contributions after the due date of the tax return for the year the excess was made; (v) transfers incident to a divorce; and (vi) certain transfers to a Health Savings Account.

4.5.J (1) The first exception is a distribution which includes nondeductible contributions. Code section 72 sets forth the rules for determining the tax consequences of receiving an IRA distribution when both deductible and nondeductible contributions have been made. In general, the concept is to treat an IRA distribution as partially being the return of nondeductible contributions (i.e. not taxable) and the remaining portion as being the return of deductible (i.e. taxable) contributions.

In general, to determine the nontaxable amount of the distribution, multiply the total IRA distributions during the year by a fraction, the numerator of which is the aggregate nondeductible contributions not yet recovered tax-free and the denominator of which is the sum of the December 31 values in all IRAs (including any traditional IRAs, Rollover IRAs, SEP IRAs and SIMPLE-IRAs, but excluding any Roth IRAs); any outstanding rollovers; and all distributions received during the year. IRS Form 8606 must be completed and attached to the income tax return filed for that year.

4.5.J (2) The second exception is a distribution from an IRA which is rolled over into an eligible retirement plan. An eligible retirement plan is: (1) an IRA; (2) a qualified plan under section 401(a) or 403(a); (3) a section 403(b) plan; or (4) a section 457 plan as sponsored by a state or local government.

The rules for rolling over funds from an IRA to an IRA were discussed previously under the discussion of rollover contributions.

Rollovers from traditional IRAs into qualified plans. For distributions after December 31, 2001, you can roll over, tax free, a distribution from your IRA into a qualified plan. The part of the distribution that you can roll over is the part that would otherwise be taxable (includable in your income). That is, you are not authorized to roll over any basis or nondeductible contributions. Qualified plans may, but are not required to, accept such rollovers. Rules applicable to other rollovers, such as the 60-day time limit apply. For more information see Publication 590.

Rollovers of traditional IRAs into tax-sheltered annuities (section 403(b) plans). Prior to 2002, you could not roll over (tax free) a distribution from a traditional IRA into a tax-sheltered annuity unless the IRA was a conduit IRA.

Beginning with distributions after December 31, 2001, you may be able to roll over distributions tax free from a traditional IRA into a tax-sheltered annuity. You cannot roll over any amount that would not have been taxable.

Although a tax-sheltered annuity is allowed to be written to accept such a rollover, it is not required to be so written. For more information see Publication 590.

Rollovers of traditional IRAs into deferred compensation plans of state and local governments (section 457 plans). Prior to 2002, you could not roll over (tax free) a distribution from a traditional IRA to a governmental deferred compensation plan.

Beginning with distributions after December 31, 2001, if you participate in an eligible deferred compensation plan of a state or local government, you may be able to roll over a distribution from your traditional IRA into a deferred compensation plan of a state or local government. Section 457 plans may, but are not required to, be written to accept such rollovers. For more information see Publication 590.

4.5.J (3) Withdrawal of Current-Year Contribution(s) Before the Due Date of the Current Year's Tax Return. If you satisfy the following three (3) requirements, you will not be taxed on the withdrawal of a current-year contribution from your IRA. A current-year contribution may be an excess contribution, but it does not need to be. You do not need to have a specific reason to withdraw a current-year contribution. First, you must withdraw the contribution by the date, including extensions, your income tax return is due. Second, no deduction must have been allowed for the contribution for that tax year. Third, any interest or other income earned by the contribution must also be withdrawn. The interest or other income earned on the excess contribution must be included in your gross income for the year in which the contribution was made, and the 10% additional tax must be paid, if applicable.

Special Rule. The IRS has adopted a rule for correcting current-year and excess contributions very similar to the one which it has adopted with respect to recharacterizations. This special rule is set forth in the instructions for Form 8606. You will have 6 months from the due date of your tax return to withdraw an excess contribution plus the related income (or less any loss). For most taxpayers this is October 15 of the following year. The effect of this special rule is that the deadline for correcting an excess contribution (or a current year contribution) becomes October 15 of the following year rather than April 15 of the following year plus extension. The effect of your withdrawal on or before October 15 of the following year is that the contribution is treated as if it had never been contributed. You are still required to withdraw the related income and you will need to include it in your income for the year in which the contribution is made. You should discuss this special rule with your tax advisor or consult the IRS' instructions, as the rules are complicated. If you have already filed your tax return for such year, then you will need to file an amended return with "Filed pursuant to section 301.9100-2" written at the top.

4.5.J (4) Withdrawal of Prior Year's Excess Contribution After the Due Date of that Year's Tax Return. Even though the time for filing your income tax return has passed, you may still withdraw an excess contribution without being required to include the excess contribution in gross income if (1) the total contribution did not exceed the applicable contribution limit (see Disclosure Statement Section 4.4.A) and (2) no deduction was allowed for the excess contribution. In general, an excess contribution is an impermissible contribution. The income earned by the contribution is not required to be withdrawn.

If the contribution exceeds the applicable contribution limit (see Disclosure Statement Section 4.4.A), you must include in your gross income an excess contribution withdrawn even if you originally did not deduct it (i.e. improper rollover attempt). However, in the case of an excess contribution arising from a SEP contribution, the applicable contribution limit (see Disclosure Statement Section 4.4.A) is increased to the lesser of the maximum SEP contribution for the current-year or the amount of the SEP contribution. In the case of an excess contribution arising from an impermissible rollover contribution due to erroneous information supplied by a plan administrator, the applicable contribution limit (see Disclosure Statement Section 4.4.A) is increased by that portion of the excess contribution attributable to the erroneous information.

4.5.J (5) Transfer Incident to Divorce and/or Election to Treat as Own. When an IRA is transferred from one spouse to another by a divorce decree or written document relating thereto, or after the death of one spouse, the transfer is not a distribution and is deemed tax free. The IRA becomes the IRA of the transferee as of the date of transfer, subject to all rules governing IRAs.

4.5.J (6) Discussion of the Special Rules Applying to Tax-Free Transfers to Health Savings Accounts. On or after January 1, 2007, a person who is eligible to make an HSA contribution and who has funds within a traditional IRA or Roth IRA may make a special election once during his or her lifetime to transfer a certain amount from such IRA to their HSA. This type of special transfer is called a qualified HSA funding distribution. Such an election, once made, is irrevocable. The amount transferred in such a direct trustee-to-trustee transfer will be excluded from the person's income.

This one-time transfer rule allows a person to change funds which would be taxable (money distributed from an IRA) to funds which will escape taxation if they are withdrawn from the HSA and used to pay qualified medical expenses.

The right allowing a person to transfer funds from an IRA to an HSA tax-free applies even when the person has inherited an IRA. When a beneficiary transfers funds from his or her inherited IRA to an HSA, such a transfer will count to satisfy his or her IRA required distribution from the inherited IRA.

The amount contributed to an HSA, when transferred from an IRA, does count against the HSA contribution limit for such year.

The maximum amount which can be transferred tax-free is determined at the time of the transfer and not later in the year. A person who is covered under a HDHP in March of 2010 may transfer from an IRA to an HSA in March the "family" amount even though later in 2010 he switches to a "single" HDHP.

The amount to be excluded is limited. It shall not exceed the annual contribution limit for single or family coverage, as applicable, as based on the HDHP coverage as of the time of the special transfer, or, in some cases, the amount of an earlier qualified HSA funding distribution. Thus, the maximum amount eligible for this special transfer for 2010 and 2011 will be $3,050 for single coverage and $6,150 for family coverage plus any applicable catch-up amount.

