

Application Booklet

# Traditional, Rollover, Roth, or SEP Individual Retirement Account

Equity Trust Company

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**Our Commitment to You**

At Equity Trust Company, protecting your privacy and the confidentiality of your personal information is important to us. We value your business and the trust you put in us, and to offer you the financial products and services you seek, we collect, maintain and use information about you. To help you better understand how your personal information is protected by Equity Trust Company, we are providing you with the following statement describing our policies and procedures with respect to the privacy of your customer information. In the event you terminate your customer relationship with us, or become an inactive customer, we will continue to adhere to the policies and procedures described in this notice.

This notice applies only to non public personal information about individuals who obtain financial products or services primarily for personal, family or household purposes.

**Equity Trust Company Privacy Policy**

Equity Trust Company restricts access to your personal and account information to those employees and affiliates who need to know the information to provide products, education materials or services to you and we educate our employees about the importance of confidentiality and customer privacy. For example, Equity Trust Company may provide such information to its affiliate Equity University, which provides educational seminars and materials to individuals related to retirement planning. We maintain physical, electronic and procedural safeguards to guard your non public personal information. We do not sell any of your personal information to any third party affiliates or non-affiliates and we will not do so, however we may provide such information to any successor custodian/trustee for your account. As such, we reserve the right to transfer such information in connection with a sale of our business, whether by sale of assets, or a merger, consolidation or other similar transaction, or a reorganization or liquidation of our business whether or not in connection with a filing for bankruptcy under applicable law.

**Information We Collect About You**

As your trusted financial institution, we collect, retain and use non public personal information about individual current and former customers to provide products and services. We may collect the following categories of non public personal information about you:

- Information we receive from you, through applications for our products or services or other forms; and
- Information about your transactions with us, our affiliates or with non-affiliated third parties.

You typically provide this personal information when you complete an Equity Trust Company account application or when you open an account with an affiliated brokerage firm. This information may include, but is not limited to, your name, address, social security number, investment experience, relationship with brokers/dealers, risk tolerance, financial references, investment objective, tax bracket, net worth, annual income and occupational/educational background.

**Information We Share**

Equity Trust Company does not disclose non public personal information about you to any unaffiliated third parties, unless required by law. However, since publicly held securities transactions are effected through a correspondent clearing firm, we do provide certain account information (such as your name, social security number, address, date of birth, and telephone number; under limited circumstances, net worth, annual income, tax bracket, investment objectives and risk tolerances) and transaction activity to our clearing firm to effect and administer your transaction request. In addition, certain account information (such as your name, address, account activity and positions) is provided to a service provider with whom Equity Trust has contracted to print and mail account statements.

**Your Privacy With Equity Trust Online**

Equity Trust Company considers your online confidentiality and privacy to be as important as your written documentation. At Equity Trust Company we use a variety of protections to maintain security of your online sessions and communication. For example, we make use of firewall barriers, authentication procedures and data encryption of 128 Bit SSL. For more information on our online privacy policies, please visit our website.

**How Equity Trust Company Will Inform You of Changes to Our Policies**

As required by federal law and regulation we will notify you of our privacy policy annually. Equity Trust Company reserves the right to modify its privacy policy and related procedures at any time, in accordance with applicable federal and state laws. You will be informed and receive appropriate notice if any such changes are made.

We appreciate the opportunity to serve your financial needs. We pledge to follow the policies, safeguards and guidelines as described in this notice, and to protect the confidentiality of your information. Your relationship is very important to us, and we will take great care to honor these commitments to you. Thank you for choosing Equity Trust Company.



Mailing Address:  
Interactive Brokers LLC  
Attn: Retirement Dept.  
209 South LaSalle, 10<sup>th</sup> Floor  
Chicago, IL 60604  
Phone: 877-442-2757 opt. #3  
Fax: 312-984-1019  
www.interactivebrokers.com

## Application for Traditional, Roth, Rollover, & SEP IRA

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See the instructions for Self-Directed Traditional Roth, Rollover & SEP IRA in Section 4 of the application package.

Check One:

☐ New Contribution Year 20\_\_\_\_ ☐ Transfer from another IRA

Check One:

☐ Traditional ☐ Roth ☐ Rollover/Traditional ☐ Rollover/Roth ☐ SEP IRA ☐ Inherited Traditional IRA

☐ Inherited Roth

### For Roth Accounts Only

Type of Roth IRA: (check one)

☐ New IRA

☐ Conversion IRA (complete the following)

☐ Conversion of the entire IRA

☐ Partial Conversion, Conversion Amount \$

Conversion from my existing Equity Trust Company (Equity Trust) IRA#\_\_\_\_\_ to a Roth IRA.

Conversion from my existing account at \_\_\_\_\_ to a Roth IRA.

### Please Complete the Following Information

Name

Street Address (Required)

City

State

ZIP Code

Mailing Address (if different may use P.O. Box)

City

State

ZIP Code

Phone No.

Date of Birth

Social Security No.

Citizenship

☐ U.S. Citizen

☐ U.S. Citizen living abroad

☐ U.S. Citizen with Dual Citizenship with another country - Other Country of Citizenship

☐ Permanent U.S. Resident Alien

### Beneficiary(ies):

(If more than one Primary beneficiary is listed, make sure percentage is noted and totals 100%)

Primary Beneficiary(ies)	Percentage	Relationship	Date of Birth	Social Security No.
_____	____%	_____	_____	_____
_____	____%	_____	_____	_____
_____	____%	_____	_____	_____
_____	____%	_____	_____	_____

**Contingent Beneficiary(ies):** (Replaces Primary noted above if all Primary predecease the Account Holder)

_____	____%	_____	_____	_____
_____	____%	_____	_____	_____
_____	____%	_____	_____	_____
_____	____%	_____	_____	_____

### NOTE:

- Please consult with your tax and/or legal advisor on the enforceability of your beneficiary designation under your particular state laws.
- If your designated beneficiary is your spouse, (designated either by name or relationship or both), your divorce or annulment or other legal termination of your marriage will automatically revoke your beneficiary designation.
- If you name a trust as beneficiary of your IRA, Equity Trust requires a copy of the full trust document.



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**I appoint Equity Trust Company to serve as Trustee. By making this appointment, I agree to and acknowledge the following:**

1. I have read and understand the Self-Directed Individual Trust Agreement ("Trust Agreement"), Disclosure Statement, and Schedule of Trustee Fees and agree to abide by the terms of the plan documents listed above.
2. I have read and understand the information provided in the Instructions regarding float.
3. I agree to pay all applicable fees described in the Schedule of Trustee Fees, which may be changed from time to time. If I do not pay such Trustee fees directly, I authorize my investment representative as "custodian" to debit such Trustee fees from my retirement plan account in accordance with the Trust Agreement.
4. I understand Equity Trust Company is not an investment advisor and does not supervise or control my investment representative. Equity Trust Company does not endorse any particular investment. I agree to use independent judgment in making my investment decisions.
5. I understand that this is a self-directed account and that I am solely responsible for selecting and managing my investments. I understand that Equity Trust, or their agent, does not have a duty to question my direction (or the direction of any investment manager if one has been appointed for my account in accordance with the Trust Agreement) to purchase any investment in the self-directed brokerage account, to make suggestions regarding the investment, retention, or disposition of any assets held in the account, or to monitor any asset on an ongoing basis.
6. I understand that Equity Trust does not conduct, and has not conducted, a due diligence review of any investment, the issuer or sponsor of such investment, or any officer, director, person, or entity affiliated with such investment. I further understand that Equity Trust does not review, and has not reviewed, the merits of any investment or account transaction or whether it is acceptable under the Employee Retirement Income Security Act of 1974 (ERISA), the Internal Revenue Code (IRC) or any other applicable laws, including securities laws.
7. I represent that I will obtain and read all pertinent information relating to my investments, as applicable (i.e. prospectus, annual reports). I understand that Equity Trust is not responsible for obtaining, providing or retaining this information.
8. I agree to consult with an attorney, tax, and investment advisor to review the suitability of any investment I purchase in the self-directed account, if necessary.
9. I understand that the purchase of alternative investments held outside the self-directed brokerage account requires the brokerage firm of record to have a service agreement with Equity Trust permitting the purchase of such investments and that such purchase is limited to investment in limited liability companies, limited partnerships, private placement stock, unsecured debt instruments, or other investments identified by Equity Trust. In addition, I understand that such purchase requires the investment sponsor to complete the Certification from the Investment Sponsor Form prior to the purchase and I authorize Equity Trust to work with the investment sponsor or issuer as necessary to complete any transactions or obtain required reporting information. I agree that it is my responsibility, as a sophisticated investor, to read and understand all pertinent information related to the investment (i.e. subscription agreements, private placement/offering memorandum, partnership agreements, etc.).
10. I understand that the purchase of foreign investments is prohibited unless the brokerage firm of record has a service agreement with Equity Trust permitting such purchase. I understand that the purchase of a foreign investment may require Equity Trust, as trustee, to file a Report of Foreign Bank and Financial Accounts (FBAR) with the Internal Revenue Service (IRS) and that Equity Trust relies on the brokerage firm or investment sponsor to obtain the information for such a filing. I understand that the purchase of foreign investments may result in additional individual filing requirements and Equity Trust is not responsible and will not provide notice or advice on any individual filing requirements.
11. I understand that if the investment is a promissory note or privately offered debt instrument, I must enter into a note servicing agreement with a third party or myself as agent on a form acceptable to Equity Trust or our agent. I further understand that neither Equity Trust nor the borrower can or will act as the servicing agent. If the servicing agent I appoint becomes unable or unwilling to serve the duties outlined in the agreement, it is my responsibility to appoint another servicing agent and, until one is appointed, I will assume the responsibility of the servicing agent. I understand that Equity Trust will not monitor the payments on the note or the maturity date.
12. I understand that if the investment generates Unrelated Business Taxable Income (UBTI) in excess of the applicable limit for any year, I am responsible for preparing the IRS Form 990-T and paying the appropriate tax amount. I further understand that I must maintain enough cash in the account to pay such tax and that I must send IRS Form 990-T to Equity Trust with written direction to pay such tax. I understand that I am solely responsible for ensuring the tax is paid by the appropriate deadline and that I must provide authorization to Equity Trust to pay the tax at least 30 days before the tax is due to the IRS.



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13. I understand that Equity Trust must receive the annual fair market value (FMV) of the each investment(s) as of December 31 by January 31st of the following calendar year in the form of a brokerage or investment statement. Equity Trust does not verify the FMV information provided on the brokerage or investment statement. If we do not receive the FMV, Equity Trust reserves the right to resign as trustee or take such other actions as allowed under the Trust Agreement. I agree to, and shall, pay any charges directly or indirectly associated with the valuation of the investment(s) or with Equity Trust's resignation.
14. I understand that certain transactions are prohibited under IRC §4975 and ERISA §406 and that I am responsible for ensuring that account investments or transactions do not constitute a prohibited transaction.
15. I understand that if an investment cannot be liquidated it is my responsibility to ensure that I can satisfy any mandatory distribution requirements with other IRA investments.
16. I understand that Equity Trust is a non-depository trust company and will not hold negotiable certificates. I also understand that I cannot hold the certificates. I agree that, if an investment issues certificates, I will have established an account with a brokerage firm to hold the certificates and that I have verified with the brokerage firm that it can hold the certificates for this investment. I further agree that if I change brokerage firms it will be my responsibility to ensure the new firm can also hold the certificates and notify Equity Trust of the change.
17. I agree to pay all fees that may be charged by the brokerage firm or investment sponsor to liquidate and/or reregister the account in the event the Equity Trust resigns for any reason.
18. I, hereby agree to indemnify and hold Equity Trust and its respective officers, directors, employees, agents, affiliates, successors, and assigns, harmless from, and against, any and all claims, liabilities, penalties, costs or expenses (including, without limitation, attorney fees and court and legal costs) of any nature whatsoever arising directly or indirectly by reason of, or resulting from, the purchase of the investment(s).
19. If this is an inherited IRA, I certify that the additional information provided below for inherited IRAs is accurate.
20. I certify that the above Social Security number is true and correct.

Applicant's Signature

X

Date

### To be Completed by Representative

Representative's Name	Firm
Address	Individual's Account No.
Phone No.	Email Address

### Approval of Trustee

The foregoing Application is hereby approved by the Trustee this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

Attest \_\_\_\_\_ by \_\_\_\_\_

**Please retain a copy for your records.**

### Additional Information for Inherited IRA (Required for all inherited IRAs)

#### I am the Beneficiary of the following IRA (Completed Decedent Information)

Name	Date of Birth
Date of Death	Social Security No.
	Account No.

If the decedent's IRA is held at another firm, an Inherited IRA must be established at the other firm before transferring to Equity Trust Company. Please forward a certified copy of the death certificate with the application.

#### I am a

- ☐ Spouse Beneficiary
- ☐ Non-Spouse Beneficiary \_\_\_\_\_ (example: brother/sister/niece)
- ☐ Entity Beneficiary \_\_\_\_\_ (example: charitable institution)
- ☐ Trust Beneficiary (Please supply a copy of trust document)



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## IRA ROLLOVER CERTIFICATION

### 1 CUSTOMER INFORMATION

NAME		ACCOUNT NUMBER	
ADDRESS	CITY	STATE	ZIP CODE
SOCIAL SECURITY NUMBER	DATE OF BIRTH	DAYTIME PHONE NUMBER	

### 2 CERTIFICATION

Please select the appropriate choice.

☐ Traditional IRA or SIMPLE IRA to Traditional IRA Rollover  
I certify:

1. It has been less than 60 days since I received the funds or property being deposited.
2. I did not receive any other distributions from an IRA during the preceding 12 months which I also rolled over.
3. The assets involved in this rollover have not been rolled over in the past 12 months.
4. If over 70 1/2, I have satisfied my required minimum distribution for the year.
5. SIMPLE IRA only - it has been at least two (2) years since I first began participating in a SIMPLE IRA plan sponsored by my employer.

☐ Roth IRA to Roth IRA Rollover  
I certify:

1. It has been less than 60 days since the funds or property being deposited.
2. I did not receive any other distributions from an IRA during the preceding 12 months which you also rolled over.
3. The assets involved in this rollover have not been rolled over in the past 12 months.

☐ Rollover or Direct Rollover from Qualified Plan to a Traditional IRA  
I certify:

1. I am an eligible participant (participant, spouse beneficiary, or former spouse due to divorce).
2. It has been less than 60 days since I received the funds or property being deposited.
3. I received these funds from an eligible qualified retirement plan.
4. If over 70 1/2, I have satisfied my required minimum distribution for the year.
5. The rollover consists only on funds or property distributed from the qualified plan or the proceeds from the sale of the property distributed from the qualified plan.
6. All of the funds included are eligible to be rolled over.

☐ Traditional IRA to a Roth IRA Rollover (indirect conversion)  
I certify:

1. It has been less than 60 days since I received the funds or property being deposited.
2. If over 70 1/2, I have satisfied my required minimum distribution for the year.

### 3 SIGNATURE AND DATE

I am familiar with and understand the rollover rules and conditions. I certify that I met the requirements for making a rollover contribution. Due to the important tax consequences of rolling over funds or property to an IRA, I understand that the Trustee cannot and has not provided tax advice. I release, indemnify and hold the Trustee harmless against any liabilities I may incur as a result of this transaction. By signing this agreement, I understand that I have irrevocably designated this contribution as a rollover contribution.

SIGNATURE	DATE
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**Simplified Employee Pension—Individual  
Retirement Accounts Contribution Agreement****(Under section 408(k) of the Internal Revenue Code)****Do not file  
with the Internal  
Revenue Service**

(Name of employer)

makes the following agreement under section 408(k) of the  
Internal Revenue Code and the instructions to this form.**Article I—Eligibility Requirements** (check applicable boxes—see instructions)

The employer agrees to provide discretionary contributions in each calendar year to the individual retirement account or individual retirement annuity (IRA) of all employees who are at least \_\_\_\_\_ years old (not to exceed 21 years old) and have performed services for the employer in at least \_\_\_\_\_ years (not to exceed 3 years) of the immediately preceding 5 years. This simplified employee pension (SEP) ☐ includes ☐ **does not** include employees covered under a collective bargaining agreement, ☐ includes ☐ **does not** include certain nonresident aliens, and ☐ includes ☐ **does not** include employees whose total compensation during the year is less than \$450\*.

**Article II—SEP Requirements** (see instructions)

The employer agrees that contributions made on behalf of each eligible employee will be:

- A.** Based only on the first \$205,000\* of compensation.
- B.** The same percentage of compensation for every employee.
- C.** Limited annually to the smaller of \$41,000\* or 25% of compensation.
- D.** Paid to the employee's IRA trustee, custodian, or insurance company (for an annuity contract).

Employer's signature and date

Name and title

**Instructions**

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

**Purpose of Form**

Form 5305-SEP (Model SEP) is used by an employer to make an agreement to provide benefits to all eligible employees under a simplified employee pension (SEP) described in section 408(k).

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

For more information on SEPs and IRAs, see Pub. 560, Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans), and Pub. 590, Individual Retirement Arrangements (IRAs).

**Instructions to the Employer**

**Simplified employee pension.** A SEP is a written arrangement (a plan) that provides you with an easy way to make contributions toward your employees' retirement income. Under a SEP, you can contribute to an employee's traditional individual retirement account or annuity (traditional IRA). You make contributions directly to an IRA set up by or for each employee with a bank, insurance company, or other qualified financial institution. When using Form 5305-SEP to establish a SEP, the IRA must be a Model traditional IRA established on an IRS form or a master or prototype traditional IRA for which the IRS has issued a favorable opinion letter. You may not make SEP contributions to a Roth IRA or a SIMPLE IRA. Making the agreement on Form 5305-SEP does not establish an employer IRA described in section 408(c).