Any traditional IRA and/or Roth IRA funds may be transferred to an HSA, including non-taxable basis. However, if a person chooses to transfer his or her basis from either a traditional IRA and/or Roth IRA, the individual will not be able to carry over this basis to his or her HSA. The IRS has adopted the position that the general HSA distribution rule will be applied even if a person has transferred IRA basis into his or her HSA.

The general rule is that a person is allowed only one tax-free transfer during his or her lifetime. One means one. Therefore, if a person has two or more IRAs and wants to use amounts in multiple IRAs to make the tax-free transfer, if eligible, the individual must first make an IRA to IRA or Roth IRA to Roth IRA transfer of the amounts to be distributed into a single IRA, and then make the one tax-free transfer. A person who has both a traditional IRA and a Roth IRA will only be able to do the transfer from one or the other IRA.

A person will be able to transfer SEP-IRA or SIMPLE-IRA funds to his or her HSA only if the SEP or SIMPLE <u>is not an "on-going" plan</u>. That is, the transfer is permissible as long as the employer has not made an employer contribution for the plan year ending with or within the SEP-IRA or SIMPLE-IRA owner's tax year.

There are special testing period taxes if you make this special type of transfer and then

end your coverage under an HDHP before a one-year time period has expired.

The testing period starts with the month in which the qualified HSA funding contribution is contributed to the HSA and ends on the last day of the 12th month following such month.

If, at any time during the testing period, you are no longer an eligible individual, then you will be penalized as follows. You will have to add to your income all contributions which had been excluded from income. This is required for the first month you become ineligible. The tax you owe will depend on what marginal tax rate applies. You will also owe an additional 10% tax.

Caution — Once the IRA funds are contributed to the HSA, there is no authority or provision in the law to recontribute the funds to the IRA. However, if the recontribution took place within the standard 60-day rollover period, it would be permissible.

IRS Reporting Tasks for Qualified HSA Funding Distributions. There is no special reporting for Qualified HSA Funding Distributions (HFD). Many times IRA accountholders and their tax advisors think the IRA custodian should be preparing the Form 1099-R to show the movement of the IRA funds to their HSA as being tax-free. This is not the IRS procedure. An HFD is to be reported as any other IRA distribution (code 7 if you are 59½ or older and code 1 if less than age 59½). You will be required to complete lines 15a and 15b of your federal income tax return to show what portion is taxable, if any. If the total distribution is an HFD, then enter 0 on line 15b and write HFD next to line 15b.

4.5.K Discussion of the Special Rules Applying to Distributions to Expatriates. The Heroes Earnings Assistance and Relief Tax Act of 2008 changed the tax laws regarding expatriation. President Bush signed this bill into law on June 17, 2008. The expatriation changes apply to any individual whose expatriation date is on or after June 17, 2008.

An expatriate is any United States citizen who relinquishes his or her citizenship and any long term resident of the United States who ceases to a lawful permanent resident. An individual's expatriation date is the date he or she relinquishes citizenship or ceases being a permanent resident. A covered expatriate, in general, is an expatriate who meets the requirements of subparagraphs (A), (B), or (C) of Internal Revenue Code section 877(a)(2). However, there are exceptions where such a person is not treated as a covered expatriate. An individual will need to consult with his or her attorney or tax advisor.

There are special tax rules applying to IRA accounts and other tax preferred accounts. Any IRA of a covered expatriate is deemed totally distributed on the day before his or her expatriation date. The 10% early distribution tax does not apply. There are to be appropriate adjustments made with respect to subsequent distributions from the account to reflect the deemed distribution. Special withholding rules apply.

4.6 Special Taxes that Apply Even Though No Distribution or Deemed Distribution.

4.6.A. Six Percent Excise Tax on Excess Contributions. You must pay a 6% excise tax each year on excess amounts that remain in your IRA. An excess contribution will exist if you make a contribution which you are ineligible or not authorized to make. The tax cannot be more than 6% of the value of your IRA as of the end of the tax year. In general, an excess contribution is the amount paid to your IRA which exceeds your contribution limit (lesser of 100% of compensation or the applicable limit) or which is an improper rollover amount.

If the excess contribution is made for the current tax year, you will not have to pay the 6% excise tax if you withdraw or eliminate the excess amount by the date, including extensions, your tax return is due for the current year. (See the "Special Rule" under Section 4.5.I(3) above.)

If the excess contribution is attributable to a prior year, you will not have to pay the 6% excise tax if you withdraw or eliminate the excess by December 31 of the current year. The carryback concept does not apply in this situation.

4.6.B. Fifty Percent Excise Tax on Excess Accumulations. There is a 50% excise tax on any excess accumulations in your IRA or IRAs in the year you attain age 70½ and any subsequent year. The 50% excise tax also applies to excess accumulations within an inherited IRA. An excess accumulation is the difference between the amount actually distributed to you or your beneficiary, and the amount required to be distributed, as explained in Disclosure Statement Section 3.7.

4.7 Form 5329 – Reporting Requirements when an Excise Tax applies. If you or your beneficiary(ies) owe the 6% excise tax on an excess contribution, the 10% additional tax on premature distributions or the 50% excise tax for failing to satisfy the minimum distribution requirements, you or your beneficiary(ies) must file IRS Form 5329. If you only owe the 10% additional tax for premature distributions, and the payer properly shows the correct code on the Form 1099-R, you may not have to file Form 5329. See the instructions for Form 5329 for more information. You may be required to file Form 5329 even though your income level would not otherwise require the filing of an income tax return (i.e. Form 1040 or 1040A).

4.8 Reporting Requirements of Non-deductible Contributions, Conversions and Recharacterizations. You must designate a contribution as nondeductible on your tax return by completing IRS Form 8606. On this form you will show: (1) the amount of designated nondeductible contributions for the tax year; (2) the amount of distributions from IRAs during the tax year; (3) the excess of the aggregate amount of designated nondeductible contributions for all preceding tax years over the aggregate amount of distributions from IRAs which was excludable from gross income for such tax years; and (4) the aggregate balance of all of your IRAs as of the close of the calendar year. You are required to file Form 8606 even though your income level would otherwise not require the filing of an income tax return. If you fail to file Form 8606, you will be required to pay a penalty of $50 for each failure to file, unless such failure is due to reasonable cause.

The Form 8606 is required to be filed if any of the following apply:

- You made nondeductible contributions to a traditional IRA for a current tax year.
- You received distributions from a traditional, SEP or SIMPLE-IRA in the current tax year (other than a rollover, conversion, recharacterization, or return of certain contributions) and you have ever made nondeductible contributions to a traditional IRA.
- You converted an amount from a traditional, SEP, or SIMPLE-IRA to a Roth IRA in a current tax year (unless you recharacterized the entire conversion).

If you overstate the amount of nondeductible contributions, you may be assessed a penalty of $100 per overstatement, unless the overstatement is due to reasonable cause.

In addition, you must generally file a Form 8606 for each year you convert funds from a traditional IRA, SEP-IRA or SIMPLE-IRA to a Roth IRA.

4.9 Converting Your Traditional IRA to a Roth IRA. You might benefit more (from a tax and/or nontax standpoint) if you would move or convert some or all of the assets in this traditional IRA to a Roth IRA. You will need to make this decision after considering all relevant rules, tax consequences and other factors. You should discuss this with your tax advisor.

You can convert amounts from your traditional IRA to a Roth IRA by using any of the

following three methods. The first method is the standard rollover. You can receive a distribution from a traditional IRA and roll it over (contribute it) to a Roth IRA within 60 days of the distribution. The second method is a trustee-to-trustee transfer. If permissible, you may direct the custodian/ trustee of your traditional IRA to transfer an amount from the traditional IRA to the custodian/ trustee of your Roth IRA. The third method is an internal movement. You direct the custodian/trustee of your traditional IRA to transfer an amount from your traditional IRA to your Roth IRA.

All three methods are reportable transactions and will be reported to the IRS and to the accountholder.

This situation presents a new and unique meaning of "rollover" and "transfer." Normally, there is no taxation when a rollover or transfer occurs. This is not the case with this type of rollover or transfer. You may find it advantageous to incur the tax consequences of a present distribution in order to qualify to earn the right to have no taxation when the earnings are ultimately distributed from the Roth IRA.

Beginning January 1, 2010, anyone having a traditional IRA may convert funds from their traditional IRA to a Roth IRA.

A nonspouse beneficiary is ineligible to convert funds within an inherited IRA to a Roth IRA.

If you do elect to roll over or convert funds from your traditional IRA to a Roth IRA, then the amount distributed to you from your traditional IRA will be included in your income for the year of receipt and will be subject to income taxes for such year. However, even if you are younger than age 59½ at the time you receive the distribution, you will not owe the 10% excise tax.

Congress had concerns that an individual might roll over or convert funds from his or her traditional IRA to a Roth IRA and then withdraw funds before certain time periods are completed. There are a number of recapture rules of which you should be aware.

If you roll over or convert funds from your traditional IRA to a Roth IRA, and the 10% excise tax of Code section 72(t) would otherwise have applied, and you later withdraw funds from the Roth IRA before you meet the five-year requirement, then you will owe the 10% excise tax as imposed by Code section 72(t). You will owe the 10% excise tax to the extent that the distribution is attributable to amounts that were includable in income due to the conversion/rollover and to which the 10% excise tax would have been applied except for the Roth conversion/rollover exception. Note that for the purpose of this additional 10% tax, there is a separate five-year requirement for each conversion contribution. This five-year period begins on the first day of your tax year (normally January 1) in which the conversion contribution is made. This five-year period ends on the last day of the fifth consecutive taxable year beginning with the taxable year described in the preceding sentence (normally this is December 31).

Special Rule for 2010. If you choose to convert some portion of your traditional IRA to a Roth IRA in 2010, the general rule will be that you will include 50% of the conversion amount in your income in 2011, and 50% in 2012. That is, you will not include the conversion amount in income, nor pay tax on it in 2010. However, you may make a special election to not use this special rule. If you do so, you then will include the total conversion amount in your income for 2010. For conversions made in 2011 and subsequent years, you will need to include 100% of the conversion amount in your income for such year, as that is the standard rule.

An income acceleration rule might apply to certain 2010-2011 distributions. In order to discourage an individual from making a conversion and then taking a distribution soon thereafter, the law has been written to include an income acceleration rule. The individual will use the standard Roth IRA ordering distribution rules. If an individual takes a NONQUALIFIED distribution from his or her Roth IRA during 2010-2011 which is comprised of the taxable portion of a conversion, then he or she will need to include that portion in income earlier than it would have been under the 2-year pro-rata rule. The income deferred to 2012 will be accelerated first and then the income deferred to 2011 will be accelerated next.

An individual taking a qualified Roth IRA distribution will not be subject to the income acceleration rule. Also, the income acceleration will not apply to the extent that the individual withdraws "basis" due to annual contributions.

What happens if you make a Roth conversion in 2010 and then die in 2010 or 2011? If you elected to use the 2-year rule in 2010 and then die during 2010 or 2011, any amount which has not yet been included in income must generally be included in your income for the year of your death. This income will need to be reported on your final income tax return.

The law appears to be unsettled whether or not your executor may un-do the conversion by recharacterizing. The IRS generally adopts the position that the making of a conversion and recharacterization are personal tax rights and end when the individual dies.

A spouse beneficiary who is the sole beneficiary can elect to continue to ratably include the amounts in income over the remaining years in the 2-year period.

Example #1 If a person converts $24,000 in 2010 and then dies on October 15, 2010, his or her spouse beneficiary will be able to continue the 2-year schedule. He or she would include $12,000 in his or her income in 2011 and the remaining $12,000 in income for 2012.

Example #2. If a person converts $24,000 in 2010 and then dies on December 5, 2011, his or her spouse beneficiary will be able to continue the 2-year schedule. He or she would include $12,000 in his or her income in 2011 and the remaining $12,000 in income or 2012.

4.10 Recharacterizing a Contribution.

The law now permits you to elect to treat a contribution made to a Roth IRA or traditional IRA (i.e. the First IRA) as made to the other type of IRA (i.e. the Second IRA). This can be accomplished by means of a trustee-to-trustee transaction or it can be done by an internal transaction with the same trustee.

The concept is – the contribution as made to the First IRA which is being recharacterized is treated on your federal income tax return as having been originally contributed to the Second IRA on the same date and (in the case of regular contribution) for the same taxable year that the contribution was made to the First IRA. The income is considered earned by the Second IRA. A recharacterized contribution is not treated as a rollover for purposes of the one-rollover-per-year limitation.

This election can be made only if accomplished on or before the due date (including extensions) for filing your Federal income tax return for the taxable year for which the contribution was made to the First IRA or by such deadline as otherwise set by the IRS. As with excess contributions, the IRS has stated that October 15 of the following year is the deadline for completing a recharacterization. For this purpose, an actual distribution from a traditional IRA late in a calendar year which is then rolled over to a Roth IRA (conversion method #1) in the following calendar year is treated as being contributed in the earlier calendar year.

An election to recharacterize a contribution cannot be revoked once it has been completed.

In order to have a qualifying recharacterization, the net income attributable to the contribution being recharacterized must be transferred to the Second IRA. The method used to calculate the net income is a

method very similar to the method used to calculate the earnings associated with an excess contribution to a traditional IRA.

You cannot recharacterize employer contributions to a SIMPLE-IRA or a SEP-IRA as contributions to another type of IRA.

You cannot recharacterize a contribution to the First IRA if it was a tax-free contribution (i.e. a rollover or a transfer).

The fact that a rollover or transfer (i.e. a tax-free transfer) has occurred from the First IRA to a subsequent IRA does not mean that the IRA contributor cannot recharacterize the initial contribution as long as the other rules are met. The subsequent IRA is deemed to be the first IRA for these purposes. The rollover or transfer is ignored and the recharacterization is permissible.

In order to make an election to recharacterize a contribution, you must do the following. You must notify both the custodian/trustee of the First IRA and the Second IRA that you have elected to treat he contribution as having been made to the Second IRA, instead of the First IRA for Federal income tax purposes. This notification must be furnished on the date of the transfer (i.e. simultaneously) or before the date of the transfer. The notification must also include the following information: (1) Type and amount of the contribution to the First IRA that is to be recharacterized; (2) The date on which the initial contribution was made; (3) A direction to the custodian or trustee of the First IRA to transfer in a custodian/trustee-to-custodian/trustee transfer, the amount of the contribution plus the allocable net income to the custodian/trustee of the Second IRA; (4) The name of the first trustee and the second trustee; and (5) Any additional information needed to make the transfer.

You and your tax advisor will wish to review the IRS instructions for Form 8606 and other applicable forms as to how you are to report a recharacterization on your federal income tax return(s).