**When not to use Form 5305-SEP.** Do not use this form if you:

1. Currently maintain any other qualified retirement plan. This does not prevent you from maintaining another SEP.
2. Have any eligible employees for whom IRAs have not been established.
3. Use the services of leased employees (described in section 414(n)).
4. Are a member of an affiliated service group (described in section 414(m)), a controlled group of corporations (described in section 414(b)), or trades or businesses under common control (described in sections 414(c) and 414(o)), unless all eligible employees of all the members of such groups, trades, or businesses participate in the SEP.
5. Will not pay the cost of the SEP contributions. Do not use Form 5305-SEP for a SEP that provides for elective employee contributions even if the contributions are made under a salary reduction agreement. Use Form 5305A-SEP, or a nonmodel SEP.

**Note.** SEPs permitting elective deferrals cannot be established after 1996.

**Eligible employees.** All eligible employees must be allowed to participate in the SEP. An eligible employee is any employee who: (1) is at least 21 years old, and (2) has performed "service" for you in at least 3 of the immediately preceding 5 years. You can establish less restrictive eligibility requirements, but not more restrictive ones.

Service is any work performed for you for any period of time, however short. If you are a member of an affiliated service group, a controlled group of corporations, or trades or businesses under common control, service includes any work performed for any period of time for any other member of such group, trades, or businesses.

**Excludable employees.** The following employees do not have to be covered by the

SEP: (1) employees covered by a collective bargaining agreement whose retirement benefits were bargained for in good faith by you and their union, (2) nonresident alien employees who did not earn U.S. source income from you, and (3) employees who received less than \$450\* in compensation during the year.

**Contribution limits.** You may make an annual contribution of up to 25% of the employee's compensation or \$41,000\*, whichever is less. Compensation, for this purpose, does not include employer contributions to the SEP or the employee's compensation in excess of \$205,000\*. If you also maintain a salary reduction SEP, contributions to the two SEPs together may not exceed the smaller of \$41,000\* or 25% of compensation for any employee.

You are not required to make contributions every year, but when you do, you must contribute to the SEP-IRAs of all eligible employees who actually performed services during the year of the contribution. This includes eligible employees who die or quit working before the contribution is made.

Contributions cannot discriminate in favor of highly compensated employees. Also, you may not integrate your SEP contributions with, or offset them by, contributions made under the Federal Insurance Contributions Act (FICA).

If this SEP is intended to meet the top-heavy minimum contribution rules of section 416, but it does not cover all your employees who participate in your salary reduction SEP, then you must make minimum contributions to IRAs established on behalf of those employees.

**Deducting contributions.** You may deduct contributions to a SEP subject to the limits of section 404(h). This SEP is maintained on a calendar year basis and contributions to the

\* For 2005 and later years, this amount is subject to annual cost-of-living adjustments. The IRS announces the increase, if any, in a news release, in the Internal Revenue Bulletin, and on the IRS website at [www.irs.gov](http://www.irs.gov).



SEP are deductible for your tax year with or within which the calendar year ends. Contributions made for a particular tax year must be made by the due date of your income tax return (including extensions) for that tax year.

**Completing the agreement.** This agreement is considered adopted when:

- IRAs have been established for all your eligible employees;
- You have completed all blanks on the agreement form without modification; and
- You have given all your eligible employees the following information:

1. A copy of Form 5305-SEP.
2. A statement that traditional IRAs other than the traditional IRAs into which employer SEP contributions will be made may provide different rates of return and different terms concerning, among other things, transfers and withdrawals of funds from the IRAs.
3. A statement that, in addition to the information provided to an employee at the time the employee becomes eligible to participate, the administrator of the SEP must furnish each participant within 30 days of the effective date of any amendment to the SEP, a copy of the amendment and a written explanation of its effects.
4. A statement that the administrator will give written notification to each participant of any employer contributions made under the SEP to that participant's IRA by the later of January 31 of the year following the year for which a contribution is made or 30 days after the contribution is made.

Employers who have established a SEP using Form 5305-SEP and have furnished each eligible employee with a copy of the completed Form 5305-SEP and provided the other documents and disclosures described in *Instructions to the Employer and Information for the Employee*, are not required to file the annual information returns, Forms 5500 or 5500-EZ for the SEP. However, under Title I of the Employee Retirement Income Security Act of 1974 (ERISA), this relief from the annual reporting requirements may not be available to an employer who selects, recommends, or influences its employees to choose IRAs into which contributions will be made under the SEP, if those IRAs are subject to provisions that impose any limits on a participant's ability to withdraw funds (other than restrictions imposed by the Code that apply to all IRAs). For additional information on Title I requirements, see the Department of Labor regulation at 29 CFR 2520.104-48.

### Information for the Employee

The information below explains what a SEP is, how contributions are made, and how to treat your employer's contributions for tax purposes. For more information, see Pub. 590.

**Simplified employee pension.** A SEP is a written arrangement (a plan) that allows an employer to make contributions toward your retirement. Contributions are made to a traditional individual retirement account/annuity (traditional IRA). Contributions must be made to either a Model traditional IRA executed on an IRS form or a master or prototype traditional IRA for which the IRS has issued a favorable opinion letter.

An employer is not required to make SEP contributions. If a contribution is made, however, it must be allocated to all eligible employees according to the SEP agreement. The Model SEP (Form 5305-SEP) specifies that the contribution for each eligible employee will be the same percentage of compensation (excluding compensation greater than \$205,000\*) for all employees.

Your employer will provide you with a copy of the agreement containing participation rules and a description of how employer contributions may be made to your IRA. Your employer must also provide you with a copy of the completed Form 5305-SEP and a yearly statement showing any contributions to your IRA.

All amounts contributed to your IRA by your employer belong to you even after you stop working for that employer.

**Contribution limits.** Your employer will determine the amount to be contributed to your IRA each year. However, the amount for any year is limited to the smaller of \$41,000\* or 25% of your compensation for that year. Compensation does not include any amount that is contributed by your employer to your IRA under the SEP. Your employer is not required to make contributions every year or to maintain a particular level of contributions.

**Tax treatment of contributions.** Employer contributions to your SEP-IRA are excluded from your income unless there are contributions in excess of the applicable limit. Employer contributions within these limits will not be included on your Form W-2.

**Employee contributions.** You may make regular IRA contributions to an IRA. However, the amount you can deduct may be reduced or eliminated because, as a participant in a SEP, you are covered by an employer retirement plan.

**SEP participation.** If your employer does not require you to participate in a SEP as a condition of employment, and you elect not to participate, all other employees of your employer may be prohibited from participating. If one or more eligible employees do not participate and the employer tries to establish a SEP for the remaining employees, it could cause adverse tax consequences for the participating employees.

An employer may not adopt this IRS Model SEP if the employer maintains another qualified retirement plan. This does not prevent your employer from adopting this IRS Model SEP and also maintaining an IRS Model Salary Reduction SEP or other SEP. However, if you work for several employers, you may be covered by a SEP of one employer and a different SEP or pension or profit-sharing plan of another employer.

**SEP-IRA amounts—rollover or transfer to another IRA.** You can withdraw or receive funds from your SEP-IRA if, within 60 days of receipt, you place those funds in the same or another IRA. This is called a "rollover" and can be done without penalty only once in any 1-year period. However, there are no restrictions on the number of times you may make "transfers" if you arrange to have these funds transferred between the trustees or the custodians so that you never have possession of the funds.

**Withdrawals.** You may withdraw your employer's contribution at any time, but any amount withdrawn is includible in your income unless rolled over. Also, if withdrawals

occur before you reach age 59½, you may be subject to a tax on early withdrawal.

**Excess SEP contributions.** Contributions exceeding the yearly limitations may be withdrawn without penalty by the due date (plus extensions) for filing your tax return (normally April 15), but are includible in your gross income. Excess contributions left in your SEP-IRA after that time may have adverse tax consequences. Withdrawals of those contributions may be taxed as premature withdrawals.

**Financial institution requirements.** The financial institution where your IRA is maintained must provide you with a disclosure statement that contains the following information in plain, nontechnical language:

1. The law that relates to your IRA.
2. The tax consequences of various options concerning your IRA.
3. Participation eligibility rules, and rules on the deductibility of retirement savings.
4. Situations and procedures for revoking your IRA, including the name, address, and telephone number of the person designated to receive notice of revocation. This information must be clearly displayed at the beginning of the disclosure statement.
5. A discussion of the penalties that may be assessed because of prohibited activities concerning your IRA.
6. Financial disclosure that provides the following information:
  - a. Projects value growth rates of your IRA under various contribution and retirement schedules, or describes the method of determining annual earnings and charges that may be assessed.
  - b. Describes whether, and for when, the growth projections are guaranteed, or a statement of the earnings rate and the terms on which the projections are based.
  - c. States the sales commission for each year expressed as a percentage of \$1,000.

In addition, the financial institution must provide you with a financial statement each year. You may want to keep these statements to evaluate your IRA's investment performance.

**Paperwork Reduction Act Notice.** You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete this form will vary depending on individual circumstances. The estimated average time is:

<b>Recordkeeping</b>	1 hr., 40 min.
<b>Learning about the law or the form</b>	1 hr., 35 min.
<b>Preparing the form</b>	1 hr., 41 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, Washington, DC 20224. Do not send this form to this address. Instead, keep it with your records.

# Instructions for Self-Directed Traditional, Roth, Rollover, & SEP IRA

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## ***Consult With Your Attorney***

Carefully read the enclosed information. Please consult with your attorney or tax advisor if you are thinking about starting your own trust.

## ***Disclosure Statement & Trust Agreement***

Before you complete any forms, read the Disclosure Statement and Trust Agreement in their entirety.

## ***What is Required to Establish an Individual Retirement Trust?***

When you decide to start your program, complete the application found in this package and forward it with your \$25 acceptance fee check payable to Equity Trust Company.

Paying by check authorizes Equity Trust Company to send the information from your check electronically to your bank for payment. You will not receive your original check back from your financial institution. For security reasons we will destroy your original check, but we will keep an electronic image of the check for recordkeeping purposes.

## ***Application***

This is the basic legal document through which you join the Trust. It should be carefully considered. Please complete and sign the application. Send the original to Equity Trust. Make one copy for your records and provide one copy to your investment executive. We cannot accept an incomplete or unsigned application. **Note for SEP IRA only:** We have provided Form 5305-SEP for your convenience. Please complete this form for your records.

### **IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT**

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

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

## ***Trust Installation and Notice***

Individual accounts will be opened by your broker. The title of the account will be as follows:

Equity Trust Company, Trustee

FBO (Name of Account Holder), Traditional, Roth, Rollover, or SEP IRA

### **Account Executive Note:**

Set the account up so that duplicate statements are sent to:

P.O. Box 8963  
Wilmington, DE 19899-8963.

## ***Investments***

It is your responsibility to direct the investment of the Trust funds. Investment directions may be given directly to your brokerage firm. Investment confirmations will be sent to you by the brokerage firm.

Trustees are required to furnish participants with a statement of the value of their account by January 31 each year. Because Equity Trust is a non-depository directed trustee, we must rely on the regularly issued brokerage/investment statements that are issued to you to meet this requirement.

The facilities of your brokerage firm will be available to you so that you may obtain research material in connection with your investments. Your brokerage firm will receive only brokerage commissions or appropriate dealer markups for the purchase and sale of securities within your account.

# Instructions for Self-Directed Traditional, Roth, Rollover, & SEP IRA

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The brokerage firm cannot exercise discretion or control over your account, unless you are using the services of a registered investment advisor. Although they may provide investment information and advice to you, they do not intend that any advice given by them will serve as the primary basis for your investment decisions. Furthermore, it is our understanding that you will exercise independent judgment in making investment decisions.

## **Contributions**

**Important:** Forward all contributions to your brokerage firm. To make sure the contributions are associated with the proper tax year, the brokerage firm's cash statement must designate the tax year for which the contribution is made. If no year is designated, the contribution will be considered made in the tax year in which it is deposited. If you make a Rollover, the brokerage firm's cash statement must indicate "RO" next to the asset(s) received.

**Note:** With the exception of rollovers, contributions in excess of the allowable amount per year (as indexed), plus excess of allowable catch-up contributions (as indexed) (or such limits as may be established by law) cannot be accepted. Do not over-invest as this will cause a debit balance and may disqualify your Plan. Commissions are part of the cost of the investment and may not be paid separately.

## **Mailing Instructions**

If sent First Class, address to:

P.O. Box 8963  
Wilmington, DE 19899-8963

If sent by a courier service, address to:

220 Continental Drive, Suite 200  
Newark, DE 19713

## **Fair Market Value**

As a non-depository directed trustee, we are required to submit the December 31 fair market value of your account to the Internal Revenue Service each year. We request this information annually from your brokerage/investment firm and provide it to the IRS. If your brokerage/investment firm does not provide this information, we will request this information from you. In the event that we do not receive the fair market value of your account, we will report the last value reported to us to the IRS. We strongly recommend that you carefully monitor your account at all times and contact your brokerage/investment firm if you do not receive a statement with the December 31 fair market value of your account by January 31.

For certain types of investments, particularly limited partnerships and private placement investments, a valuation of zero may be reflected when the investment sponsor reports the investment as having no market value or if the investment sponsor is in bankruptcy.

## **Important Information on "Float"**

Float is interest that is earned on funds held by service providers, generally in short term investments, pending investment or the cashing of outstanding benefit checks.

The DOL does not consider the retention of float by service providers to be a prohibited transaction under the Employee Retirement Income Security Act of 1974 (ERISA) if several guidelines are followed. You may view a copy of the details of the DOL's guidance on float at the following web address: <http://www.dol.gov/ebsa/regs/fabmain.html>.

Equity Trust may earn float on:

- Contributions awaiting investment direction.
- Outstanding benefit distribution checks. Float is earned until the checks are cashed.
- Outstanding dividend checks. Float is earned until the checks are cashed.

Equity Trust tries to minimize float as much as possible. For instance:

- We mail checks the day we issue them. However, we do not have control over when the checks are cashed.
- Contributions and dividend checks are normally sent for investment on the day after they are received (hence, **P. O. Box 8963, Wilmington, DE 19899-8963** **PHONE: 800-209-9010** **FAX: 302-999-9554** **EMAIL: [DTS@EQUITYINSTITUTIONAL.COM](mailto:DTS@EQUITYINSTITUTIONAL.COM)**

## Instructions for Self-Directed Traditional, Roth, Rollover, & SEP IRA

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we would not earn float) or as soon as possible thereafter. Certain situations -e.g., lack of allocation or investment directions, etc.- slows down the allocation or investment of those funds.

We do not credit float directly to the plans or accounts for which we provide services because the cost to track the amount of float on a per plan or per account basis and allocate it to the plan participants or account would far exceed the amount of float earned. In the end, the amount that we earn on float helps us keep our fees down. Please contact your Equity Trust representative at (800) 209-9010 if you have questions.

### **Records**

It is extremely important for you to keep good records covering your contributions and investments. Remember that you assume the responsibility for filing all Federal and State tax returns and forms required as an Account Holder of a Traditional, Roth, Rollover, or SEP IRA.

(Note: Our Federal Tax ID number should appear when opening cash accounts. It is 05-0552743. When a cash account is opened, both Trustee & Account Holder must receive a statement).

# Disclosure Statement for Traditional IRA, SEP-IRA and SIMPLE IRA

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This Disclosure Statement provides you, and your beneficiaries after your death, a summary of the basic rules and regulations governing your Equity Trust Company Self-Directed traditional, SEP or SIMPLE Individual Retirement Account (IRA). It also contains important federal tax and legal information. However, the applicable Self-Directed Individual Retirement Trust Agreement (Trust Agreement) for your IRA type (traditional, SEP or SIMPLE) will govern your IRA. If there is a discrepancy between the Trust Agreement and Disclosure Statement, the Trust Agreement will control.

Equity Trust Company cannot give tax or financial advice. We strongly encourage you to consult with your tax or legal advisor before you establish an IRA.

When used in this document, the words you and your, refer to the person for whom the IRA is established. We, us, and our, refer to Equity Trust Company as trustee of your IRA.

Roth IRAs are described in a separate disclosure statement.

## ***Your Right to Revoke Your IRA***

**You may revoke your IRA within seven days of the date you establish the IRA.** If you revoke your IRA, we will return all of your funds, without adjustment for items such as sales commissions, administrative expenses (including the acceptance fee), or fluctuation in market value.

Your notice of revocation must be put in writing, signed by you, and delivered to us.

The notice may be mailed to us at the following address:

IRA Processor  
Equity Trust Company  
P.O. Box 8963  
Wilmington, DE 19899-8963

You may also send the notice by courier at the following address:

IRA Processor  
Equity Trust Company  
220 Continental Drive, Suite 200  
Newark, DE 19713

If you mail the notice, we will use the date of the postmark (or the date of certification or registration for certified or registered mail) as the date of the notice. You may call us at (800) 209-9010 or (302) 995-2131 if you have questions.

## ***A. Traditional IRA Contributions – General Rules***

Annual contributions to your traditional IRA must be in the form of cash, checks, money orders, or electronic fund transfers. (You cannot contribute other assets, except in a transfer or a rollover as described in Sections F and G.) Traditional IRA contributions are subject to the following limitations and restrictions:

### **1. Contribution Eligibility**

You may establish a traditional IRA if you (or your spouse, if filing a joint return) receive taxable compensation for the year and you were not age 70½ by the end of the calendar year.