4.11 Reconversions and Excess Reconversions. A "reconversion" arises in the following situation. You convert an amount from a traditional IRA to a Roth IRA, you then recharacterize it from a Roth IRA to a traditional IRA and you then wish to convert it again from a traditional IRA to a Roth IRA. An "excess reconversion" is a reconversion which does not comply with the rules. A conversion contribution is one which has not been previously converted.

Revised reconversion rules. A reconversion taking place after December 31, 1999, is permissible only if it occurs after the beginning of the next taxable year (generally this is after December 31 of the year in which the conversion occurred) or, if later, the end of the 30-day period beginning on the day on which the IRA owner transfers the amount from the Roth IRA back to a traditional IRA by means of a recharacterization (regardless of whether the recharacterization occurs the same year as the conversion or the following year). The following examples illustrate this rule.

Example #1. Joni Dow converted $40,000 of her $70,000 traditional IRA on February 3, 2010. On August 10, 2010, she recharacterizes this conversion contribution. She is not eligible to reconvert this amount until January 1, 2011.

Example #2. Elliot Berry converts $25,000 of his $33,000 traditional IRA on April 14, 2010. On December 27, 2010 he recharacterizes this conversion contribution. He is not eligible to reconvert until January 25, 2011, since he must wait at least 30 days.

Example #3. Rex Lardner converts $35,000 of his $53,000 traditional IRA on April 14, 2010. On October 15, 2011, he recharacterizes this conversion contribution. He is not eligible to reconvert until November 14, 2011, since he must wait at least 30 days.

A "failed conversion" is a reconversion which is made before the above waiting period rules permit. That is, the reconversion occurs before the later of the beginning of the next taxable year after the conversion or the end of the 30-day period that begins on the day of the recharacterization of the conversion. A failed conversion means there has been a distribution from the traditional IRA and there has been a regular contribution to a Roth IRA. Most likely there is an excess contribution that will need to be corrected either by withdrawal or by recharacterization.

4.12 Federal Estate and Gift Taxes. You should consult with your attorney to determine to what degree the federal estate and gift tax laws apply to your IRA. In general, these laws do apply to IRAs. IRC sections 2039(c) and 2517, however, provide limited exceptions so that certain IRA transactions will not be subject to federal estate or gift taxes. For example, no federal gift tax has to be paid when you name a beneficiary or when the funds are paid to the beneficiary after your death. In general, IRA funds are includable in the computation of federal estate taxes. Publication 590 should be read for an explanation of the rules.

5. Miscellaneous

5.1 Approved as to Form. Your IRA has been approved as to form for use as an IRA by the IRS. This approval as to form does not represent a determination of the merits of such IRA or its investments.

5.2 Further IRA Information. You may obtain further information about IRAs from any district office of the IRS. IRS Publication 590 discusses IRAs very thoroughly.

5.3 Financial Disclosure Information. You are to refer to the application page and page 25 for this information.

5.4 FDIC Insurance Coverage Limits. If the custodian of your IRA is an insured bank or savings and loan or similar entity, then your IRA funds are insured separately from other deposit accounts within that financial institution pursuant to the Federal Deposit Insurance Act, up to $250,000. For FDIC purposes, the insured institution must belong to the Deposit Insurance Fund. Any IRA, most eligible deferred compensation plans described in section 457 of the Internal Revenue Code, a Keogh plan as described in Code section 401(d) and any individual account plan as defined in section 3(34) of ERISA shall be aggregated and insured in an amount not to exceed $250,000 per participant per insured depository institution. This aggregation requirement applies to a Keogh plan or an individual account plan only when the participant has the right to direct the investment of his or her account. Deposits of a Roth IRA, traditional IRA, SEP-IRA and SIMPLE-IRA must be aggregated to count against the $250,000 coverage limit. Amounts in excess of $250,000 are not insured.

6. Summary of Contractual Terms

6.1 You must refer to your savings or time deposit agreement(s) or other investment agreements, as applicable, for the terms which govern the investment of your IRA deposits, including an early withdrawal penalty or fee for taking a distribution prior to maturity, if applicable.

6.2 You have the right to designate a beneficiary or beneficiaries to inherit your IRA account. Refer to Section 1.6 of Article VIII so that you understand the rules and procedures.

6.3 You do not have any right or ability to assign your rights in this IRA.

6.4 We may charge fees as set forth in Section 1.21 of Article VIII.

6.5 We may amend the terms of this IRA from time to time to comply with law changes. If we amend it for any other reason, such amendment becomes effective 30 days after we have sent our notice of amendment to you.

6.6 You are to refer to Article VIII for the following topics: withdrawals, withholding rules, reporting errors, changes in the IRA custodian or trustee, good faith payments,

termination and resignation of the IRA custodian or trustee, withholding payments and resolution of disputes, transfers and rollovers, and payment of taxes.

Financial Disclosure Information

General Explanation

IRS regulations require that you receive certain financial information with respect to the establishment of your IRA. You are entitled to be given a projection table which will approximate the account balance that would be available to you if you withdrew your IRA funds after the following accumulation periods: at the end of the first five years and at the end of the years you reach ages 60, 65 and 70.

The design of this form allows us, as the IRA custodian/trustee, to furnish you the required financial projection using one of two methods: (1) pre-completed projection charts; or (2) a special attachment. Refer to the Application Page to see which one of the two methods we elected to use. Whichever method is used, the amounts shown in the applicable schedules are projections only.

The projection schedules as set forth illustrate a projection of the amounts that would be available to you if you were to withdraw your IRA funds at the designated times. These amounts were calculated using the following important assumptions: (1) level annual contributions of $1,000 will be made on the first day of each year for annual contributions, or for rollover contributions, a single contribution of $1,000 is made on the first day of the year, (2) you will withdraw, in a single sum, the entire amount at the designated times; and (3) your contribution is invested in a fixed term time deposit of the custodian with a 12-month term and interest accumulates at the rate indicated on the application (The Projection Schedules). This rate is compounded annually, with an early withdrawal penalty as set forth.

The amounts shown in the applicable schedules are projections only. These amounts are not guaranteed. It has been assumed for these projections that the IRA custodian/ trustee will not waive any penalty for early withdrawal of a certificate account after you reach age 59½. It has also been assumed that upon maturity, each certificate account is renewed for the same term and at the same rate of earnings. The actual amount available to you will depend upon many factors, such as the actual amount of your contributions, future interest rates, and the other terms of future investment instruments. Note that your actual time deposit may earn interest at a variable rate, but for projection purposes it is reasonable to assume that interest will be paid at a fixed rate. In addition, the projected amounts for years 1 to 5 do not reflect any required minimum distributions which will need to be made if you attain age 70½ or older during the year this IRA is established.

The Projection Schedules

The projection schedule you are to refer to depends upon whether your contribution was an annual or a rollover contribution, and the method used to calculate an interest penalty, if any, for the early surrender of a time deposit. You must refer to the proper table. You will need to refer to your IRA investment for the method of compounding and the interest penalty.

To determine the amount available after each of the first five years, simply refer to years one through five in the appropriate table. To determine the amount available for the years you reach ages 60, 65 and 70, refer to the appropriate table using your age. Note that there are three columns. One reflects the amount available if there is no interest penalty for the early surrender of a time deposit. The second reflects the amount available if the penalty equals a loss of three months of simple interest as assessed on the entire amount of interest and principal. The third reflects the amount available if the penalty equals a loss of six months of simple interest.

Check the applicable table—annual versus rollover—and then the applicable interest penalty.