### **2. Annual Contribution Limits**

The maximum amount you may contribute to all of your traditional and Roth IRAs for a year is the lesser of the maximum contribution limit in effect for the taxable year, as described below, or 100% of your compensation. If you are age 50 or older by the end of the applicable year, the annual contribution limit is increased, as described below (subject to the 100% of compensation limit). You may make these extra "catch-up" contributions regardless of your past contribution history.

### **3. Maximum Annual Contribution Limits**

The maximum contribution limit is as follows:

Tax Year	Maximum Annual Contribution	Maximum Annual Contribution Age 50 or Older
2014	\$5,500	\$6,500
2015	\$5,500	\$6,500

For years after 2015, the contribution limit will be adjusted by the Secretary of Treasury for cost-of-living increases. The adjustments will be in multiples of \$500.

P. O. Box 8963, Wilmington, DE 19899-8963 PHONE: 800-209-9010 FAX: 302-999-9554 EMAIL: [DTS@EQUITYINSTITUTIONAL.COM](mailto:DTS@EQUITYINSTITUTIONAL.COM)



# Disclosure Statement for Traditional IRA, SEP-IRA and SIMPLE IRA

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You may contribute less than the maximum contribution for a year.

## 4. Compensation

For purposes of the contribution limits, compensation includes wages, salaries, tips, professional fees, bonuses, and other amounts derived from or received for personal services, commissions, and self-employment (earned) income. When determining compensation for self-employed individuals, any amounts taken as a deduction for contributions made to a self-employed retirement plan must be subtracted from net earnings. Compensation also includes any taxable alimony and separate maintenance payments you receive under a divorce decree or separate maintenance.

Compensation includes combat-zone compensation that is excluded from income for federal income tax purposes. Compensation also includes certain differential wage payments (or military supplemental pay) paid by an employer to an individual while on active duty for a period of more than 30 days.

Compensation does not include earnings and profits from property, interest and dividend income, pension or annuity income, or deferred income.

## 5. No Contributions After Age 70½

Contributions may not be made to your traditional IRA for the year in which you reach age 70½ or any later year. You attain age 70½ on the date that is six calendar months after the 70th anniversary of your birth.

## 6. Additional Contributions – Special Rules

Periodically, Congress allows additional Traditional IRA contributions (in excess of the amounts listed in 3 above) for individuals who qualify for these special exceptions. You should consult with your tax advisor to see if you may qualify for any additional contributions.

## 7. Spousal IRA Limit

If you are married and you file a joint federal income tax return, you may also contribute to your spouse's traditional IRA. The contribution may not exceed the contribution limit in effect for the tax year and the combined IRA contribution for you and your spouse may not exceed 100% of your combined compensation.

However, if you and your spouse did not live together at any time during the year and did not file a joint federal income tax return for that year, you and your spouse will be treated as unmarried for purposes of the IRA contribution limits for that year.

## 8. Qualified Reservist Contribution

If you received a qualified reservist distribution from an IRA or from a Code Section 401(k) or 403(b) plan or a similar arrangement, you may be able to repay to an IRA the amount of the distribution. You must make the repayment during the two-year period after your active duty period ends. Your qualified reservist repayment is not subject to the annual contribution limits. You may not deduct the repayment, which will be treated as a non-deductible IRA contribution.

## 9. Due Date for Contributions

Contributions may be made at any time during the year or by the due date for filing your federal tax return for that year, not including extensions. For most taxpayers, the due date will be April 15 of the following year. If an amount is contributed to your traditional IRA between January 1 and April 15, you must inform us for which year (the current or prior year) the contribution is for, otherwise we will assume and report to the IRS, that the contribution is for the year in which it was received in our office.

## 10. Corrective Withdrawals

You may make a tax-free withdrawal of any contribution you make to your traditional IRA for a year if you withdraw the contribution, together with any earnings on it, by the due date (including extensions) for filing your federal income tax return.

The amounts that you withdraw cannot be deducted on your tax return or reported as a nondeductible contribution. The contribution you withdraw is not included in your income as an IRA distribution, but you must include any earnings on the contribution as ordinary income for the year you made the contribution. The earnings also are subject to a 10% penalty tax on early distribution if you are under age 59½, unless an exception applies. See Section O.

## 11. Direct Deposit of Tax Refunds

You may have your tax refund directly deposited to a traditional IRA or SEP-IRA.

## 12. Responsibility of the Trustee Regarding Contributions

You must tell us how all contributions are to be invested. All contributions received will be held and administered by us pursuant to the terms of the Trust Agreement. We are not responsible for the computation and collection of any contributions under the IRA.

## 13. Tax Saver's Credit

You may be able to take a nonrefundable tax credit up to \$1,000 per year for contributions made to your traditional IRA and certain other plans. The credit is in addition to any deduction from gross income that is otherwise allowed for the contribution. To be eligible for the credit, you must be age 18 or older, not a full time student and not listed as a dependent on another taxpayer's return.



# Disclosure Statement for Traditional IRA, SEP-IRA and SIMPLE IRA

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The tax credit generally equals your “percentage rate” times your “qualified retirement savings contributions.” Qualified retirement savings contributions include your traditional IRA contributions and contributions to certain other plans. But certain distributions from such plans reduce your qualified retirement savings contributions for the year. In addition, the total contribution taken into account for this credit is \$2,000.

The percentage rate for the credit is based on your MAGI and is subject to phase-outs, as listed under the following table:

MAGI Phase-Outs				
	Married Filing Joint MAGI	Head of Household MAGI	Single, Married Filing Separately, or Qualifying Widow(er) MAGI	Percentage Rate
2014	\$0 and \$36,000	\$0 and \$27,000	\$0 and \$18,000	50%
	\$36,001 and \$39,000	\$27,001 and \$29,250	\$18,001 and \$19,500	20%
	\$39,001 and \$60,000	\$29,251 and \$45,000	\$19,501 and \$30,000	10%
	Over \$60,000	Over \$45,000	Over \$30,000	No Credit Available

For years after 2014, the MAGI phase-outs are subject to cost-of-living adjustments.

The requirements for this tax credit are very complex. You should consult with your tax adviser about your situation.

## ***B. Deductible Contributions – Traditional IRA***

Contributions to your traditional IRA may be deductible on your federal income tax return, nondeductible or a combination of both. You should consult with your tax advisor to determine if any portion of your traditional IRA contribution is deductible.

### **1. Limitations and Restrictions on Deductibility of Contributions**

If you (and your spouse) are not an active participant (as defined below) for the year, your entire traditional IRA contribution may be made as a tax deductible contribution.

If you or your spouse were covered by an employer-sponsored retirement plan at any time during the year, you may not be able to deduct all of your contribution(s). Your deduction may be reduced or eliminated depending on your income and tax filing status. If you (or your spouse) are an active participant and your MAGI is below the applicable phase-out range for the year, you may contribute the maximum amount of tax deductible contributions to your traditional IRA for that year. If you (or your spouse) are an active participant and your MAGI is above the applicable phase-out range for the year you may not make any tax deductible contributions to your traditional IRA, but may still make nondeductible contributions for that year.

If you (or your spouse) are an active participant and your MAGI is within the applicable phase-out range for the year, part of your traditional IRA contribution will be deductible. You are required to calculate your deduction limit - the amount of the contribution that is tax deductible. If you are married, the deduction limit needs to be calculated for each spouse separately.

### **2. Phase-Out Example**

John, 37, is an unmarried active participant who made \$67,000 (MAGI) in 2014. He contributed \$5,500 to his traditional IRA for 2014. His MAGI was within the applicable phase-out range for the year (\$60,000 to \$70,000). To calculate his tax deductible contribution for 2014, John first subtracts the lower number of the phase-out range (here \$60,000) from his MAGI (\$67,000), resulting in his “excess MAGI” (\$7,000).

Next, John applies the following formula:

$$\frac{\$10,000 - \text{Excess MAGI}}{\$10,000} \times \text{Maximum Contribution} = \text{Deduction Limit}$$

The deduction limit is rounded up to the next multiple of \$10 (ex. \$938 is rounded up to \$940).

For John, in 2014:

$$\frac{\$10,000 - \$7,000}{\$10,000} \times \$5,500 = \$1,650$$

Therefore, John may deduct \$1,650 of his 2014 traditional IRA contribution and the remaining \$3,850 will be nondeductible.

Note that for an active participant who files a joint return, the phase-out range is \$20,000, and \$20,000 replaces \$10,000 in the formula above.

# Disclosure Statement for Traditional IRA, SEP-IRA and SIMPLE IRA

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Be sure to use the correct phase-out range for your tax filing and plan participation status. In addition, the deduction limit cannot exceed 100% of your compensation or 100% of your combined compensation if you and your spouse file a joint federal income tax return.

Phase-Out Ranges/Filing Status				
Tax Year	Single, or Head of Household – Active Participant	Married-Joint Return – Active Participant	Married-Separate Return – Active Participant or Spouse is	Married, Filing Jointly, Not a Participant in an Employer Plan, but Spouse is
2014	\$60,000 and \$70,000	\$96,000 and \$116,000	\$0 and \$10,000	\$181,000 and \$191,000
For years after 2014, the MAGI thresholds are subject to cost-of-living adjustments. If you are not above the income level that would totally eliminate a deductible contribution, there is a \$200 minimum deduction.				

### 3. Active Participant

You are an active participant for a year if you are covered by an employer-sponsored retirement plan for any part of the year. You are covered by an employer-sponsored retirement plan 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. For example, if you are covered under a profit sharing plan, certain government plans, a salary reduction arrangement (such as a 401(k) or 403(b)), SEP-IRA, an ESOP, a pension or a plan which promises you a retirement benefit which is based on the number of years of service you have with the employer, you are likely to be an active participant. Your Form W-2 for the year should indicate whether you are a participant.

You are an active participant even if your retirement benefit is not vested. You are also an active participant if you make required contributions or voluntary contributions to an employer-sponsored retirement plan. You may be an active participant even if you were only with the employer for part of the year.

However, receiving benefits from a former employer's retirement plan, from social security or railroad retirement does not in itself, make you an active participant.

### 4. MAGI

"MAGI" for purposes of determining your tax deductible traditional IRA contributions means your adjusted gross income for a year for federal income tax purposes, plus the amounts you deducted for student loan interest, foreign earned income and housing costs, employer paid adoption expenses, qualified tuition and related expenses, and certain qualified savings bond interest amounts. In addition, MAGI for traditional IRA purposes is also computed before deducting any traditional IRA contributions you make for the year.

### C. Nondeductible Contributions – Traditional IRA

You may make nondeductible contributions to your traditional IRA, subject to the following:

#### 1. Nondeductible Amount

Although your deduction for traditional IRA contributions may be reduced or eliminated, as described above, you may make contributions up to the annual limit, or spousal limit if applicable. The difference between your total allowable limit and your traditional IRA deduction is your nondeductible contribution. You may also elect to treat an otherwise deductible contribution as nondeductible, based on how you complete your federal tax return.

#### 2. Investment Earnings

The investment earnings on your nondeductible contributions are not taxed until distributed from your traditional IRA.

#### 3. Reporting Nondeductible Contributions

If you make a nondeductible contribution to a traditional IRA, you must report the amount of the nondeductible contribution to the IRS on Form 8606, as part of your tax return for the year. Failures to properly complete and file the Form 8606 may result in IRS penalties.

### D. SEP-IRA Contributions

A simplified employer pension (SEP) plan is a retirement plan that permits your employer (or you, if self-employed) to contribute to your traditional IRA. (SEP contributions cannot be made to Roth IRAs or SIMPLE IRAs.)

#### 1. Limits on Employee Contributions

For 2015, your employer may contribute up to \$53,000, or if less, 25% of your compensation. However, compensation in excess of \$265,000 is disregarded. For years after 2015 these amounts will be adjusted by the Secretary of Treasury for cost-of-living increases.

# Disclosure Statement for Traditional IRA, SEP-IRA and SIMPLE IRA

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## 2. Eligibility

The eligibility requirements for contributions are described in your employer's SEP plan document. Note, however, the IRS limits which employers may sponsor a SEP plan. Unlike regular traditional IRA contributions, SEP-IRA contributions may be made to your traditional IRA even if you are over age 70½.

## 3. Effect on Other IRA Contributions

Even if your employer contributes to your traditional IRA through a SEP plan, you will still be able to contribute to traditional and/or Roth IRAs for yourself (and your spouse, subject to the limitations discussed above). The deductibility of your traditional IRA contributions, however, may be limited, since you would be an active participant. Your employer's SEP contributions and your traditional IRA contributions may be combined in the same account.

On the other hand, if your employer makes a contribution to an IRA for you that is not part of a SEP or SIMPLE plan, then the regular traditional IRA contribution limits apply to the total contributions made by you and your employer.

## 4. SAR-SEP Contributions

Some SEP plans allow participants to make pre-tax salary reduction contributions, or SAR-SEP contributions, to their SEP-IRAs. To offer this salary reduction feature, the SEP plan had to include the SAR-SEP before January 1, 1997 and satisfy other requirements. If you are eligible to make SAR-SEP contributions, you will receive additional information.

## 5. General Rules

Like deductible traditional IRA contributions, SEP-IRA contributions and any earnings are excluded from your taxable income until you withdraw them from the IRA. However, you cannot deduct your employer's contributions on your federal income tax return. Withdrawals from a SEP-IRA are subject to the same rules as withdrawals from traditional IRAs.

### *E. Payments from your IRA*

You have a non-forfeitable right to your IRA at all times. You may request payment from your IRA at any time. Your IRA will be subject to federal income taxation at the time of distribution, unless you complete a rollover, as described in Section G.

### 1. Taxation of Benefits

The federal income taxation of your traditional IRA or SEP-IRA distribution depends on the types of contributions made to the IRA (tax deductible, nondeductible or both).

#### a. Tax Deductible Contributions Only

If the entire balance of all of your IRAs (other than Roth IRAs) consists of tax deductible contributions, rollovers of pre-tax contributions made to a retirement plan and account earnings, then all benefits paid from your IRA are taxable as ordinary income when received.

#### b. Tax Deductible and Nondeductible Contributions

If you made any nondeductible contributions to your IRAs, or you rolled over to your IRA after-tax contributions that you made to a retirement plan, then each distribution from your IRA will consist of a nontaxable portion (the return of nondeductible contributions) and a taxable portion (the return of any deductible contributions, pre-tax rollover contributions and account earnings). You may not take a distribution which is entirely tax-free. A special formula is used to determine the taxable amount of the distribution, as described in IRS Publication 590. You should consult with your tax advisor to determine the proper tax treatment of your distribution.

#### c. No Special Treatment for Lump Sum Distributions

The above taxation rules apply to all types of distribution, including lump-sum distributions. IRA distributions do not qualify for the special income tax rules (10-year averaging or long term capital gain treatment) that apply to certain lump-sum distributions from qualified retirement plans.

### d. Transfer to a Health Savings Account

If you are eligible to make health savings account (HSA) contributions, you may qualify to make a tax-free transfer from your traditional IRA to your HSA, a "qualified HSA funding distribution." Qualified HSA funding distributions cannot be made from nondeductible IRA contributions or SEP-IRAs. The maximum qualified HSA funding distribution that you may make is your annual HSA contribution limit, based on your coverage level (self-only or family) at the time of the transfer. If you cease to be an "eligible individual" under the HSA rules within the 12-month period following your qualified HSA funding distribution, the amount transferred to the HSA will be subject to income tax and a 10% penalty tax (unless you cease to be an eligible individual due to your death or because you became disabled as defined by Code Section 72(m)(7)). Generally, you may only make one qualified HSA funding distribution in your lifetime. The qualified HSA funding distribution must be made in a trustee-to-trustee transfer from your traditional IRA to the HSA (the amounts cannot be paid to you). Additional rules apply. You should consult with an accountant, lawyer or other qualified tax advisor about your situation.

# Disclosure Statement for Traditional IRA, SEP-IRA and SIMPLE IRA

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## **e. Federal Withholding**

Depending on the payment form you elected, generally all taxable distributions from your IRA will be subject to federal income tax withholding. For non-periodic payments (lump sum amounts), the withholding rate is generally 10%. For periodic payments, the normal wage withholding rates generally apply. You may be able to elect out of withholding, as described on the applicable distribution form.

## **2. Payments Prior to Age 59½**

If you request payment prior to age 59½, you must include the reason for the distribution so that proper tax reporting can be made. In addition, an additional 10% early distribution tax may result, unless an exception applies. See Section O.

## **3. Payments After Age 70½/Required Minimum Distributions (RMD)**

Federal tax rules require that benefit payments from your traditional or SEP IRAs begin no later than the April 1 following the calendar year in which you reach age 70½--your required beginning date. If you do not receive the entire balance of your traditional or SEP IRA by the April 1 date, you must have started receiving payments each year that satisfy the federal required minimum distribution rules by that date. The required minimum distribution for any year after your 70½ year must be made by December 31 of that later year. For example, if you were born on May 3, 1945, you reach age 70½ on November 3, 2015. You must receive an RMD payment for 2015 from your IRA by April 1, 2016. Your RMD for 2016 must be paid by December 31, 2016.

## **a. Calculating Your RMD**

The amount that must be distributed each year, the RMD amount, beginning with the calendar year for which distributions are required and continuing through the year of death, is obtained by dividing the IRA account balance on December 31 of the previous year by the distribution period using the Uniform Lifetime Table in Q&A-2 of Section 1.401(a)(9)-9 of the Treasury Regulations, using your age on your birthday in the applicable distribution year.

However, if your sole designated beneficiary is your surviving spouse and such spouse is more than 10 years younger than you, the distribution period is determined under the Joint and Last Survivor Table in Q&A-3 of Section 1.401(a)(9)-9 using the ages as of your and your spouse's birthdays in the applicable distribution year.

## **b. Penalty For Failure to Take RMD**

If in any taxable year after you turn age 70½ you fail to withdraw the required minimum distribution from the IRA, a 50% nondeductible penalty may be imposed by the IRS on the difference between the amount that should have been distributed and the amount actually distributed.

## **c. General Rules**

If you have multiple traditional or SEP IRAs, you must determine the RMD amount for each IRA, however the minimum amounts can be totaled and the total taken from any one or more of the IRAs. Any distributions in excess of the required minimum payment for one year cannot be used as a credit when figuring a subsequent year's RMD. An annual RMD must be satisfied before you can roll over any portion of your IRA account.

## **d. Default Distribution Methodology**

If you do not commence distributions by your required beginning date, we may do any of the following:

- assume you are taking your RMD from another IRA and make no payment until you make a request,
- pay your entire IRA to you in a single sum payment, or
- pay the RMD amount based on the value of your IRA.

We will not be liable for any penalties or taxes incurred due to your failure to take your RMD.

## **e. RMDs After Your Death**

An RMD is required for the year of your death, under the rules described above. RMDs required by beneficiaries in future years are described in Section L.

## **f. Roth IRAs**

The RMD rules described in this Section E do not apply to Roth IRAs – your Roth IRAs are not subject to lifetime RMDs. In addition, Roth IRA accounts and distributions are also disregarded for purposes of determining RMDs from your traditional and SEP IRAs.

## **F. Transfers of IRA Assets**

### **1. Trustee to Trustee Transfer**

You may transfer assets in your IRA from one trustee directly to another. The transfer is not a rollover and is therefore not subject to the one-year waiting period that applies to rollovers as described below. There is no dollar limit on the amount you transfer or how often you can make a transfer.

# Disclosure Statement for Traditional IRA, SEP-IRA and SIMPLE IRA

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The transfer is tax-free if it is between traditional IRAs (or between a SEP-IRA or, after two years of participation, a SIMPLE IRA and a traditional IRA). However, a transfer of a traditional IRA, SEP-IRA or SIMPLE IRA to a Roth IRA is a conversion (as discussed in Section H) and subject to tax.

## 2. Limitation on Transfers of SIMPLE IRAs

For the first two years that you participate in your employer's SIMPLE plan, you may only transfer your SIMPLE IRA to another SIMPLE IRA. After you have completed two years of participation, you may transfer your SIMPLE IRA to a traditional IRA tax-free, or, subject to tax, to a Roth IRA.

## 3. Transfers Incident to Divorce

If you are the spouse or former spouse of an IRA Account Holder and you receive a transfer of an interest in that IRA under a divorce decree (or related document), the transfer is not a distribution and is tax-free. Upon the transfer, the IRA will be treated as your IRA and you will be subject to taxation upon distribution.

### G. Rollovers of IRA Assets

Distributions from your IRA or other retirement programs typically are subject to taxation, as described in Section E above. You may be able to defer taxes on the distributions by completing a "rollover". A rollover is a tax-free movement from one retirement program to another. The rollover rules are complex and may change. You should consult with your tax advisor about your situation.

You may roll assets into or out of your IRA subject to the following rules:

#### 1. Timing

Generally, you must make a rollover contribution within 60 days of the date you receive a distribution from an IRA or your employer's plan. If you do not make the rollover within this 60-day window, the distribution will be subject to income tax, as described in this disclosure statement, or for retirement plan distributions, in accordance with the information you received at distribution. The IRS may waive the 60-day requirement in the event of a casualty, disaster or another event beyond your reasonable control, as provided in IRS Revenue Procedure 2003-16.

#### 2. No Tax Deduction

Generally, you do not include the amount rolled over in your income and you cannot take a tax deduction for the year the rollover was completed. However, a conversion from a traditional, SEP or SIMPLE IRA to a Roth IRA is subject to tax.

#### 3. Rollover From an IRA to an IRA

##### a. Types of IRAs

You may complete a tax-free rollover between traditional IRAs or from a SEP-IRA to a traditional IRA. In addition, after two years of participation in your employer's SIMPLE plan, you may roll over your SIMPLE IRA to a traditional IRA.

##### b. Eligible Rollover Distribution

Most taxable distributions from your traditional or SEP-IRA are eligible for rollover to a traditional IRA. However, a distribution will not qualify for rollover if it is an RMD payment, a corrective distribution, or a payment in a series of substantially equal annual or more frequent distributions made over your life or life expectancy, over the joint life or life expectancy of you and your beneficiary, or over a period of 10 years or more.

##### c. Waiting Period Between Rollovers

You may take a distribution of assets from a traditional IRA and make a rollover contribution of all or part of the assets to another traditional IRA. You are limited to one such rollover in any twelve consecutive month period. The one-year period begins on the date you receive the IRA distribution, not on the date you rolled it over into another IRA. However, this rule does not apply to conversions to a Roth IRA or a recharacterization. The IRS rules regarding this one rollover limitation are subject to change. Consult with your tax advisor about your situation.

##### d. Partial Rollovers

If you withdraw assets from your IRA, you can roll over part of the withdrawal tax free and keep the remainder of the assets. The amount you keep may be subject to taxation and, if the assets are taken as an early distribution, an additional 10% penalty tax, unless an exception applies.

##### e. Rollover of Securities

For rollovers between IRAs, you must roll over to the new IRA the same securities or other property you received from your old IRA. For example, if you received stock from your old IRA, you must use the same stock for the contribution to your new IRA. The IRA custodian may, in its sole discretion, refuse to accept particular securities or property if sound administration or custody of the investment is not feasible, the investment presents burdensome valuation problems, or is otherwise prohibited by law.



# Disclosure Statement for Traditional IRA, SEP-IRA and SIMPLE IRA

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## 4. Rollover From an Employer Plan to an IRA

### a. Types of Plans

You can rollover into a traditional or SEP-IRA all or part of an eligible rollover distribution you receive from a qualified plan, annuity plan, 403(b) or certain governmental 457 plans.

### b. Ineligible Rollovers

You may not roll over the following types of distributions to your traditional or SEP-IRA: required minimum distributions; corrective distributions of excess contributions or deferrals; hardship distributions; and payments that are part of a series of equal payments over a period of ten years or more, or over your life expectancy, or over the joint life expectancy of you and your designated beneficiary. In addition, you may not roll over to your traditional or SEP-IRA any "designated Roth contributions" made to a 401(k) or 403(b) plan.

### c. Rollover by Spouse Beneficiary

If you are the beneficiary of a participant's account in an employer plan and you are the spouse of the deceased participant, you may be permitted to roll over the assets into your traditional or SEP-IRA.

### d. Rollover by Non-Spouse Beneficiary

If you are the beneficiary of a participant's account in an employer plan and you are not the spouse of the deceased participant, you may be permitted to roll over the assets into an inherited IRA. The rollover must be accomplished by a direct trustee-to-trustee transfer and the deceased participant's plan must permit this type of rollover.

### e. Rollover by Alternate Payee

If you are the alternate payee under a qualified domestic relations order and are eligible to receive a distribution from an employer plan, you may be permitted to roll over the assets into a traditional IRA.

### f. Rollover of Property

If you receive an eligible distribution from an employer plan that consists of property other than cash, you may be permitted to roll over the property into your IRA. You may also sell the property and roll over the cash proceeds into your IRA. The gain or loss on the sale of the stock is not recognized if the rollover is for the entire amount.

### g. After-Tax Amounts

You may roll after-tax contributions, other than designated Roth contributions, to a traditional IRA. However, after-tax contributions cannot be rolled from an IRA back to an employer plan.

### h. Partial Rollover

If you prefer, you may roll over part of the distribution tax-free and keep the rest of it. The amount you keep is generally subject to the normal taxation rules for such plan payments in the year it is paid to you. It does not qualify for special averaging or long-term capital gain treatment. Any taxable amount you keep may be subject to an additional 10% penalty tax if you receive it before age 59½, unless an exception applies. Also, 20% of any taxable amount that is not transferred in a direct rollover will be withheld and applied against your taxes.

## 4. Rollover from an IRA to an Employer Plan

### a. Types of Plans

Subject to the employer plan's rules, you can rollover an eligible rollover distribution from a traditional or SEP-IRA into a qualified plan, annuity plan, 403(b) or certain governmental 457 plans.

### b. Eligible Rollover Distributions

You may not rollover the following types of distributions to an employer plan: required minimum distributions; corrective distributions of excess contributions; and payments that are part of a series of equal payments over a period of ten years or more, or over your life expectancy, or over the joint life expectancy of you and your designated beneficiary.

### c. Limits On After-Tax Amounts

Nondeductible IRA contributions (or after-tax contributions to an employer's plan that were previously rolled to your IRA) cannot be rolled from the IRA to an employer plan.

### d. Partial Rollovers

If you withdraw assets from your IRA, you can roll over part of the withdrawal tax free and keep the remainder of the assets. The amount you keep may be subject to taxation and, if the assets are taken as an early distribution, an additional 10% penalty tax, unless an exception applies.

### e. Waiting Period Between Rollover Distributions

The 12-month limit on rollover distributions discussed above in Section G.3.c. also applies to rollovers from an IRA to an employer's plan.



# Disclosure Statement for Traditional IRA, SEP-IRA and SIMPLE IRA

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## **f. Plans Rules Will Apply**

Employer plans are not required to accept rollovers from IRAs. Distributions that are rolled over to an eligible retirement plan will become subject to that plan's rules, including the rules on form of assets acceptable (cash or property), investment and withdrawals. Consult the plan trustee or custodian for more information.

## **H. Conversions**

### **1. Conversion from a Traditional, SEP or SIMPLE IRA to a Roth IRA**

Any or all of a traditional or SEP IRA may be converted to a Roth IRA.

You may make the conversion by instructing the custodian or trustee to change the designation of your traditional or SEP IRA to a Roth IRA, if the Roth IRA is offered by the same custodian or trustee. Otherwise, you may convert by making a rollover or transfer from a traditional or SEP IRA to a Roth IRA. The amount of the conversion, minus any return of basis, is taxable as ordinary income in the year the conversion occurs. (If you make the conversion by rollover, the tax is imposed for the year the rollover distribution occurs.) The 10% penalty tax on early withdrawals does not apply to such conversions.

Caution: Any withdrawal of conversion amounts from your Roth IRA within the 5-year period beginning on the first day of the taxable year in which the contribution is made would be subject to the 10% penalty tax on early distributions for the entire amount of the conversion and earnings attributable to the withdrawal, if no exception applies.

### **2. Prior Rules**

Prior to 2010, there were income limits and tax filing status limitations on IRA conversions. Effective January 1, 2010, individuals are now allowed to convert a traditional or SEP IRA to a Roth IRA regardless of a participant's gross income or filing status. The law eliminated the requirement that married taxpayers must file joint returns and removed the \$100,000 MAGI limit on the conversion from a traditional IRA to a Roth IRA.

### **3. Reconversion**

You cannot convert and reconvert an amount during the same tax year or, if later, during the 30-day period following a recharacterization. If you reconvert during either of these periods it will be a failed conversion. A failed conversion is includible in income and is subject to penalties.

## **I. Recharacterizations**

A recharacterization will permit you to treat a contribution made to one type of IRA as having been made to a different type of IRA, such as a traditional IRA to a Roth IRA or vice versa. Recharacterizations are subject to the following rules:

### **1. Trustee-to-Trustee Transfer**

To recharacterize a contribution or a conversion contribution, you must have the contribution transferred from the first IRA (the one to which the contribution was originally made), to the second IRA in a trustee-to-trustee transfer.

### **2. Timing**

If the transfer is made by the due date (including extensions) for your tax return for the year for which the contribution was made, you may elect to treat the contribution as having been originally made to the second IRA instead of the first IRA. If you have already filed your income tax return for the year, you must file an amended tax return for the year of the contribution by the filing deadline for amended returns.

### **3. Previous Tax-Free Transfers**

An amount that was previously moved in a tax-free transfer, such as a rollover, generally cannot be recharacterized. However, if you mistakenly roll over or transfer an amount from a traditional IRA to a SIMPLE IRA, you can later recharacterize the amount as a contribution to another traditional IRA.

### **4. Recharacterizing Employer Contributions**

You may not recharacterize employer contributions (including elective deferrals) under a SEP or SIMPLE IRA as contributions to another IRA.

### **5. How to Recharacterize**

You must notify both the trustee of the first IRA and the trustee of the second IRA that you have elected to treat the contribution as if you made it to the second IRA. You must make the notification, in a form acceptable to us, by the date of the transfer.

### **6. Reporting a Recharacterization**

You must report the recharacterization on Form 8606.

# Disclosure Statement for Traditional IRA, SEP-IRA and SIMPLE IRA

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## ***J. Designation of Beneficiary***

You may designate any person or entity to be your beneficiary to receive your IRA upon your death, subject to the following rules:

### **1. Designation of Beneficiary**

You may designate a beneficiary on the IRA application.

### **2. Modification of Beneficiary Designation**

You may modify the beneficiary designation by properly completing a beneficiary form. Changes to the beneficiary designation must be received by us (or our designated agent) during your lifetime.

### **3. No Beneficiary Designation**

If you have not designated a beneficiary prior to your death or your designation is not effective for any reason, the beneficiary will be your surviving spouse, or if none, the beneficiary will be your estate.

### **4. Beneficiary May Designate Own Beneficiary**

Upon your death, your designated beneficiary may designate his or her own beneficiary to receive any remaining assets in the IRA.

### **5. Effect of Divorce**

If your designated beneficiary is your spouse (designated either by name or relationship or both), your divorce or annulment or other legal termination of your marriage will automatically revoke your prior beneficiary designation.

You may designate your former spouse as a beneficiary of your IRA by completing a new beneficiary designation after the date your marriage legally terminated. Changes to the beneficiary designation must be received by us during your lifetime.

## ***K. Inherited IRA***

Your beneficiary will inherit your IRA at your death.

### **1. Tax Effect**

Your beneficiary must include any taxable distribution in gross income. Certain distributions are required, as described in Section L below.

### **2. IRA Inherited From Spouse**

If you inherit a traditional or SEP IRA from your spouse you may:

- a. Treat the IRA as your own by designating yourself as the Account Holder (you will not be treated as a beneficiary for purposes of the IRA rules);
- b. Treat it as your own by rolling it over into your traditional IRA, or to the extent it is taxable, into a qualified employer plan, qualified employee annuity plan, tax-sheltered annuity plan, or eligible deferred compensation plan; or
- c. Treat yourself as the beneficiary rather than treating the IRA as your own.

### **3. IRA Inherited From Non-Spouse**

If you inherit an IRA from someone other than your spouse, you may not treat the IRA as your own. You cannot rollover any amounts in or out of the IRA, or make contributions to the IRA. However, you can make a trustee-to-trustee transfer as long as the IRA into which the amounts are being moved is set up and maintained in the name of the deceased IRA Account Holder for the benefit of you as the beneficiary.

### **4. Separate Accounts**

If you name multiple individual beneficiaries, they may each establish separate accounts for their portion of the IRA.

### **5. Non-Spouse Beneficiary under an Employer's Plan**

You may also establish an inherited traditional IRA to receive a direct trustee-to-trustee transfer of amounts inherited under an employer's retirement plan. This type of inherited IRA is subject to special required minimum distribution rules, as described in Section L.

### **6. Minor or Disabled Beneficiaries**

If the beneficiary designated to receive payments is a minor child or declared incapacitated or incompetent by the court, we may follow the direction of a court appointed guardian or legally appointed representative, including payment and investment direction. We will not be liable for any loss which may result from any investment, liquidation, or distribution made by us in good faith under this paragraph.

### **7. Investment Control**

See Section Q. Following your death, your beneficiary will have investment responsibility.

# Disclosure Statement for Traditional IRA, SEP-IRA and SIMPLE IRA

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## **L. Required Minimum Distributions (RMD) for Beneficiaries**

The beneficiary of your traditional or SEP IRA is required to take certain distributions, to avoid additional tax penalties. The rules that apply depend on when you die – before or after your required beginning date.

### **1. Death Before Your Required Beginning Date**

If you die before your required beginning date, the April 1 of the year following the year you reach age 70½, your beneficiary must direct that payment of his/her benefits be made or started no later than December 31 of the year following the year of your death with annual distributions of at least the required minimum distribution described below (the “life expectancy rule”). If, however, there is no designated beneficiary (as defined below) or your designated beneficiary is not an individual, the entire balance of the IRA must be paid by December 31 of the year in which occurs the fifth anniversary of your death (the “5-year rule”).

*Special Rule 2009.* Your beneficiary was not required under federal law to take a required minimum distribution for 2009, due to relief enacted by Congress in late 2008. In addition, if in 2009 a beneficiary was satisfying the required minimum distribution rules by taking full distribution of his or her interest by the end of the calendar year containing the fifth anniversary of the Participant's death, the beneficiary may now take the full distribution over a six year period.

Special rules apply if your surviving spouse is your sole designated beneficiary. In this case, your surviving spouse may wait until the December 31 of the year you would have reached age 70½ to start receiving traditional, SEP or SIMPLEIRA RMD payments. If your surviving spouse is your sole beneficiary and dies after you but before his or her payments are required to begin, subsequent payments to the surviving spouse's beneficiaries will be made as if the surviving spouse had been you.

Under the life expectancy rule, the yearly required minimum distribution for each designated beneficiary is calculated by dividing the IRA account balance as of the close of business on December 31 of the previous year by the applicable distribution period. The applicable distribution period depends on the beneficiary's identity.