Instruction & Authorization to Transfer Traditional IRA Funds to Another Traditional IRA

Purpose. This IRA Transfer Form is to be used to transfer funds from one traditional IRA to another traditional IRA, from one SEP-IRA to another SEP-IRA, or from a SEP-IRA to a traditional IRA or vice versa. Unless the applicable box below is checked, the transfer is from one traditional IRA to another traditional IRA.

Indicate Type of Special Transfer; ☐ SEP-IRA to SEP-IRA; ☐ SEP-IRA to traditional IRA; ☐ traditional IRA to SEP-IRA

This Form is not to be used to transfer funds from a SIMPLE-IRA to another SIMPLE-IRA, a SIMPLE-IRA to a traditional IRA or a Roth IRA to a Roth IRA. If your institution is the successor custodian/trustee which will receive the transfer, then you and your accountholder will need to complete this transfer form and furnish it to the current custodian/trustee. If your institution is the current custodian/trustee which will transfer the traditional IRA funds, then you will need to have the IRA accountholder and the successor custodian/trustee complete this transfer form and return it to you.

Current Custodian/Trustee

Name _____
Address _____
City _____ State ___ Zip _____
Phone _____

IRA Accountholder

Name _____
Address _____
City _____ State ____ Zip _____
SSN _____ Account # _____

I. Instructions from IRA Accountholder to Current Custodian/Trustee

I instruct you to transfer my IRA funds from IRA Plan number _____ to my IRA with the successor custodian/trustee as named below. I want all assets as listed below to be transferred pursuant to the following instructions.

_____ ☐ **VIA WIRE** ☐ **VIA CHECK**

○ Liquidate and transfer the amount of $_____ from the indicated accounts, or _____ %.

○ Liquidate and transfer the assets listed as they mature to the extent specified.

Account #:_____ Maturity Date: _____ Amount $_____

Account #:_____ Maturity Date: _____ Amount $_____

Account #:_____ Maturity Date: _____ Amount $_____

○ Transfer assets "in kind" as listed here: _____

_____

With respect to my required distribution, if any, I instruct as follows:

○ Pay me my required distribution and then transfer the remaining balance.

○ Transfer my entire balance without paying me my required distribution amount. I assume full responsibility for withdrawing my required distribution by the appropriate deadline (December 31, or, when applicable, April 1 of the following year) and I hold you harmless if I fail to do so.

Signature of IRA Accountholder: _____ SIGN HERE Date: _____

II. Successor Custodian/Trustee's Acceptance of Appointment and Instruction to Current Custodian/Trustee

We hereby advise the current custodian/trustee that we will accept the transfer of the above-referenced IRA accountholder's IRA assets. We have agreed to act as the successor custodian/trustee. We certify that the accountholder has an IRA with us which meets the requirements of Code section 408(a), (b) or (k). Our name and address are set forth below.

Name SUNWEST TRUST, INC.
Attention IRA DEPARTMENT
Address P.O. BOX 36371
City ALBUQUERQUE State NM Zip 87176

Authorized Signature of
Successor Custodian/Trustee: _____ Date: _____

III. Acknowledgment of Current Custodian/Trustee and Instruction to IRA Accountholder

We have received your request to transfer your IRA funds to a successor IRA custodian/trustee. We agree to do so only if you and the successor custodian/trustee have signed this form.

Authorized Signature of Current Custodian/Trustee: _____ Date: _____

FEE SCHEDULE AND DISCLOSURE

ESTABLISHMENTS FEES

Account set up *(Plus re-registration cost, if any)* $250

ASSET BASED FEE (Marginal Rate Schedule)

(Minimum $325, Maximum $2,000)
Annual Fees

Net Asset Value	Fee	
$0 to $99,999	0.00500	Plus
$100,000 to $199,999	0.00400	Plus
$200,000 to $299,999	0.00300	Plus
$300,000 to $399,999	0.00200	Plus
$400,000 to $599,999	0.00125	Plus
$600,000 and up	0.00100	Plus

ACTIVITY FEES

- Wire Transfers: $50
- Roth Conversion: $75
- Consulting fee for legal research or extraordinary services: $300/hr
- Research / Executive service $85/hr
- Nevis LLC Set up $2,850
- Non-US LLC Set up May vary by jurisdiction
- Domestic LLC Set up $1500

TERMINATION FEES

- Partial or Full termination of Services: 0.0050 x amt transferred Min. $250 Max. $1,250.00

Charges by third parties are charged in addition to fees above. ***Minimum Cash of $1,000.00 required at all times.***
Please note: any cash transfers to IRA Custodian made by check will be subject to an eleven business (11) clearing period before funds are available to invest.

I have read and understand the fees listed in this schedule and authorize deduction of fees, costs and expenses related to the operation of my account. I also understand that this schedule may be amended from time to time without notice. Interest will not be paid on the holding account. I understand that the non-payment of fees can result in the termination and distribution of my account. Fees are billed to my account and can be paid by separate check. However, separate invoices will not be sent. Any alternation of this or any agreement or document will not be accepted. If a change of any terms of services, fees, etc. is agreed upon, all parties must expressly agree to such changes in a separate addendum signed by all appropriate parties. ½ hour of consulting with Mr. Grossman is included.

Accountholder's Signature _____ SIGN HERE Date_____

TO: Sunwest Trust, Inc.

Date: _____

RE: IRA Accountholder _____

I authorize Sovereign International Pension Services _____ to discuss my account and obtain any information necessary; however, no investments shall be made on my behalf without my signature.

_____ SIGN HERE
(IRA Accountholder)

☐ By checking this box I further give the above person or company internet access to my account.

☐ By checking this box I do not give my permission for the above person or company to have internet access to my account.

Self-Directed IRA Account Holder Disclosure
And Hold Harmless

Important! This form contains important disclosures about your duties and responsibilities with regard to opening a Self-Directed Individual Retirement Account with Sovereign International Pension Services, (SIPS), Inc. as your IRA Administrator. **You are responsible for the investment of all assets within your account. These investments may involve a high-degree of risk and SIPS will make no investigation as to the viability or safety of the investments that you select. Read this entire form carefully before you complete and sign it! By signing this form you consent to all terms and provisions shown on all pages.**

Accountholder _____
Address _____
City/State/Zip _____
SSN _____
Phone Number _____
Email Address _____

By this document and a Traditional/Roth plan agreement I am naming SIPS IRA Administrator for my self-directed IRA. In directing this action I hereby make the following certifications in accordance with my Self-Directed Custodial Account Application:

1. I understand the requirements put forth by the IRS to establish an IRA and certify that I am eligible to establish a Traditional/Roth IRA. Furthermore, SIPS shall not advise me as to the deductibility or non-deductibility of any contributions to my account and such responsibility remains solely with me. Furthermore, the reporting of my contributions and how such contributions are handled is my exclusive responsibility. SIPS shall not advise me on the reporting and handling of contributions.

2. I understand that my Account is self-directed. This means that I am responsible for the selection, management, and retention of all investments held within my Account. I understand that SIPS shall not provide investment advise or recommendations, and that SIPS is not a "fiduciary" for my Account as such term is defined in the Internal Revenue Code ("IRC"), ERISA, Blacks Legal Dictionary or any other applicable federal, state or local laws.