If your surviving spouse is the sole designated beneficiary of your IRA, the distribution period is the life expectancy listed in “Table 1 (Single Life Expectancy)” for the spouse's age as of the spouse's birthday in the year for which the distribution is being made. Table I can be located in IRS Publication 590. (Special rules apply to the minimum distributions after the death of your surviving spouse.)

If the designated beneficiary is an individual other than your spouse, the distribution period for the year following the year of your death is the life expectancy listed in “Table I (Single Life Expectancy)” for the beneficiary's age as of his or her birthday in that year, reduced by one for each subsequent year.

*Special Rules for Inherited IRAs Established by a Non-Spouse Beneficiary with Inherited Funds Transferred from an Eligible Retirement Plan.* The yearly required minimum distribution from this type of inherited IRA depends on the eligible retirement plan's rules for determining required minimum distributions and, in some cases, when the non-spouse beneficiary made the direct rollover to the inherited IRA.

If the eligible retirement plan uses the life expectancy rule to determine required minimum distributions for beneficiaries, then the yearly required minimum distribution for the non-spouse beneficiary is calculated by dividing the IRA account balance as of the close of business on December 31 of the previous year by the applicable distribution period. The applicable distribution period is the beneficiary's life expectancy listed in “Table 1 (Single Life Expectancy)” for the beneficiary's age as of his or her birthday in the calendar year immediately following the calendar year of death of the plan participant, reduced by one for each subsequent year.

If the eligible retirement plan uses the 5-year rule to determine required minimum distributions for beneficiaries, then if the non-spouse beneficiary made the rollover to the inherited IRA before the end of the calendar year immediately following the calendar year in which the death of the plan participant occurred, the beneficiary can elect to have required minimum distributions from the inherited IRA determined under the life expectancy rule or the 5-year rule. However, if the non-spouse beneficiary made the rollover to the inherited IRA in the second through fourth calendar years following the calendar year in which the death of the plan participant occurred, the beneficiary must use the 5-year rule under the inherited IRA.

### **2. Death After Your Required Beginning Date**

If your death occurs on or after your required beginning date, the April 1 of the year following the year you reach 70½, the beneficiary of your IRA must receive payment for each year following the year of your death.

*Special Rule for 2009.* Your beneficiary was not required under federal law to take a required minimum distribution for 2009, due to relief enacted by Congress in late 2008.

The following rules also apply to an inherited IRA established by a non-spouse beneficiary with inherited funds transferred from an eligible retirement plan when the plan participant died after his/her required beginning date under the retirement plan. In that case, references below to “you” and “your” refer to the employer-sponsored retirement plan participant and to “beneficiary” refer to the individual who inherited the funds and made the transfer to the inherited IRA.

The yearly required minimum distribution for each designated beneficiary is calculated by dividing the IRA account balance as of the close of business on December 31 of the previous year by the applicable distribution period. The applicable distribution period depends on the beneficiary's identity.

# Disclosure Statement for Traditional IRA, SEP-IRA and SIMPLE IRA

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If your surviving spouse is the sole designated beneficiary of your IRA, the distribution period is the life expectancy listed in "Table 1 (Single Life Expectancy)" for the spouse's age as of the spouse's birthday in the year for which the distribution is being made. Table 1 can be located in IRS Publication 590. (Special rules apply to the minimum distributions after the death of your surviving spouse.)

If the designated beneficiary is an individual other than your spouse, the distribution period of the year following the year of your death is the life expectancy listed in "Table 1 (Single Life Expectancy)" for the beneficiary's age as of his or her birthday in that year, reduced by one for each subsequent year.

However, if your remaining life expectancy for a given year is greater than the life expectancy of your designated beneficiary for that year (as calculated above), the required minimum payment to your beneficiary is determined by using your remaining life expectancy. Your remaining life expectancy is calculated by using your age as of your birthday in the year of your death and referring to "Table 1 (Single Life Expectancy)". This amount is reduced by one for each subsequent year.

If your beneficiary is not an individual (for example, if the beneficiary is your estate or a charity) or if you have not designated beneficiary, required minimum payments are determined using your life expectancy, as described above.

### 3. Designated Beneficiary

Under the RMD rules, your "designated beneficiary" is determined based on the remaining beneficiaries of your IRA as of the September 30th of the year following the year of your death. Any beneficiary who was a beneficiary on your date of death, but is not a beneficiary as of the September 30th of the year following your death (for example due to receiving payout of the complete benefit due to such beneficiary), is not taken into account for RMD purposes.

### 4. Penalty For Failure to Take RMD

If in any taxable year after your death, your designated beneficiary fails to withdraw the required minimum distribution from the IRA, a 50% nondeductible penalty may be imposed by the IRS on the difference between the amount that should have been distributed and the amount actually distributed.

## M. Federal Estate and Gift Tax

You should consult with your tax or legal advisor regarding federal estate and gift tax matters.

### 1. Federal Estate Tax

Your IRA is fully includible in your gross estate and subject to federal estate taxes, just as any other asset. However, for a death in 2014, there is no federal estate tax if your total estate and prior taxable gifts do not exceed \$5,340,000. For years after 2014, this amount is subject to adjustment.

### 2. Gift Tax

The gift tax exclusion for distributions is applicable to an IRA. In addition, the designation of a beneficiary of an IRA is not considered a gift tax transfer of property for federal gift tax purposes.

## N. Prohibited Transactions

A prohibited transaction is any improper use of your IRA and includes direct or indirect transactions between you, your beneficiaries or your family members and your IRA.

### 1. Examples

Prohibited transactions include borrowing money from your IRA; selling property to your IRA; buying property from your IRA; receiving unreasonable compensation for managing your IRA; and using your IRA as security for a loan.

### 2. Effect on IRA

If a prohibited transaction occurs in a year, the IRA will lose its tax-deferred status and you will be required to include the value of the account on the first day of the year in your income for the year the tax-deferred status was lost (other than any non-deductible contributions). If you pledge your IRA as security for a loan, the portion of your IRA that was pledged must be included in your income for the year it was pledged (other than non-deductible contributions). You may also be subject to other taxes including an additional 10% penalty tax on the taxable amount if you are under age 59 ½, unless an exception applies.

## O. Additional Taxes

### 1. Early Distributions

Early distributions are amounts distributed from your traditional or SEP IRA before you attain age 59 ½. A 10% additional tax will apply to certain distributions made before you attain age 59½, unless an exception applies.

Generally, you will not pay the additional tax for a distribution made:

- to pay unreimbursed expenses exceeding 7.5% of your adjusted gross income for your medical care (or that of your spouse or dependents).
- to pay medical insurance premiums after losing your job in certain situations.

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- c. after your disability. You are considered disabled for purposes of the exception if you cannot do any substantial gainful activity because of your physical or mental condition, which is expected to be of long-continued or indefinite duration or lead to death.
- d. after your death.
- e. as part of a series of substantially equal periodic payments for your lifetime or the lifetimes of you and your beneficiary.
- f. to pay certain qualified first-time homebuyer amounts (limited to \$10,000 in your lifetime).
- g. to pay for certain qualified higher education expenses for you, your spouse, and you or your spouse's children and grandchildren.
- h. to the IRS due to a tax levy.
- i. under special disaster relief, such as qualified hurricane distributions. j. as qualified reservist distributions under Code Section 72(t)(2).

You should consult with your tax advisor to see if your distribution qualifies for one of these exemptions to the early distribution penalty tax, as many special rules apply.

## 2. Tax on Excess Contributions

An excess contribution is one that exceeds the annual amount you are allowed to contribute to all of your traditional and Roth IRAs. If the excess contributions for a year are not withdrawn by the date your return for the year is due, you are subject to a 6% tax. You must pay the 6% tax each year on excess amounts that remain in your IRA at the end of the year.

You may correct the excess contribution and avoid the 6% tax by withdrawing the amount of the excess and any earnings before the tax-filing deadline (including extensions) for the tax year the contribution was made. You also must include the withdrawn earnings in your gross income for the year in which you contributed. You are responsible for computing the earnings and providing the figure to us on your completed distribution form. You may also owe the IRS a 10% premature distribution penalty tax on the earnings, even if you removed them before the tax-filing deadline.

If you fail to meet the timely correction deadline, you must pay a penalty tax of 6% of the excess contribution for the year of the contribution. You will also have to pay the 6% penalty tax for each later year, if an excess is still in the IRA at the end of that year. The excess may be eliminated by either: (i) making reduced IRA contributions in future years (but not past years), or (ii) withdrawing the excess contribution from the IRA.

You should consult with your tax advisor about the tax consequences of late correction. If the excess in your IRA is the result of an attempted rollover and the excess occurred because the retirement plan provided you with incorrect information regarding your rollover amounts, you may withdraw the excess amount. You may have to amend your income tax return for the year in which the excess contribution occurred. Any excess withdrawn as a result of incorrect rollover information should not be included in your gross income for the year of the withdrawal.

## 3. Reporting

You must file a Form 5329 with Form 1040 if you owe the additional tax on early distributions or the tax on excess contributions.

## ***P. Financial Disclosure***

### 1. Available Assets

The amount of money that will be available at any period of time depends on:

- a. the amount of contributions;
- b. total years of participation;
- c. earnings, including interest, dividends, realized and unrealized gains, and losses; and
- d. expenses incurred for brokerage commissions and applicable trustee's fees.

Due to the many kinds of investments that you may choose, neither a guaranteed return nor a projected amount can be furnished.

### 2. Fees

We charge annual and other fees for your IRA. Please refer to the current fee schedule. If you fail to pay our compensation, taxes, and/or expenses within a reasonable time after demand for payment is made, we reserve the right to charge the expenses to the Trust and liquidate such assets of the Trust as needed to satisfy the demand. The custodian will collect all fees, expenses, and taxes as directed by us. Such collection of fees by the custodian may be made without your approval or direction. We reserve the right to revise the fee schedules and will provide sufficient advance written or electronic notice of any revision to you. Brokerage commissions are considered a separate cost and are in addition to the above fees charged by the Trustee. Questions about brokerage commissions should be discussed with your broker or account executive before any orders are executed.

### 3. Annual Earnings

To compute annual earnings: Compare the year-end market value to the prior year's market value; add any interest or dividends earned for your total account.



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## ***Q. Investments***

### **1. Investment Responsibility**

It is your responsibility to select and direct the investments of the Trust, either in person or through a broker, account executive or investment advisor, according to the procedures currently in effect. The investments you choose must conform to the Trust Agreement. Investments that do not generate confirmations must be accompanied by additional written instructions. It is your responsibility to make sure that the investments you select do not cause the IRA to participate in a prohibited transaction, such as by extending credit to the IRA or engaging in a "call" transaction.

### **2. Impermissible Investments**

No part of your IRA may be invested in the following:

- a. Collectibles within the meaning of Code Section 408(m) except for certain coins and bullion defined in Code Section 408(m)(3). Any impermissible investments in collectibles will be treated as a distribution.
- b. Life insurance contracts or commingled with other property, except in a common trust or common investment fund, described in Code Section 408(a)(5).

Other types of investments may also be prohibited or limited, as provided in the Trust Agreement.

### **3. Investment Information**

Although the brokerage firm may provide investment information to you, any information provided to you by the brokerage firm should not serve as a primary basis for your investment decisions. Any questions concerning the authority of your broker should be directed to the brokerage firm. The broker is not an employee of Equity Trust Company, and Equity Trust Company does not supervise or control the activity of the broker. It is our understanding that you will exercise independent judgment when you make your investment decisions.

### **4. Investment Performance**

No projection of the growth in value of your IRA can reasonably be made or guaranteed. The value of your IRA and the growth in value of the IRA is dependent solely on the performance of the investments chosen by you.

## ***R. Duties Not Assigned***

We will not be responsible for voting proxies, receiving or mailing proxy materials, filing reports, returns or disclosures with any government agency unless we are required to do so under applicable law. Proxies and proxy material that are received by us will be destroyed.

## ***S. Additional Information***

### **1. State Laws**

The tax laws of certain states and local governments may be different from the federal tax laws for IRAs. State and local laws are not covered in this disclosure statement.

### **2. Definition of Spouse**

The term "spouse" as used in this disclosure statement means the person to whom you are legally married, as determined under federal tax law.

### **3. Legal Incapacity**

If you (or after your death, your beneficiary) is legally incapacitated, then we may require that any and all rights that the incapacitated individual could exercise under the Trust Agreement or at law be exercised by the incapacitated individual's representative. We may rely on the authority and direction of such representative for all action taken with respect to the IRA.

### **4. IRS Information**

The IRS has a number of helpful Publications on IRAs, including IRS Publication 590, IRS Publication 575 and IRS Publication 939. These publications are available at any IRS district office, on line at [www.irs.gov](http://www.irs.gov) or by calling 1-800-TAX-FORM.

### **5. Legal and Tax Advice**

You are responsible for determining the legal and tax implications of (i) the type of IRA you have selected, (ii) your eligibility to contribute to, or receive contributions under, such IRA, (iii) the amount of contributions made to the IRA and whether such contributions are deductible, (iv) the tax treatment of any withdrawals from your IRA, and (v) any other tax treatment. We have not, and may not, provide you with legal or tax advice.



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## 6. Written Notices

Any required notice regarding the trust will be considered effective when we (or our designated agent) mail it to the last address of the intended recipient which is contained in our records. We may provide notice to you in another format, including but not limited to electronic mail. Any electronic notice will be deemed effective when transmitted to the last e-mail or other electronic address in our records. You acknowledge that any notice provided electronically to you (or your beneficiary) will be deemed to have been provided in writing for purposes of this IRA and applicable federal and state laws. Any notice to be given to us must be provided in writing and will be considered effective when we actually receive it. You and/or your beneficiaries must notify us (or our designated agent) of any change of address in a manner acceptable to us.

## 7. Future Amendments

We may make any amendments to the Trust Agreement we deem advisable, including but not limited to, changes that are required to keep your IRA in compliance with applicable laws. You will be notified of any such amendments.

This Disclosure Statement provides you, and your beneficiaries after your death, a summary of the basic rules and regulations governing your Equity Trust Company Self-Directed Roth Individual Retirement Account (IRA). It also contains important federal tax and legal information. However, the applicable Self-Directed Individual Retirement Trust Agreement (Trust Agreement) for your Roth IRA will govern your IRA. If there is a discrepancy between the Trust Agreement and Disclosure Statement, the Trust Agreement will control.

Equity Trust Company cannot give tax or financial advice. We strongly encourage you to consult with your tax or legal advisor before you establish an IRA.

When used in this document, the words *you* and *your* refer to the person for whom the IRA is established. *We*, *us*, and *our* refer to Equity Trust Company as trustee of your IRA.

Traditional, SEP and SIMPLE IRAs are described in a separate disclosure statement.

### ***Your Right to Revoke Your IRA***

You may revoke your IRA within seven days of the date you establish the IRA. If you revoke your IRA, we will return all of your funds, without adjustment for items such as sales commissions, administrative expenses (including the acceptance fee), or fluctuation in market value.

Your notice of revocation must be put in writing, signed by you, and delivered to us. The notice may be mailed to us at the following address:

IRA Processor  
Equity Trust Company  
P.O. Box 8963  
Wilmington, DE 19899-8963

You may also send the notice by courier at the following address:

IRA Processor  
Equity Trust Company  
220 Continental Drive, Suite 200  
Newark, DE 19713

If you mail the notice, we will use the date of the postmark (or the date of certification or registration for certified or registered mail) as the date of the notice. You may call us at (800) 209-9010 or (302) 995-2131 if you have questions.

### ***A. Roth Contributions – General Rules***

Annual contributions to your Roth IRA must be in the form of cash, checks, money orders, or electronic fund transfers. (You cannot contribute other assets, except in a transfer or a rollover as described in Sections D and E.) Roth IRA contributions are subject to the following limitations and restrictions:

#### **1. Contribution Eligibility**

You may establish a Roth IRA if you (or your spouse, if filing a joint return) receive taxable compensation for the year and meet the income restrictions described in Section B. There is no age limit.

#### **2. Annual Contribution Limits**

If you are eligible to make Roth IRA contributions, the maximum amount you may contribute to all of your traditional and Roth IRAs for a year is the lesser of the maximum contribution limit in effect for the taxable year, as described below, or 100% of your compensation. If you are age 50 or older by the end of the applicable year, the annual contribution limit is increased, as described below (subject to the 100% of compensation limit). You may make these extra "catch-up" contributions regardless of your past contribution history.

#### **3. Maximum Annual Contribution Limits**

The maximum contribution limit is as follows:

<b>Tax Year</b>	<b>Maximum Annual Contribution</b>	<b>Maximum Annual Contribution Age 50 or Older</b>
2014	\$5,500	\$6,500
2015	\$5,500	\$6,500

For years after 2015, the contribution limit will be adjusted by the Secretary of Treasury for cost-of-living increases. The adjustments will be in multiples of \$500.

You may contribute less than the maximum contribution for a year.

#### 4. Compensation

For purposes of the contribution limits, Compensation includes wages, salaries, tips, professional fees, bonuses, and other amounts derived from or received for personal services, commissions, and self-employment (earned) income. When determining compensation for self-employed individuals, any amounts taken as a deduction for contributions made to a self-employed retirement plan must be subtracted from net earnings. Compensation also includes any taxable alimony and separate maintenance payments you receive under a divorce decree or separate maintenance.

Compensation includes combat-zone compensation that is excluded from income for federal income tax purposes. Compensation also includes certain differential wage payments (or military supplemental pay) paid by an employer to an individual while on active duty for a period of more than 30 days.

Compensation does not include earnings and profits from property, interest and dividend income, pension or annuity income, or deferred income. In addition, compensation does not include any income from converting a traditional IRA to a Roth IRA.

#### 5. Spousal IRA Limit

If you are married and you file a joint federal income tax return, you may also contribute to your spouse's Roth IRA, if you satisfy the income restrictions in Section B. The contribution may not exceed the contribution limit in effect for the tax year and the combined IRA contribution for you and your spouse may not exceed 100% of your combined compensation.

However, if you and your spouse did not live together at any time during the year and did not file a joint federal income tax return for that year, you and your spouse will be treated as unmarried for purposes of the IRA contribution limits for that year.

#### 6. Special Rules

Certain special rules apply that may allow you to make additional contributions to your Roth IRA:

a. If you received (i) a military death gratuity (under 10 United States Code 1477) or (ii) Servicemembers' Group Life Insurance payments, you may contribute such amounts to your Roth IRA, even if you are not otherwise eligible to make Roth IRA contributions due to your income or the annual contribution limits. The contribution must be made to the Roth IRA within one year after the payment was made, with certain exceptions. The amount contributed cannot exceed the total of such amounts you received in the last 12 months, reduced by amounts so received that were contributed to another Roth IRA or a Coverdell Education Savings Account.

b. Certain payments by a commercial passenger airline carrier to its employees or former employees who participated in the carrier's defined benefit pension plan may be contributed to a Roth IRA, even if the employee is not otherwise eligible to make Roth IRA contributions due to the income or annual contribution limits.

These special rules are also subject to additional requirements and limitations. You should consult with your tax or legal advisor to see if you are eligible.

#### 7. Due Date for Contributions

Contributions may be made at any time during the year or by the due date for filing your federal tax return for that year, not including extensions. For most taxpayers, the due date will be April 15 of the following year. If an amount is contributed to your traditional IRA between January 1 and April 15, you must inform us for which year (the current or prior year) the contribution is for, otherwise we will assume and report to the IRS, that the contribution is for the year in which it was received in our office.

#### 8. Corrective Withdrawals

You may make a tax-free withdrawal of any contribution you make to your Roth IRA for a year if you withdraw the contribution, together with any earnings on it, by the due date (including extensions) for filing your federal income tax return.

The contribution you withdraw is not included in your income as an IRA distribution, but you must include any earnings on the contribution as ordinary income for the year you made the contribution. The earnings also are subject to a 10% penalty tax on early distribution if you are under age 59½, unless an exception applies. See Section M.

#### 9. Responsibility of the Trustee Regarding Contributions

You must tell us how all contributions are to be invested. All contributions received will be held and administered by us pursuant to the terms of the Trust Agreement. We are not responsible for the computation and collection of any contributions under the IRA.

#### 10. Tax Saver's Credit

You may be able to take a nonrefundable tax credit up to \$1,000 per year for contributions made to your Roth IRA and certain other plans. To be eligible for the credit, you must be age 18 or older, not a full time student and not listed as a dependent on another taxpayer's return.

The tax credit generally equals your "percentage rate" times your "qualified retirement savings contributions". Qualified retirement savings contributions include your Roth IRA contributions and contributions to certain other plans. But certain distributions from such plans reduce your qualified retirement savings contributions for the year. In addition, the total contribution taken into account for this credit is \$2,000.

The percentage rate for the credit is based on your modified adjusted gross income ("MAGI"), as defined in the tax code, and is subject to phase-outs, as listed under the following table:

MAGI Phase-Outs				
	Married Filing Joint MAGI	Head of Household MAGI	Single, Married Filing Separately, or Qualifying Widow(er) MAGI	Percentage Rate
2014	\$0 and \$36,000	\$0 and \$27,000	\$0 and \$18,000	50%
	\$36,001 and \$39,000	\$27,001 and \$29,250	\$18,001 and \$19,500	20%
	\$39,001 and \$60,000	\$29,251 and \$45,000	\$19,501 and \$30,000	10%
	Over \$60,000	Over \$45,000	Over \$30,000	No Credit Available

For years after 2014, the MAGI phase-outs are subject to cost-of-living adjustments.

The requirements for this tax credit are very complex. You should consult with your tax adviser about your situation.

### B. Income Limitations on Roth IRA Contributions

Federal law limits your ability to make Roth IRA contributions if your compensation is within (or above) certain income levels. Depending on your compensation and tax filing status, you may not be able to make a Roth IRA contribution or may only be able to make a limited contribution (less than the maximum annual contribution limit stated in Section A above).

#### 1. Income Phase-Out

If your compensation is within the income phase-out for your tax filing status for the year, you will only be able to make a partial Roth IRA contribution for the year. For 2014, the compensation phase-out ranges are as follows:

- Single/Head of Household Filers. \$114,000 to \$129,000
- Married Filing Jointly/Qualifying Widow(er) Filers. \$181,000 to \$191,000
- Married Filing Separately. \$0 to \$10,000

For years after 2014, the compensation phase-out ranges are subject to cost-of-living adjustments.

#### 2. Phase-Out Example

John, 37 and unmarried, made \$126,000 (compensation) in 2014. His compensation was within the applicable phase-out range for the year (\$114,000 to \$129,000), so his Roth IRA contribution is limited. To calculate his allowable Roth IRA contribution, John first subtracts the lower number of phase-out range (here \$114,000) from his compensation (\$126,000), resulting in his "excess compensation" (\$12,000).

Next, John applies the following formula:

$$\frac{\$5,500 - \text{Excess Compensation}}{\$15,000} \times \$5,500 = \text{Maximum allowable Roth IRA contributions}$$

(If John was eligible to make catch-up contributions, \$6,000 would replace \$5,000 in the formula above. In future years, if the maximum annual IRA contribution limit increases, the increased number would be used in this formula.)

The maximum allowable Roth IRA contribution is rounded up to the next multiple of \$10 (ex. \$938 is rounded up to \$940). If the final result is between \$0 and \$200, the maximum allowable Roth IRA contribution is \$200.

For John, in 2014:

$$\$5,500 - \frac{\$12,000}{\$15,000} \times \$5,500 = \$1,100$$

Therefore, John may make a \$1,100 Roth IRA contribution in 2014. If he wished to make additional IRA contributions, they would have to be traditional IRA contributions.

Note that for filers other than single and head of household filers, the phase-out range is \$10,000 and \$10,000 replaces \$15,000 in the formula above. Be sure to use the correct phase-out range for your tax filing status.

#### 3. Compensation Below Phase-Out Range

If your compensation is below the phase-out range for your tax filing status for the year, you may make the full Roth IRA contribution otherwise allowed in Section A above.

#### 4. Compensation Above Phase-Out Range

If your compensation is above the phase-out range for your tax filing status for the year, you may not make Roth IRA contributions for the year, except as may otherwise be provided in Section A above.

**C. Payments from your Roth IRA**

You have a non-forfeitable right to your Roth IRA at all times. You may request payment from your IRA at any time. The federal income taxation of your Roth IRA distribution depends on when and why you are taking a distribution.

**1. Distributions of Roth IRA Contributions**

You have already paid federal income tax on your Roth IRA contributions. As such, distributions of those Roth IRA contributions are not taxable.

**2. Qualified Distributions of Earnings on Your Roth IRA Contributions**

The earnings on your Roth IRA contributions will be subject to income tax, unless they are paid as a “qualified distribution”. To be a qualified distribution, the following must be satisfied:

**a. 5-Year Holding Period**

You must have satisfied the 5-year holding period before the distribution. The 5-year holding period begins on the first day of the first tax year for which a contribution is made to any Roth IRA maintained for your benefit, including the first tax year in which a conversion contribution is made. If the contribution for a year is made by the due date for filing your tax return (without extensions), the first year of the holding period is the tax year to which the contribution relates, not the year in which it is actually made. (If you make the conversion by rollover, the holding period begins with the year the rollover distribution occurs.)

The 5-year holding period is not recalculated at your death, but continues through the period that the Roth IRA is held by your beneficiary. The holding period for an inherited Roth IRA is determined separately from the holding period for the beneficiary's other Roth IRAs. However, if a surviving spouse beneficiary treats a Roth IRA as his/her own, the spouse's five-year holding period is the earlier of the expiration of the holding period on the inherited Roth IRA or the expiration of the holding period on the spouse's own Roth IRAs.

**b. Timing of the Distribution**

The distribution is made:

- after you reach age 59½,
- after your death,
- after your disability (as defined Section M),
- for first-time homebuyer expenses for you, your spouse, or any child, grandchild, parent, grandparent, or other ancestor of your or your spouse. This is limited to \$10,000. Certain other limitations apply.

**3. Non-Qualified Distributions of Earnings on Your Roth IRA Contributions**

If your distribution of Roth IRA earnings is not a “qualified distribution”, then those earnings are taxable as ordinary income in the year received. In addition, an additional 10% early distribution tax penalty may result, unless an exception applies. See Section M. However, federal tax rules established an order of priority for amounts withdrawn. Withdrawals from Roth IRAs are treated as coming from regular contributions first, including any amounts rolled into the IRA in a qualified distribution from a designated Roth contribution account. Next, they are treated as coming from conversion contributions on a first-in-first-out basis. When the total amount withdrawn exceeds the amount of contributions to all of your Roth IRAs, the withdrawal will be attributed to investment earnings subject to ordinary income tax as a non-qualified distribution.

**4. Payments of Converted Amounts**

Amounts that were converted from a traditional IRA to a Roth IRA are subject to special rules. If you withdraw amounts that you converted during the 5-year period beginning on the first day of the taxable year in which the conversion was made, the withdrawal will be subject to the 10% early distribution tax penalty, unless an exception applies. See Section M.

**5. No Required Minimum Distributions**

Roth IRAs are not subject to the lifetime RMD rules that apply to traditional IRAs. However, following your death, your beneficiaries are required to take RMD payments, as described in Section J.

**6. No Special Treatment for Lump Sum Distributions**

The above taxation rules apply to all types of distribution, including lump-sum distributions. IRA distributions do not qualify for the special income tax rules (10-year averaging or long term capital gain treatment) that apply to certain lump-sum distributions from qualified retirement plans.

**7. Transfer to a Health Savings Account**

If you are eligible to make health savings account (HSA) contributions, you may qualify to make a tax-free transfer from your Roth IRA (or traditional IRA) to your HSA, a “qualified HSA funding distribution.” The maximum qualified HSA funding distribution that you may make is your annual HSA contribution limit, based on your coverage level (self-only or family) at the time of the transfer. If you cease to be an “eligible individual” under the HSA rules within the 12-month period following your qualified HSA funding distribution, the amount transferred to the HSA will be subject to income tax and a 10% penalty tax (unless you cease to be an eligible individual due to your death or because you became disabled as defined by Sec. 72(m)(7) of the Internal Revenue Code). Generally, you may only make one qualified HSA funding distribution in your lifetime. The qualified HSA funding distribution must

P. O. Box 8963, Wilmington, DE 19899-8963 PHONE: 800-209-9010 FAX: 302-999-9554 EMAIL: [DTS@EQUITYINSTITUTIONAL.COM](mailto:DTS@EQUITYINSTITUTIONAL.COM)

be made in a trustee-to-trustee transfer from your IRA to the HSA (the amounts cannot be paid to you). Additional rules apply. You should consult with an accountant, lawyer or other qualified tax advisor about your situation.

#### ***D. Transfers of Roth IRA Assets***

##### **1. Trustee to Trustee Transfer**

You may transfer assets in your Roth IRA from one trustee directly to another. The transfer is not a rollover and is therefore not subject to the one-year waiting period that applies to rollovers as described below. There is no dollar limit on the amount you transfer or how often you can make a transfer.

The transfer is tax-free if it is between Roth IRAs. However, a transfer of a traditional IRA, SEP-IRA or SIMPLE IRA to a Roth IRA is a conversion (as discussed in Section F) and subject to tax.

##### **2. Limitation on Transfers of SIMPLE IRAs**

For the first two years that you participate in your employer's SIMPLE plan, you may only transfer your SIMPLE IRA to another SIMPLE IRA. After you have completed two years of participation, you may transfer your SIMPLE IRA to a Roth IRA, subject to tax.

##### **3. Transfers Incident to Divorce**

If you are the spouse or former spouse of an IRA Account Holder and you receive a transfer of an interest in that IRA under a divorce decree (or related document), the transfer is not a distribution and is tax-free. Upon the transfer, the IRA will be treated as your IRA and you will be subject to taxation upon distribution, as described above.

#### ***E. Rollovers of IRA Assets***

Distributions from your Roth IRA may be subject to taxation, as described in Section C above. You may be able to defer taxes on the distributions by completing a "rollover". A rollover is a tax-free movement from one retirement program to another. The rollover rules are complex and may change. You should consult with your tax advisor about your situation.

You may roll assets into or out of your Roth IRA subject to the following rules:

##### **1. Timing**

Generally, you must make a rollover contribution within 60 days of the date you receive a distribution from the Roth IRA or your employer's plan. If you do not make the rollover within this 60-day window, the distribution will be subject to income tax, as described in this disclosure statement, or for retirement plan distributions, in accordance with the information you received at distribution. The IRS may waive the 60-day requirement in the event of a casualty, disaster or another event beyond your reasonable control, as provided in IRS Revenue Procedure 2003-16.

##### **2. No Tax Deduction**

Generally, you do not include the amount rolled over in your income and you cannot take a tax deduction for the year the rollover was completed. However, a conversion from a traditional, SEP or SIMPLE IRA to a Roth IRA is subject to tax.

##### **3. Rollover From a Roth IRA to a Roth IRA**

You may complete a tax-free rollover between Roth IRAs, subject to the following rules.

###### **a. Eligible Rollover Distribution**

Most distributions from your Roth IRA are eligible for rollover to another Roth IRA. However, a distribution will not qualify for rollover if it is a corrective distribution.

###### **b. Waiting Period Between Rollovers**

You may take a distribution of assets from a Roth IRA and make a rollover contribution of all or part of the assets to another Roth IRA. You are limited to one such rollover in any twelve consecutive month period. The one-year period begins on the date you receive the IRA distribution, not on the date you rolled it over into another IRA. However, this rule does not apply to conversions to a Roth IRA or a recharacterization. The IRS rules regarding this one rollover limitation are subject to change. Consult with your tax advisor about your situation.

###### **c. Partial Rollovers**

If you withdraw assets from your Roth IRA, you can roll over part of the withdrawal tax free and keep the remainder of the assets. The amount you keep may be subject to taxation and, if the assets are taken as an early distribution, an additional 10% penalty tax, unless an exception applies.

###### **d. Rollover of Securities**

For rollovers between IRAs, you must roll over to the new IRA the same securities or other property you received from your old IRA. For example, if you received stock from your old IRA, you must use the same stock for the contribution to your new IRA. The IRA custodian may, in its sole discretion, refuse to accept particular securities or property if sound administration or custody of the investment is not feasible, the investment presents burdensome valuation problems, or is otherwise prohibited by law.



#### 4. Rollover From an Employer Plan to a Roth IRA

You may complete a tax-free rollover from an employer plan to a Roth IRA, subject to the following rules.

##### a. Designated Roth Contributions

You may rollover designated Roth contributions from an employer plan to a Roth IRA. Qualified employer plans and tax-sheltered annuities may allow participants to designate certain deferrals as "designated Roth contributions," which are similar to Roth IRA contributions, but some different rules apply. Distributions of designated Roth contributions may be rolled over to a Roth IRA or to another employer plan that accepts such rollovers, subject to certain limitations. However, if you roll designated Roth contributions into a Roth IRA, the amounts become subject to the Roth IRA rules, including the Roth IRA 5-year holding period requirement, even if you had previously satisfied the 5-year holding period under the eligible retirement plan. For example, you establish your first Roth IRA to hold a qualified distribution of designated Roth contributions from your employer's retirement plan. Even though you had previously satisfied the 5-year holding period under your employer's retirement plan, you must now satisfy the Roth IRA 5-year holding period before you may receive a qualified distribution from your Roth IRA.

##### b. Amounts other than Designated Roth Contributions

You may complete a direct employer plan to Roth IRA conversion of amounts other than designated Roth contributions. See Section F.

##### c. Eligible Rollover Distributions

You may not roll over the following types of distributions to your Roth IRA: required minimum distributions; corrective distributions of excess contributions or deferrals; hardship distributions; and payments that are part of a series of equal payments over a period of ten years or more, or over your life expectancy, or over the joint life expectancy of you and your designated beneficiary.

##### d. Rollover by Spouse Beneficiary

If you are the beneficiary of a participant's account in an employer plan and you are the spouse of the deceased participant, you may be permitted to roll over the designated Roth contributions into your Roth IRA.

##### e. Rollover by Non-Spouse Beneficiary

If you are the beneficiary of a participant's account in an employer plan and you are not the spouse of the deceased participant, you may be permitted to roll over any designated Roth contributions into an inherited Roth IRA. The rollover must be accomplished by a direct trustee-to-trustee transfer and the deceased participant's plan must permit this type of rollover.

##### f. Rollover by Alternate Payee

If you are the alternate payee under a qualified domestic relations order and are eligible to receive a distribution of designated Roth contributions from an employer plan, you may be permitted to roll over the assets into a Roth IRA.

##### g. Rollover of Property

If you receive an eligible distribution of designated Roth contributions from an employer plan that consists of property other than cash, you may be permitted to roll over the property into your IRA. You may also sell the property and roll over the cash proceeds into your Roth IRA. The gain or loss on the sale of the stock is not recognized if the rollover is for the entire amount.

##### h. After-Tax Amounts

You may roll after-tax contributions, other than designated Roth contributions, to a traditional IRA. A rollover of after-tax amounts to a Roth IRA is a taxable conversion, as described in Section F.