3. It is my sole and exclusive responsibility to manage the investment held within my Account, and that SIPS shall follow any investment directions given by me or my Designated Representative, (if I have appointed one), regardless of the nature of the investment. SIPS shall have no duty to monitor the performance of any investment held within my Account. SIPS shall not and has no duty to conduct a due diligence review of any investment or make any investigations with regard to any investment, any issuer or sponsor of any investment, or any officer, director, or other person or entity involved or affiliated with my investments. SIPS shall not review the prudence, viability or merits of any of my investments.

4. If my Designated Representative or any other financial representative suggest that I retain SIPS services as IRA Administrator for investments made through my Account, that such person is not in any way an agent, employee, representative, or affiliate of SIPS. SIPS is not responsible

for and is not bound by any representations, warranties, statements or agreements made by my Designated Representative or any financial representative beyond the terms and provisions contained in my SIPS, Inc. IRA Administrator Account Agreement and other SIPS forms and/or documents. SIPS shall not and has not made any recommendation or investigation with respect to my Designated Representative or any financial representative. SIPS shall not compensate my Designated Representative or financial representative in any manner.

5. SIPS shall not make any determination as to whether an investment is acceptable under ERISA, the IRC, or any other applicable federal, state or local laws, including securities laws. It is my sole and exclusive responsibility to review any investments to ensure compliance with the above requirements and to avoid the occurrence of any prohibited transactions in my Account arising out of my investments. I understand that I should have all investments reviewed by my attorney and/or tax advisor prior to directing SIPS to process any transaction on behalf of my account.

6. I understand that certain transactions are prohibited for tax-exempt retirement arrangements under IRC Section 4975. I further understand that the determination of whether the transactions directed by me within my account are prohibited transactions depends upon the facts and circumstances that surround each transaction. SIPS shall not make a determination as to whether any transaction directed by me is a prohibited transaction. It is solely my responsibility to consult with advisors as I deem necessary and appropriate, and I warrant to SIPS that the investments directed by me are not prohibited transactions as defined in IRC Section 4975. I understand that I may not invest with a “disqualified person” as defined in IRC Section 4975 or a “party in interest” as defined in IRC Section 4975. I understand that should my Account engage in a prohibited transaction, then a taxable distribution equal to the fair market value on my Account may result and certain penalties may be incurred. I further understand that if such a deemed distribution takes place prior to my attaining 591/2, an additional premature distribution excise tax may be imposed.

7. I cannot make investments in my Account without having the liquid funds to cover the amount equal to the investment in my Account. In addition, if any investment contains provisions for future contractual payments or assessments, including margin calls, such payments or assessments shall be borne solely by my Account to the extent such payment is authorized by me or my Designated Representative, and may reduce or exhaust the value of my Account. I shall indemnify SIPS for any and all payments or assessments which may result from holding the investment within my Account, and that SIPS shall be under no obligation whatsoever to extend credit to my Account or otherwise disburse payment beyond the cash balance of my Account for any payment or assessment related to the investment.

8. If the investment contains any administrative requirements or duties beyond SIPS capabilities or expertise,, then I shall retain suitable agents or counsel necessary to perform such duties and deliver written service agreements from such agents or counsel, acceptable to SIPS, for execution on behalf of my account.

9. SIPS shall not be responsible nor have any duty to notify me or to forward to me any notices, proxies, assessments or other documents received by SIPS on behalf of my investments, unless I, or my Designated Representative request each document in writing.

10. I shall provide payment instructions to SIPS regarding any invoice, assessment, fee or any other disbursement notification received by SIPS on behalf of my investments, and SIPS has no duty or responsibility to disburse any payment until such instructions are received from me, or my Designated Representative.

11. If I direct SIPS to purchase a debt instrument as an investment, I shall enter into an escrow servicing agreement with a third-party Agent on a form acceptable to SIPS, or be my own agent

in order to administer the terms of the note on behalf of my account. I agree to notify SIPS as IRA Administrator of my account.

12. If any of the investments I purchase for my account are limited partnerships or limited liability companies, I understand that such investments may generate Unrelated Business Taxable Income, or "UBTI". If the UBTI attributable to my Account exceeds $1,000 for any taxable year, an IRS Form 990-T must be filed along with the appropriate amount of tax, payable from the assets of my account. SIPS shall not monitor the amount of UBTI in my Account and shall not prepare a Form 990-T. If the tax is applicable, I shall prepare, or have prepared, the proper 990-T tax form and forward it to SIPS, along with authorization to pay the tax from my Account. If I am required to File IRS Form 990-T with regard to any UBTI, I must utilize an Employer Identification Number ("EIN'). I shall not use SIPS EIN or my own social security number. I understand that I must apply for my own EIN prior to or in conjunction with requesting SIPS to pay any taxes I may owe with regard to any UBTI that might be incurred.

13. SIPS shall not and has no duty or responsibility to monitor the performance of my Investments or actions of the sponsor,. SIPS shall not monitor nor have a duty to monitor the sufficiency or adequacy of my actions or duties or those of my heirs, successors, agents or assigns. SIPS shall not monitor the acts of any paid consultant to whom SIPS may have contractually delegated any duties or responsibilities pursuant to my directions or the directions of my Designated Representative.

14. I understand that SIPS must have an annual market value or good faith estimate (via an independent appraisal) of the value for all investments in my account and I shall provide such market value or good faith estimate. If I do not provide SIPS with an annual market value or good faith estimate, SIPS may distribute that Investment in-kind to me, in its sole discretion, at either the original acquisition cost or the last known value.

15. I shall be responsible for any and all collection actions, including contracting with a collection agency or instituting legal action, and bringing any other suits or actions which may become necessary to protect the rights of my Account as a result of the operation or administration of my investments. Any and all legal filings made on behalf of my investments are to be made in the name of Sunwest Trust Custodian for the Self-Directed IRA of (my Name)." I shall not institute legal action on behalf of my investments without SIPS written consent to litigate and that I shall prosecute any legal action. I agree that any such legal action will be carried out in a manner that does not cause SIPS to incur any costs or legal exposure.

16. SIPS shall not guarantee any investment(s) held within my Account. I understand that my investments may loose value.

17. SIPS does not provide legal or tax advice. If legal, accounting, investment, or other similar expert assistance is required; the services of a competent professional should be sought and I hereby acknowledge neither SIPS nor its agents are engaged in rendering legal, accounting, investment, or other professional services.

18. SIPS shall not be liable for the fraudulent conduct and/or negligence of a third party. I shall hold SIPS harmless from all losses that occur in my account wherein the purchase of the investment was made pursuant to my or my Designated Representative's direction. All claims arising from or relating to this Agreement shall be brought in a Florida court of competent jurisdiction with sole and exclusive venue in Pinellas County, Florida. The parties to this Agreement waive any and all right of a trial by jury as to any dispute arising between the parties, including but not limited to disputes arising from or relating to this Agreement. I waive all claims for punitive damages and such damages shall not be sought nor are recoverable for any dispute arising between the parties. The prevailing party to any claim arising from or relating to this Agreement shall recover all its reasonable fees and costs.

PROHIBITED TRANSACTIONS-SUMMARY

Below is a summary of the Internal Revenue Code Section 4975 and IRS publication 590 regarding IRA prohibited transactions and disqualified persons. This is a summary and not a comprehensive reproduction of both the Code and the publication. Before making an IRA investment, you should consult a tax professional to be certain you are not entering into a prohibited transaction, which could disqualify your entire IRA..

General Statement: A prohibited transaction is any improper use of your IRA by you, your beneficiary, or any disqualified person.