##### i. Partial Rollover

If you prefer, you may roll over part of the distribution tax-free and keep the rest of it. The amount you keep is generally subject to the normal taxation rules for such plan payments in the year it is paid to you. It does not qualify for special averaging or long-term capital gain treatment. Any taxable amount you keep may be subject to an additional 10% penalty tax if you receive it before age 59½, unless an exception applies. Also, 20% of any taxable amount that is not transferred in a direct rollover will be withheld and applied against your taxes.

#### 5. Rollover from an IRA to an Employer Plan

You cannot complete a rollover from a Roth IRA to an employer plan under federal law.

### F. Conversions

#### 1. Conversion from a Traditional, SEP or SIMPLE IRA to a Roth IRA

Any or all of a traditional, SEP or SIMPLE IRA may be converted to a Roth IRA.

However, a SIMPLE IRA cannot be converted to a Roth IRA until you have two years of participation in your employer's SIMPLE plan.

You may make the conversion by instructing the custodian or trustee to change the designation of your traditional, SEP, or SIMPLE IRA to a Roth IRA, if the other IRA is offered by the same custodian or trustee. Otherwise, you may convert by making a rollover or transfer from a traditional, SEP or SIMPLE IRA to a Roth IRA. The amount of the conversion, minus any return of basis, is taxable

as ordinary income in the year the conversion occurs. (If you make the conversion by rollover, the tax is imposed for the year the rollover distribution occurs.) The 10% penalty tax on early withdrawals does not apply to such conversions.

### 2. Direct Plan to Roth IRA Conversion

Any or all of an eligible rollover distribution (other than from a designated Roth contribution account) from an eligible retirement plan may be converted directly to a Roth IRA. The amount of the conversion, minus any return of your tax basis, is taxable as ordinary income in the year the conversion occurs. (If you make the conversion by rollover, the tax is imposed for the year the rollover distribution occurs.) The 10% penalty tax on early withdrawals does not apply to such conversions.

### 3. Special Conversion Rules

Any withdrawal of conversion amounts from your Roth IRA within the 5-year period beginning on the first day of the taxable year in which the contribution is made would be subject to the 10% penalty tax on early distributions for the entire amount of the conversion and earnings attributable to the withdrawal, if no exception applies.

### 4. Prior Rules

Prior to 2010, there were income limits and tax filing status limitations on IRA conversions. Effective January 1, 2010, individuals are now allowed to convert a traditional IRA to a Roth IRA or complete a direct plan to Roth IRA conversion, regardless of a participant's gross income or filing status. The law eliminated the requirement that married taxpayers must file joint returns and removed the \$100,000 modified adjusted gross income limit on the conversion from a traditional IRA to a Roth IRA.

### 5. Reconversion

You cannot convert and reconvert an amount between IRA types during the same tax year or, if later, during the 30-day period following a recharacterization. If you reconvert during either of these periods it will be a failed conversion. A failed conversion is includible in income and is subject to penalties.

## G. Recharacterizations

A recharacterization will permit you to treat a contribution made to one type of IRA as having been made to a different type of IRA (such as Roth IRA to traditional IRA or vice versa). Recharacterizations are subject to the following rules:

### 1. Trustee-to-Trustee Transfer

To recharacterize a contribution or a conversion contribution, you must have the contribution transferred from the first IRA (the one to which the contribution was originally made), to the second IRA in a trustee-to-trustee transfer.

### 2. Timing

If the transfer is made by the due date (including extensions) for your tax return for the year for which the contribution was made, you may elect to treat the contribution as having been originally made to the second IRA instead of the first IRA. If you have already filed your income tax return for the year, you must file an amended tax return for the year of the contribution by the filing deadline for amended returns.

### 3. Previous Tax-Free Transfers

An amount that was previously moved in a tax-free transfer, such as a rollover, generally cannot be recharacterized.

### 4. Recharacterizing Employer Contributions

You may not recharacterize employer contributions (including elective deferrals) under a SEP or SIMPLE IRA as contributions to a Roth IRA.

### 5. How to Recharacterize

You must notify both the trustee of the first IRA and the trustee of the second IRA that you have elected to treat the contribution as if you made it to the second IRA. You must make the notification, in a form acceptable to us, by the date of the transfer.

### 6. Reporting a Recharacterization

You may be required to report the recharacterization on IRS Form 8606.

## H. Designation of Beneficiary

You may designate any person or entity to be your beneficiary to receive your IRA upon your death, subject to the following rules:

### 1. Designation of Beneficiary

You may designate a beneficiary on the IRA application.

### 2. Modification of Beneficiary Designation

You may modify the beneficiary designation by properly completing a beneficiary form. Changes to the beneficiary designation must be received by us (or our designated agent) during your lifetime.

### 3. No Beneficiary Designation

If you have not designated a beneficiary prior to your death or your designation is not effective for any reason, the beneficiary will be your surviving spouse, or if none, the beneficiary will be your estate.

### 4. Beneficiary May Designate Own Beneficiary

Upon your death, your designated beneficiary may designate his or her own beneficiary to receive any remaining assets in the IRA.

### 5. Effect of Divorce

If your designated beneficiary is your spouse (designated either by name or relationship or both), your divorce or annulment or other legal termination of your marriage will automatically revoke your prior beneficiary designation. You may designate your former spouse as a beneficiary of your Roth IRA by completing a new beneficiary designation after the date your marriage legally terminated. Changes to the beneficiary designation must be received by us during your lifetime.

## I. Inherited IRA

Your beneficiary will inherit your IRA at your death.

### 1. Tax Effect

Your beneficiary must include any taxable distribution in gross income. Certain distributions are required, as described in Section J below.

### 2. IRA Inherited From Spouse

If you inherit a Roth IRA from your spouse you may:

- Treat the IRA as your own by designating yourself as the Account Holder (you will not be treated as a beneficiary for purposes of the IRA rules);
- Treat it as your own by rolling it over into your Roth IRA; or
- Treat yourself as the beneficiary rather than treating the IRA as your own.

### 3. IRA Inherited From Non-Spouse

If you inherit an IRA from someone other than your spouse, you may not treat the IRA as your own. You cannot rollover any amounts in or out of the IRA, or make contributions to the IRA. However, you can make a trustee-to-trustee transfer as long as the IRA into which the amounts are being moved is set up and maintained in the name of the deceased IRA Account Holder for the benefit of you as the beneficiary.

### 4. Separate Accounts

If you name multiple individual beneficiaries, they may each establish separate accounts for their portion of the IRA.

### 5. Non-Spouse Beneficiary under an Employer's Plan

You may also establish an inherited Roth IRA to receive a direct trustee-to-trustee transfer of amounts inherited under an employer's retirement plan. This type of inherited IRA is subject to special required minimum distribution rules, as described in Section J.

### 6. Minor or Disabled Beneficiaries

If the beneficiary designated to receive payments is a minor child or declared incapacitated or incompetent by the court, we may follow the direction of a court appointed guardian or legally appointed representative, including payment and investment direction. We will not be liable for any loss which may result from any investment, liquidation, or distribution made by us in good faith under this paragraph.

### 7. Investment Control

See Section O. Following your death, your beneficiary will have investment responsibility.

## J. Required Minimum Distributions (RMD) for Beneficiaries

The beneficiary of your Roth IRA is required to take certain distributions, to avoid additional tax penalties.

### 1. Required Minimum Distributions

Your beneficiary must direct that payment of his/her benefits be made or started no later than December 31 of the year following the year of your death with annual distributions of at least the required minimum distribution described below (the "life expectancy rule"). If, however, there is no designated beneficiary (as defined below) or your designated beneficiary is not an individual, the entire balance of the IRA must be paid by December 31 of the year in which occurs the fifth anniversary of your death (the "5-year rule").

*Special Rule 2009.* Your beneficiary was not required under federal law to take a required minimum distribution for 2009, due to relief enacted by Congress in late 2008. In addition, if in 2009 a beneficiary was satisfying the required minimum distribution rules

by taking full distribution of his or her interest by the end of the calendar year containing the fifth anniversary of the Participant's death, the beneficiary may now take the full distribution over a six year period.

Special rules apply if your surviving spouse is your sole designated beneficiary. In this case, your surviving spouse may wait until the December 31 of the year you would have reached age 70½ to start receiving Roth IRA RMD payments. If your surviving spouse is your sole beneficiary and dies after you but before his or her payments are required to begin, subsequent payments to the surviving spouse's beneficiaries will be made as if the surviving spouse had been you.

Under the life expectancy rule, the yearly required minimum distribution for each designated beneficiary is calculated by dividing the IRA account balance as of the close of business on December 31 of the previous year by the applicable distribution period. The applicable distribution period depends on the beneficiary's identity.

If your surviving spouse is the sole designated beneficiary of your IRA, the distribution period is the life expectancy listed in "Table 1 (Single Life Expectancy)" for the spouse's age as of the spouse's birthday in the year for which the distribution is being made. Table I can be located in IRS Publication 590. (Special rules apply to the minimum distributions after the death of your surviving spouse.)

If the designated beneficiary is an individual other than your spouse, the distribution period for the year following the year of your death is the life expectancy listed in "Table I (Single Life Expectancy)" for the beneficiary's age as of his or her birthday in that year, reduced by one for each subsequent year.

## **2. Special Rules for Inherited IRAs Established by a Non-Spouse Beneficiary with Inherited Funds Transferred from an Eligible Retirement Plan**

The yearly required minimum distribution from this type of inherited IRA depends on the eligible retirement plan's rules for determining required minimum distributions and, in some cases, when the non-spouse beneficiary made the direct rollover to the inherited Roth IRA.

If the eligible retirement plan uses the life expectancy rule to determine required minimum distributions for beneficiaries, then the yearly required minimum distribution for the non-spouse beneficiary is calculated by dividing the IRA account balance as of the close of business on December 31 of the previous year by the applicable distribution period. The applicable distribution period is the beneficiary's life expectancy listed in "Table 1 (Single Life Expectancy)" for the beneficiary's age as of his or her birthday in the calendar year immediately following the calendar year of death of the plan participant, reduced by one for each subsequent year.

If the eligible retirement plan uses the 5-year rule to determine required minimum distributions for beneficiaries, then if the non-spouse beneficiary made the rollover to the inherited IRA before the end of the calendar year immediately following the calendar year in which the death of the plan participant occurred, the beneficiary can elect to have required minimum distributions from the inherited IRA determined under the life expectancy rule or the 5-year rule. However, if the non-spouse beneficiary made the rollover to the inherited Roth IRA in the second through fourth calendar years following the calendar year in which the death of the plan participant occurred, the beneficiary must use the 5-year rule under the inherited Roth IRA.

## **3. Designated Beneficiary**

Under the RMD rules, your "designated beneficiary" is determined based on the remaining beneficiaries of your IRA as of the September 30th of the year following the year of your death. Any beneficiary who was a beneficiary on your date of death, but is not a beneficiary as of the September 30th of the year following your death (for example due to receiving payout of the complete benefit due to such beneficiary), is not taken into account for RMD purposes.

## **4. Penalty For Failure to Take RMD**

If in any taxable year after your death, your designated beneficiary fails to withdraw the required minimum distribution from the IRA, a 50% nondeductible penalty may be imposed by the IRS on the difference between the amount that should have been distributed and the amount actually distributed. We will not be liable for any penalties or taxes incurred due to your beneficiary's failure to take an RMD.

### ***K. Federal Estate and Gift Tax.***

You should consult with your tax or legal advisor regarding federal estate and gift tax matters.

#### **1. Federal Estate Tax**

Your IRA is fully includible in your gross estate and subject to federal estate taxes, just as any other asset. However, for a death in 2014, there is no federal estate tax if your total estate and prior taxable gifts do not exceed \$5,340,000. For years after 2014, this amount is subject to adjustment.

#### **2. Gift Tax**

The gift tax exclusion for distributions is applicable to an IRA. In addition, the designation of a beneficiary of an IRA is not considered a gift tax transfer of property for federal gift tax purposes.

### ***L. Prohibited Transactions***

A prohibited transaction is any improper use of your IRA and includes direct or indirect transactions between you, your beneficiaries or your family members and your IRA.

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## 1. Examples

Prohibited transactions include borrowing money from your IRA; selling property to your IRA; buying property from your IRA; receiving unreasonable compensation for managing your IRA; and using your IRA as security for a loan.

## 2. Effect on IRA

If a prohibited transaction occurs in a year, the IRA will lose its tax-deferred status and you will be required to include the value of the account on the first day of the year in your income for the year the tax-deferred status was lost (other than any non-deductible contributions). If you pledge your IRA as security for a loan, the portion of your IRA that was pledged must be included in your income for the year it was pledged (other than non-deductible contributions). You may also be subject to other taxes including an additional 10% penalty tax on the taxable amount if you are under age 59 ½, unless an exception applies.

### M. Additional Taxes

## 1. Early Distributions

Early distributions are amounts distributed from your Roth IRA before you attain age 59½. Taxable earnings paid to you prior to attaining age 59½ will be subject to an additional 10% tax, unless an exception applies.

Generally, you will not pay the additional tax for a distribution made:

- a. to pay unreimbursed expenses exceeding 7.5% of your adjusted gross income for your medical care (or that of your spouse or dependents).
- b. to pay medical insurance premiums after losing your job in certain situations.
- c. after your disability. You are considered disabled for purposes of the exception if you cannot do any substantial gainful activity because of your physical or mental condition, which is expected to be of long-continued or indefinite duration or lead to death.
- d. after your death.
- e. as part of a series of substantially equal periodic payments for your lifetime or the lifetimes of you and your beneficiary.
- f. to pay certain qualified first-time homebuyer amounts (limited to \$10,000 in your lifetime).
- g. to pay for certain qualified higher education expenses for you, your spouse, and your or your spouse's children and grandchildren.
- h. to the IRS due to a tax levy.
- i. under special disaster relief, such as qualified hurricane distributions.
- j. as qualified reservist distributions under Code Section 72(t)(2).

You should consult with your tax advisor to see if your distribution qualifies for one of these exemptions to the early distribution penalty tax, as many special rules apply.

## 2. Tax on Excess Contributions

An excess contribution is one that exceeds the annual amount you are allowed to contribute to all of your traditional and Roth IRAs. If the excess contributions for a year are not withdrawn by the date your return for the year is due, you are subject to a 6% tax. You must pay the 6% tax each year on excess amounts that remain in your IRA at the end of the year.

You may correct the excess contribution and avoid the 6% tax by withdrawing the amount of the excess and any earnings before the tax-filing deadline (including extensions) for the tax year the contribution was made. You also must include the withdrawn earnings in your gross income for the year in which you contributed. You are responsible for computing the earnings and providing the figure to us on your completed distribution form. You may also owe the IRS a 10% premature distribution penalty tax on the earnings, even if you removed them before the tax-filing deadline.

If you fail to meet the timely correction deadline, you must pay a penalty tax of 6% of the excess contribution for the year of the contribution. You will also have to pay the 6% penalty tax for each later year, if an excess is still in the IRA at the end of that year. The excess may be eliminated by either: (i) making reduced IRA contributions in future years (but not past years), or (ii) withdrawing the excess contribution from the IRA.

You should consult with your tax advisor about the tax consequences of late correction. If the excess in your IRA is the result of an attempted rollover and the excess occurred because the retirement plan provided you with incorrect information regarding your rollover amounts, you may withdraw the excess amount. You may have to amend your income tax return for the year in which the excess contribution occurred. Any excess withdrawn as a result of incorrect rollover information should not be included in your gross income for the year of the withdrawal.

## 3. Reporting

You must file a Form 5329 with Form 1040 if you owe the additional tax on early distributions or the tax on excess contributions.



**N. Financial Disclosure**

**1. Available Assets**

The amount of money that will be available at any period of time depends on:

- a. The amount of contributions;
- b. Total years of participation;
- c. Earnings, including interest, dividends, realized and unrealized gains, and losses; and
- d. Expenses incurred for brokerage commissions and applicable trustee's fees.

Due to the many kinds of investments that you may choose, neither a guaranteed return nor a projected amount can be furnished.

**2. Fees**

We charge annual and other fees for your IRA. Please refer to the current fee schedule. If you fail to pay our compensation, taxes, and/or expenses within a reasonable time after demand for payment is made, we reserve the right to charge the expenses to the Trust and liquidate such assets of the Trust as needed to satisfy the demand. The custodian will collect all fees, expenses, and taxes as directed by us. Such collection of fees by the custodian may be made without your approval or direction. We reserve the right to revise the fee schedules and will provide sufficient advance written or electronic notice of any revision to you. Brokerage commissions are considered a separate cost and are in addition to the above fees charged by the Trustee. Questions about brokerage commissions should be discussed with your broker or account executive before any orders are executed.

**3. Annual Earnings**

To compute annual earnings: Compare the year-end market value to the prior year's market value; add any interest or dividends earned for your total account.

**O. Investments**

**1. Investment Responsibility**

It is your responsibility to select and direct the investments of the Trust, either in person or through a broker, account executive or investment advisor, according to the procedures currently in effect. The investments you choose must conform to the Trust Agreement. Investments that do not generate confirmations must be accompanied by additional written instructions. It is your responsibility to make sure that the investments you select do not cause the IRA to participate in a prohibited transaction, such as by extending credit to the IRA or engaging in a "call" transaction.

**2. Impermissible Investments**

No part of your IRA may be invested in the following:

- a. Collectibles within the meaning of Code Section 408(m) except for certain coins and bullion defined in Code Section 408(m)(3). Any impermissible investments in collectibles will be treated as a distribution.
- b. Life insurance contracts or commingled with other property, except in a common trust or common investment fund, described in Code Section 408(a)(5).

Other types of investments may also be prohibited or limited, as provided in the Trust Agreement.