Section 4975 (c) prohibited transactions include but are not limited to 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.
Disqualified person: your fiduciary, any members of your family including spouse, ancestor, lineal descendant, and any spouse of a lineal descendant.
Remember that your IRA is fully self-directed. You are responsible for the selection, management, and retention time of your investment. SIPS will accept a direction of investment from you for any asset not specifically prohibited by the IRS. If you have any questions regarding any transaction in your IRA, seek help from a tax professional before instructing SIPS.

I acknowledge that I have sole responsibility for directing the investments of my Account. I understand that SIPS may perform administrative review on any of my investments to determine if the investments are feasible for SIPS to maintain appropriate records as to each investment. I acknowledge, however, that SIPS will not perform a due diligence review, and will not undertake any investigation as to the prudence, viability, merits, or suitability of any investment in my Account. I agree to hold SIPS harmless from any liability for any loss, damage, injury, or expense that may occur as a result of the execution of my direction of investment.

SIGN HERE

_____ _____
Accountholder's Signature Date

By my signature I acknowledge that I have read and understand this Account Holder Disclosure and Hold Harmless agreement and specifically acknowledge that I have read and understand the Prohibited Transactions summary of this document.

135603

SUNWEST TRUST, Inc.
Self-Directed IRAs
Escrow Services

Self-Directed IRA Account Holder Disclosure And Hold Harmless

Important! This form contains important disclosures about your duties and responsibilities with regard to opening a Self-Directed Individual Retirement Account with Sunwest Trust, Inc. as your custodian. **You are responsible for the investment of all assets within your account. These investments may involve a high-degree of risk. Sunwest Trust will make no investigation or conduct due diligence reviews as to the viability or safety of the investments that you select. You should seek the advice of legal counsel and other professional advisors with respect to your investments. Read this entire form carefully before you complete and sign it! By signing this form you consent to all terms and provisions shown on all pages.**

Accountholder _____

Address _____

City/State/Zip _____

SSN _____

Phone Number _____

Email Address _____

By this document and a Traditional/Roth plan agreement, I am naming Sunwest Trust, Inc. custodian for my self-directed IRA. In directing this action, I hereby make the following certifications in accordance with my Sunwest Trust, Inc. custodial account agreement:

1. I understand the requirements put forth by the IRS to establish an IRA and certify that I am eligible to establish a Traditional/Roth IRA. Furthermore, I understand that it is not the responsibility of Sunwest Trust to advise me as to the deductibility or non-deductibility of any contributions to my account. The reporting of my contributions and how they are handled are completely up to me.

2. I understand that my Account is self-directed. This means that I am responsible for the selection, management, and retention of all investments held within my Account. I understand that Sunwest Trust is in no way responsible for providing investment advice or recommendations, and that Sunwest Trust is not a "fiduciary" for my Account as such term is defined in the Internal Revenue Code ("IRC"), ERISA, Financial Institutions Division of the State of New Mexico, Blacks Legal Dictionary or any other applicable federal, state or local laws.

3. I understand that it is my sole responsibility to manage the investment held within my Account, and that Sunwest Trust has no responsibility to question any investment directions given by me or my Designated Representative, (if I have appointed one), regardless of the nature of the investment. I understand that Sunwest Trust is in no way responsible for monitoring the performance of the investment held within my Account.

I understand that Sunwest Trust will not conduct a due diligence review of any investment, nor will Sunwest Trust make any investigations with regard to any investment, any issuer or sponsor of any investment, or any officer, director, or other person or entity involved or affiliated with my investments. I understand that Sunwest Trust will not review the prudence, viability or merits of any of my investments.

4. I understand that, if my Designated Representative or any other financial representative suggested that I retain Sunwest Trust's services as custodian for investments made through my Account, such person is not in any way an agent, employee, representative, or affiliate of Sunwest Trust. I acknowledge that Sunwest Trust is not responsible for and is not bound by any representations, warranties, statements or agreements made by my Designated Representative or any financial representative beyond the terms and provisions contained in my Sunwest Trust, Inc. Custodial Account Agreement and other Sunwest Trust forms and/or documents. I further understand that Sunwest Trust has not made and will not make any recommendation or investigation with respect to my Designated Representative or any financial representative, nor does Sunwest Trust compensate my Designated Representative or financial representative in any manner.

5. I understand that Sunwest Trust does not make any determination as to whether an investment is acceptable under ERISA, the IRC, or any other applicable federal, state or local laws, including securities laws. I acknowledge that it is my responsibility to review any investments to ensure compliance with the above requirements and to avoid the occurrence of any prohibited transactions in my Account arising out of my investments**. I understand that I should have all investments reviewed by my attorney and/or tax advisor prior to directing Sunwest Trust to process any transaction on behalf of my account.**

6. I understand that certain transactions are prohibited for tax-exempt retirement arrangements under IRC Section 4975. I further understand that the determination of whether the transactions directed by me within my account are prohibited transactions depends on the facts and circumstances that surround each transaction, and I understand that Sunwest Trust makes no determination as to whether any transaction directed by me is a prohibited transaction. I understand that it is solely my responsibility to consult with advisors as I deem necessary and appropriate, and that I will warrant to Sunwest Trust that the investments directed by me are not prohibited transactions as defined in IRC Section 4975. I understand that I may not invest with a "disqualified person" as defined in IRC Section 4975 or a "party in interest" as defined in IRC Section 4975. I understand that should my Account engage in a prohibited transaction, a taxable distribution equal to the fair market value on my Account will result and certain penalties may be incurred. I further understand that if such a deemed distribution takes place prior to my attaining 591/2, an additional premature distribution excise tax may be imposed.

7. I understand that I cannot make investments without having the liquid funds in my Account. In addition, if any investment contains provisions for future contractual payments or assessments, including margin calls, I acknowledge that such payments or assessments shall be borne solely by my Account to the extent such payment is authorized by me or my Designated Representative, and may reduce or exhaust the value of my Account. I further agree to indemnify Sunwest Trust for any and all payments or assessments which may result from holding the investment within my Account, and I understand that Sunwest Trust shall be under no obligation whatsoever to extend credit to my Account or otherwise disburse payment beyond the cash balance of my Account for any payment or assessment related to the investment.

8. I understand that if the investment contains any administrative requirements or duties beyond Sunwest Trust's normal and customary services, then I agree to seek out suitable agents or counsel necessary to perform such duties and deliver written service agreements acceptable to Sunwest Trust for execution on behalf of my account.

9. I understand that Sunwest Trust has no responsibility or duty to notify me or to forward to me any notices, proxies, assessments or other documents received by Sunwest Trust on behalf of my investments, unless I, or my Designated Representative, request each such document in writing.

10. I agree to furnish payment instructions to Sunwest Trust regarding any invoice, assessment, fee or any other disbursement notification received by Sunwest Trust on behalf of my investments, and I understand that Sunwest Trust has no duty or responsibility to disburse any payment until such instructions are received from me, or my Designated Representative.

x____Initial

11. If I direct Sunwest Trust to purchase a debt instrument as an investment, I agree to enter into an escrow servicing agreement with a third-party Agent on a form acceptable to Sunwest Trust or to be my own agent in order to administer the terms of the note on behalf of my account. I understand that should I choose Sunwest Trust Escrow Services as my third-party agent it is still my responsibility to monitor the timeliness of payments and collection of payments. If I elect to renew or re-negotiate the terms of my instrument, I agree to notify Sunwest Trust as escrow agent and Sunwest Trust as custodian of my account.

12. If any of the investments I purchase for my account are limited partnerships or limited liability companies, I understand that such investments may generate Unrelated Business Taxable Income, or "UBTI". I further understand that, if the UBTI attributable to my Account exceeds $1,000 for any taxable year, an IRS Form 990-T tax form must be filed along with the appropriate amount of tax, payable from the assets of my account. I understand that Sunwest Trust does not monitor the amount of UBTI in my Account and does not prepare Form 990-T. If the tax is applicable, I agree to prepare, or cause to have prepared, the proper 990-T tax form and forward it to Sunwest Trust, along with authorization to pay the tax from my Account. If I am required to File IRS Form 990-T with regard to any UBTI, I understand that I must utilize an Employer Identification Number ("EIN'). I will not use Sunwest Trust's EIN or my own social security number. I understand that I must apply for my own EIN prior to or in conjunction with requesting Sunwest Trust to pay any taxes I may owe with regard to any UBTI that might be incurred.

13. I understand that Sunwest Trust has no duty or responsibility to monitor the performance of my Investments or actions of the sponsor, nor to monitor the sufficiency or adequacy of my actions or duties or those of my heirs, successors, agents or assigns, and Sunwest Trust will not be required to monitor the acts of any paid consultant to whom Sunwest Trust may have contractually delegated any duties or responsibilities pursuant to my directions or the directions of my Designated Representative.

14. I understand that Sunwest Trust must have an annual market value or good faith estimate (via an independent appraisal) of the value for all investments in my account and that it is my responsibility to provide such market value or good faith estimate. I further understand and acknowledge that if Sunwest Trust has not been provided with an annual market value or good faith estimate, Sunwest Trust may distribute that Investment in-kind to me at either the original acquisition cost or the last known value.

15. I agree to be responsible for any and all collection actions, including contracting with a collection agency or instituting legal action, and bringing any other suits or actions which may become necessary to protect the rights of my Account as a result of the operation or administration of my investments. I understand that any legal filings made on behalf of my investments are to be made in the name of "Sunwest Trust, Inc. Custodian for the Self-Directed IRA of (my Name)." I agree that I shall not institute legal action on behalf of my investments without Sunwest Trust's written consent to litigate and that I shall prosecute any legal action at my own expense, including payment of attorney's fees and court costs. I agree that any such legal action will be carried out in a manner that does not cause Sunwest Trust to incur any costs or legal exposure. I hereby agree to indemnify Sunwest Trust for any loss, cost or expense, including attorney's fees that it may incur in any collection activity or legal proceeding.

16. I understand that should I choose to invest in precious metals it is my responsibility to perform adequate due diligence on the broker I choose to invest with and that the investment I make is an acceptable investment according to IRC 4975. Precious metal accounts are subject to additional fees due to storage costs.

17. I understand that Sunwest Trust, Inc. reserves the right to liquidate any and/or all investments in my account in order to satisfy any outstanding fees owed to Sunwest and that Sunwest may also at their discretion distribute my account to me due to non-payment of fees. The account will be distributed at the FMV as reflected on my latest Sunwest account statement and I may have a tax liability because of this distribution, however, I agree to hold Sunwest Trust, Inc. harmless of said liability.

18. I understand that all investments held within my Account are not guaranteed by Sunwest Trust and that my investments may lose value.

x___ Initial

PROHIBITED TRANSACTIONS-SUMMARY

Below is a summary of the Internal Revenue Code Section 4975 and IRS publication 590 regarding IRA prohibited transactions and disqualified persons. This is a summary and not a comprehensive reproduction of both the Code and the publication. Before making an IRA investment, you should consult a tax professional to be certain you are not entering into a prohibited transaction which could disqualify your entire IRA.

General Statement: A prohibited transaction is any improper use of your IRA by you, your beneficiary, or any disqualified person.

Section 4975 (c) prohibited transactions include but are not limited to 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.

Disqualified person: your fiduciary, any members of your family including spouse, ancestor, lineal descendant, and any spouse of a lineal descendant.

Remember that your Sunwest Trust, Inc. IRA is fully self-directed. ***You are responsible for the selection, management, and retention time of your investment.*** *Sunwest Trust, Inc. will accept a direction of investment from you for any asset not specifically prohibited by the IRS. If you have any questions regarding any transaction in your IRA, seek help from a tax professional before instructing Sunwest Trust, Inc.*

ARBITRATION AGREEMENT

In the event a claim or dispute of any kind or nature arises between the Depositor and Custodian, including the scope of this arbitration clause, it shall be resolved by arbitration conducted in Albuquerque, New Mexico, as follows:

a). either party may submit the matter to arbitration by serving a complaint on the other party that sets forth the nature of the claim. Service may be made by certified mail to the designee. The parties shall mutually select an arbitrator who shall be a retired judge or an attorney licensed to practice law in the state of New Mexico, and shall have not less than ten years of experience in servicing as arbitrator or judge in disputes or litigation concerning the subject matter of the dispute.

b). the arbitrator shall conduct an evidentiary hearing and issue a final award within 180 days of his or her appointment. The arbitrator shall be bound to follow and apply the substantive law of the state of New Mexico, and the procedural and evidentiary rules of the state of New Mexico in effect at the time of any arbitration proceeding hereunder.

c). the arbitrator shall award reasonable attorney's fees and costs of arbitration to the prevailing party.

d). If the parties cannot agree upon the appointment of an arbitrator, either party may file a petition in the Second Judicial District Court to appoint an arbitrator.

x____ Initial

I acknowledge that I have sole responsibility for directing the investments of my Account. I understand that Sunwest Trust may perform administrative review on any of my investments to determine if the investments are feasible for Sunwest Trust to maintain appropriate records as to each investment. I acknowledge, however, that Sunwest Trust will not perform a due diligence review, and will not undertake any investigation as to the prudence, viability, merits, or suitability of any investment in my Account. I agree to hold Sunwest Trust harmless from any liability for any loss, damage, injury, or expense which may occur as a result of the execution of my direction of investment.

SIGN HERE

_____ _____

Accountholder's Signature Date

By my signature I acknowledge that I have read and understand this Account Holder Disclosure and Hold Harmless Agreement and specifically acknowledge that I have read and understand the Prohibited Transactions summary on page four of this document.

To help us manage our advertising efforts, please let us know how you heard about Sunwest Trust, Inc.

Internet _____
Telephone Book _____
TV _____
Referral from a friend _____
Referral from _____
Other _____

Confidential Client Profile Questionnaire

Client Information:

Client Name: _____Client SSN # / Tax ID # _____

DOB: _____ Email Address: _____

Drivers License or Passport # _____ If Drivers License, state of issue_____

Mailing Address: (Where Fed Ex can be delivered)

_____

_____

County _____

Home Phone: _____ Business: _____

Fax: _____ Mobile: _____

US Citizen: Yes No

Marital Status: Single Married Divorced Widowed <select from list below>

Number of Dependents _____

Employer: (If retired, mark retired and skip this section)

_____

Employer Address

_____

Employer Phone

_____

Occupation:

_____

Information About The Account You Are Transferring From: (Please include a copy of your most recent statement). _____

Title of your Account: _____

Name of Firm: _____

Address of Firm: _____

Type of account transferring:

- ☐ Traditional IRA
- ☐ ROTH IRA
- ☐ SEP IRA
- ☐ 401K / Profit Sharing Plan

Type of transfer:

- ☐ Transfer all assets in kind (Note: Money Market funds must liquidated and transferred as cash)
- ☐ Liquidate account and transfer as cash
- ☐ Partial Transfer of cash $_____

Authorized Title & Signature:

_____Date: _____

SIGN HERE