**3. Investment Information**

Although the brokerage firm may provide investment information to you, any information provided to you given by the Brokerage Firm should not serve as a primary basis for your investment decisions. Any questions concerning the authority of your broker should be directed to the brokerage firm. The broker is not an employee of Equity Trust Company, and Equity Trust Company does not supervise or control the activity of the broker. It is our understanding that you will exercise independent judgment when you make your investment decisions.

**4. Investment Performance**

No projection of the growth in value of your IRA can reasonably be made or guaranteed. The value of your IRA and the growth in value of the IRA is dependent solely on the performance of the investments chosen by you.

**P. Duties Not Assigned**

We will not be responsible for voting proxies, receiving or mailing proxy materials, filing reports, returns or disclosures with any government agency unless we are required to do so under applicable law. Proxies and proxy material that are received by us will be destroyed.

**Q. Additional Information**

**1. State Laws**

The tax laws of certain states and local governments may be different from the federal tax laws for IRAs. State and local laws are not covered in this disclosure statement.

**2. Definition of Spouse**

The term "spouse" as used in this disclosure statement means the person to whom you are legally married, as determined under federal tax law.

**3. Legal Incapacity**

If you (or after your death, your beneficiary) is legally incapacitated, then we may require that any and all rights that the incapacitated individual could exercise under the Trust Agreement or at law be exercised by the incapacitated individual's representative. We may rely on the authority and direction of such representative for all action taken with respect to the IRA.

**4. IRS Information**

The IRS has a number of helpful Publications on IRAs, including IRS Publication 590, IRS Publication 575 and IRS Publication 939. These publications are available at any IRS district office, on line at [www.irs.gov](http://www.irs.gov) or by calling 1-800-TAX-FORM.

**5. Legal and Tax Advice**

You are responsible for determining the legal and tax implications of (i) the type of IRA you have selected, (ii) your eligibility to contribute to, or receive contributions under, such IRA, (iii) the amount of contributions made to the IRA and whether such contributions are deductible, (iv) the tax treatment of any withdrawals from your IRA, and (v) any other tax treatment. We have not, and may not, provide you with legal or tax advice.

**6. Written Notices**

Any required notice regarding the trust will be considered effective when we (or our designated agent) mail it to the last address of the intended recipient which is contained in our records. We may provide notice to you in another format, including but not limited to electronic mail. Any electronic notice will be deemed effective when transmitted to the last e-mail or other electronic address in our records. You acknowledge that any notice provided electronically to you (or your beneficiary) will be deemed to have been provided in writing for purposes of this IRA and applicable federal and state laws. Any notice to be given to us must be provided in writing and will be considered effective when we actually receive it. You and/or your beneficiaries must notify us (or our designated agent) of any change of address in a manner acceptable to us.

**7. Future Amendments**

We may make any amendments to the Trust Agreement we deem advisable, including but not limited to, changes that are required to keep your IRA in compliance with applicable laws. You will be notified of any such amendments.

# Self-Directed Individual Retirement Trust Agreement

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The Grantor named on the Application is establishing a Traditional individual retirement account under section 408(a) to provide for his or her retirement and for the support of his or her beneficiaries after death.

The Trustee named on the Application has given the Grantor the disclosure statement required by Regulations section 1.408-6.

The Grantor has assigned the trust account the sum indicated on the Application.

The Grantor and the Trustee make the following agreement:

## ARTICLE I

Except in the case of a rollover contribution described in section 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or 457(e)(16), an employer contribution to a simplified employee pension plan as described in section 408(k), or a recharacterized contribution described in section 408A(d)(6), the Trustee will accept only cash contributions up to \$3,000 per year for tax years 2002 through 2004. That contribution limit increased to \$4,000 for tax years 2005 through 2007, \$5,000 for tax years 2008 through 2012, and \$5,500 for tax years 2013 and 2014. For individuals who have reached the age of 50 before the close of the tax year, the contribution limit is increased to \$3,500 for tax years 2002 through 2004, \$4,500 for 2005, \$5,000 for 2006 and 2007, \$6,000 for 2008 through 2012, and \$6,500 for tax years 2013 and 2014. The the above limits may increase in future years to reflect a cost-of-living adjustment, if any.

## ARTICLE II

The Grantor's interest in the balance in the trust account is non-forfeitable.

## ARTICLE III

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

## ARTICLE IV

1. Notwithstanding any provision of this Agreement to the contrary, the distribution of the Grantor's interest in the trust 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 Grantor's entire interest in the trust account must be, or begin to be, distributed not later than the Grantor's required beginning date, April 1 following the calendar year in which the Grantor reaches age 70<sup>1</sup>/<sub>2</sub>. By that date, the Grantor may elect, in a manner acceptable to the Trustee, to have the balance in the trust account distributed in: (a) A single sum or (b) Payments over a period not longer than the life of the Grantor or the joint lives of the Grantor and his or her designated beneficiary.
3. If the Grantor dies before his or her entire interest is distributed to him or her, the remaining interest will be distributed as follows:
  - (a) If the Grantor dies on or after the required beginning date and:
    - (i) the designated beneficiary is the Grantor'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 Grantor'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 Grantor 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 Grantor as determined in the year of the Grantor's death and reduced by 1 for each subsequent year.
  - (b) If the Grantor 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 Grantor's death. If, however, the designated beneficiary is the Grantor's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the Grantor would have reached age 70 <sup>1</sup>/<sub>2</sub>. But, in such case, if the Grantor'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 Grantor's death.
4. If the Grantor dies before his or her entire interest has been distributed and if the designated beneficiary is not the Grantor's surviving spouse, no additional contributions may be accepted in the account.

# Self-Directed Individual Retirement Trust Agreement

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5. The minimum amount that must be distributed each year, beginning with the year containing the Grantor'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 Grantor reaches age 70<sup>1</sup>/<sub>2</sub>, is the Grantor'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 Grantor's designated beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the Grantor'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 Grantor's (or, if applicable, the Grantor 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 Grantor's death (or the year the Grantor would have reached age 70<sup>1</sup>/<sub>2</sub>, 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 Grantor reaches age 70<sup>1</sup>/<sub>2</sub> 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 Grantor agrees to provide the Trustee 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 Trustee agrees to submit to the Internal Revenue Service (IRS) and Grantor 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, as provided in section 4.7 below.

## Article VIII

### 1. Definitions

As used in both the Traditional IRA and Roth IRA Self-Directed Individual Retirement Trust Agreement, the following terms shall have the meanings set forth below, unless a different meaning is plainly required by the context:

- 1.1 **Act** means the Employee Retirement Income Security Act of 1974, as amended.
- 1.2 **Account Holder** means the individual whose name appears on the Trustee accepted application and for whom contributions have been received by this Trust. Account Holder does not include a Beneficiary.
- 1.3 **Application** means the Application through which the Account Holder (or Beneficiary) adopts this Trust, as may be amended from time to time, and thereby agrees to be bound by all terms and conditions of this Agreement.
- 1.4 **Beneficiary** means the person(s) or entity (entities) properly designated by the Account Holder in the Application or in a form acceptable to the Trustee. Beneficiary also includes the owner of an inherited IRA (within the meaning of Code Section 408(d)(3)(C)) maintained for the benefit of a Beneficiary of a deceased individual.
- 1.5 **Brokerage Firm** means the investment agent selected in the application or through other means acceptable to the Trustee.
- 1.6 **Code** means the Internal Revenue Code of 1986, as amended.
- 1.7 **Compensation** means wages, salaries, professional fees, or other amounts derived from or received for personal services actually rendered. This includes but is not limited to commissions paid salespersons, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, and bonuses. It also includes earned income, as defined in Code Section 401(c)(2) (reduced by the deduction the self-employed individual takes for contributions made to a self-employed retirement plan). For purposes of this definition, Code Section 401(c)(2) shall be applied as if the term trade or business, for purposes of Code Section 1402 included service described in subsection (c)(6). Compensation does not include amounts derived from or received as earnings or profits from property (including but not limited to interest and dividends) or amounts not includible in gross income. Compensation also does not include any amount received as a pension or annuity or as deferred compensation. Compensation does include any amount includible in the Account Holder's gross income under Code Section 71 with respect to a divorce or separation instrument described in subparagraph (A) of Code Section 71(b)(2).

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Compensation also includes any differential wage payments as defined in Code Section 3401(h)(2) and combat-zone compensation that is excluded from income for federal income tax purposes under Code Section 112.

With respect to Roth IRAs, in the case of a married individual filing a joint return, the greater compensation of his or her Spouse is treated as his or her own compensation, but only to the extent that such Spouse's compensation is not being used for purposes of the Spouse making a contribution to a Roth IRA or a deductible contribution to a non-Roth IRA.

- 1.8 Conversion Contribution** means a rollover contribution described in Code Section 408(d) from a Traditional IRA, SEP, or SIMPLE IRA to a Roth IRA.
- 1.9 Designated Beneficiary** means the beneficiary whose life expectancy is used to determine the amount of the required distribution, in accordance with Code Section 408(a)(6) and Treasury Regulation Section 1.408-8.
- 1.10 Disability** means the Account Holder's inability to engage in any substantial, gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of a long-continued and indefinite duration and as further described in Code Section 72(m)(7).
- 1.11 Individual Retirement Account or IRA** means an account established under Code Section 408(a).
- 1.12 Internal Revenue Service (IRS)** means the agency responsible for administering and enforcing federal revenue laws, determination of pension plan qualification and exempt organization status, preparation and issuance of ruling and regulations to interpret the provisions of the Internal Revenue Code, and other responsibilities.
- 1.13 Modified Adjusted Gross Income (MAGI)** means income as defined in Code Section 408A(c)(3)(C)(i) and does not include any amount included in adjusted gross income as a result of a rollover from a non-Roth IRA (a conversion).
- 1.14 Recharacterization** means treating a contribution made to one IRA as having been made to a different type of IRA.
- 1.15 Reconversion** means recharacterizing a conversion contribution as a contribution to a Traditional IRA, then converting the Traditional IRA to a Roth IRA again. Conversions can be reconverted one time during the calendar year during which they were made.
- 1.16 Regulations** mean Federal Income Tax regulations, as amended from time to time.
- 1.17 Required Beginning Date** means the date at which payments must initially be made from the account.
- 1.18 Roth IRA** means an individual retirement account as defined in Code Section 408A.
- 1.19 Spouse** means the person to whom the Account Holder is legally married, as determined by federal tax law.
- 1.20 SIMPLE** means a Savings Incentive Match Plan for Employees as defined in Code Section 408(p).
- 1.21 SEP** means a Simplified Employee Pension as defined in Code Sections 408(j) and 408(k).
- 1.22 Traditional IRA** means an IRA as defined in Code Section 408(a).
- 1.23 Trust Year** is the calendar year from January first (1st) to December thirty-first (31st).
- 1.24 Trustee** means Equity Trust Company and any successor Trustee under the trust.
- 1.25 Trust** means this Trust established hereunder as it may be amended from time to time, including the Application, which is part of the Trust.
- 1.26 Trust Agreement** means this document which establishes and sets forth the material terms of the Self-Directed Individual Retirement Trust Agreement.

## 2. Roth IRAs

The references to IRAs in this Article refer only to Roth IRAs unless noted otherwise.

### 2.1 Eligibility

- A.** An eligible individual is any Account Holder who received compensation for services (including earned income of a self-employed individual) during the taxable year and has a modified adjusted gross income (MAGI) which is less than the amount allowed for their filing status for purposes of contributing to a Roth IRA.
- B.** As a condition of establishing or maintaining a Roth IRA, the Account Holder is required to consent to the terms and conditions of this Trust, as may be amended from time to time in accordance with Section 5.7.



# Self-Directed Individual Retirement Trust Agreement

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## 2.2 Contributions

- A. Each taxable year, the Account Holder may contribute on a periodic basis to this Trust an amount not to exceed the lesser of one-hundred percent (100%) of compensation or the applicable contribution limit. A qualified rollover contribution or recharacterization (as described in Section 2.3 and 2.4) does not apply toward the contribution limit.

If the Account Holder is 50 or older, the applicable contribution limit is \$6,500 for any taxable year beginning in 2015 and years thereafter.

After 2015, the applicable limits in the paragraphs above will be adjusted by the Secretary of the Treasury for cost-of-living increases under Code Section 219(b)(5)(D). Such adjustments will be in multiples of \$500. However, notwithstanding the preceding limits on contributions, an Account Holder may make additional contributions or rollovers specifically authorized by statute – such as repayments of qualified reservist distributions, repayments of certain plan distributions made on account of a federally declared disaster, and rollover of certain amounts received in connection with the Exxon Valdez litigation.

- B. For 2014, the contribution limit is reduced if the Account Holder's filing status is:

- Married filing a joint return and the MAGI is between \$183,000 and \$193,000.
- Married filing separately and the Account Holder and Spouse lived together during the year and the MAGI is between \$0 and \$10,000.
- Single, head of household or married filing separately and the Account Holder did not live with their Spouse at any time during the year *and* the MAGI is between \$116,000 and \$131,000.

For years after 2015, the dollar amounts above will be adjusted by the Secretary of the Treasury for cost-of-living increases under Code Section 408A(c)(3). Such adjustments will be in multiples of \$1,000.

- C. If the Account Holder's contribution limit is reduced because of MAGI the maximum allowed contribution is rounded up to the next \$10. If the contribution limit is greater than \$0, but less than \$200, the amount is rounded up to \$200.
- D. Contributions to this Roth IRA are also reduced by the amount of contributions made by the Account Holder to a Traditional IRA.
- E. A regular contribution to a Traditional IRA or a SIMPLE IRA plan may be recharacterized as a regular contribution to this Roth IRA subject to the terms and limitations in Treasury Regulation Section 1.408A-5 and Section 3.4 below.
- F. No amounts made under a SIMPLE IRA plan established by an employer under Code Section 408(p) or a SEP established by an employer under Code Section 408(j) or (k) will be accepted into this Trust.
- G. No amounts attributable to an employer contribution to a SIMPLE IRA plan can be converted to a Roth IRA during the 2-year period beginning on the date the Account Holder first participated in the SIMPLE IRA plan.
- H. Contributions may be made after the Account Holder reaches age 70½.
- I. Inherited IRA. If this is an inherited IRA within the meaning of Code Section 408(d)(3)(C), no contributions will be accepted.

## 2.3 Rollovers

- A. **Qualified Rollover Contribution.** A "qualified rollover contribution" to a Roth IRA is a rollover contribution from another Roth IRA, or from an IRA provided the rollover meets the requirements of Code Section 408(d)(3) (except the one-rollover-per-year rule of Code Section 408(d)(3)(B) does not apply if the distribution is from a non-Roth IRA. If the distribution is from an eligible retirement plan described in Code Section 402(c)(8)(B) other than an IRA, the rollover must meet the requirements of Code Section 402(c), 402(e)(6), 403(a)(4), 403(b)(8), 403(b)(10), 408(d)(3) or 457(e)(16), as applicable, to be a qualified rollover contribution. Effective for tax years beginning after 2005, a qualified rollover contribution to this Roth IRA includes a rollover from a designated Roth contribution account described in Code Section 402A, as provided in Code Section 408A(c)(6). A qualified rollover contribution also includes:
- All or part of a military death gratuity or servicemembers' group life insurance ("SGLI") payment may be contributed if the contribution is made within 1 year of receiving the gratuity or payment. Such contributions are disregarded for purposes of the one-rollover-per-year rule under Code Section 408(d)(3)(B).
  - All or part of an airline payment (as defined in § 125 of the Worker, Retiree, and Employer Recovery Act of 2008 ("WRERA"), Pub. L. 110-458) received by certain airline employees may be contributed if the contribution is made within 180 days of receiving the payment.
- B. This Trust will accept rollovers from other Roth IRAs provided they are deposited within 60 days of the date distributed from the previous Roth IRA as permitted under applicable laws.



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- C. Effective January 1, 2010, individuals are allowed to convert a traditional IRA to a Roth IRA or complete a direct plan to Roth IRA conversion, regardless of the individual's gross income or filing status. The requirement that married taxpayers must file joint returns and the \$100,000 modified adjustment gross income limit on the conversion from a traditional IRA to a Roth IRA no longer applies. Conversion amounts must be qualified rollover contributions under Code Section 408A(e), and therefore, must satisfy Code Section 408(d)(3).
- D. Any amount converted from a non-Roth IRA to a Roth IRA will be treated as a distribution from the non-Roth IRA and a rollover to the Roth IRA regardless of the actual means by which the assets are converted.
- E. Amounts held in a SEP or SIMPLE IRA plan may be converted to a Roth IRA. In the case of a SIMPLE IRA plan, the conversion may be done only after the expiration of the two-year period as described in Code Section 72(t)(6). No SEP or SIMPLE contributions can be made to a Roth IRA.

## 2.4 Recharacterizations

- A. On or before the due date for filing taxes, plus extensions, an Account Holder may recharacterize IRA contributions, including Roth IRA Conversion Contributions by means of a Trustee transfer. Recharacterized amounts will be treated as if they were made to the transferee IRA and not the transferor IRA if such recharacterizations are made in compliance with Code Section 408A(d)(6), Treasury Regulation Section 1.408A-5, and other applicable laws or regulations.
- B. Amounts that are transferred from a Traditional IRA to a Roth IRA by means of a recharacterization may not be converted before the later of the beginning of the taxable year following the taxable year in which the amount was converted to a Roth IRA or the end of the 30-day period beginning on the day on which the Account Holder recharacterizes the amount from the Roth IRA back to the Traditional IRA.

A Reconversion made before the later of the beginning of the next taxable year or the end of the 30-day period is treated as a failed Reconversion. For this purpose only, a failed Conversion Contribution that is the result of a failure to satisfy the statutory requirements for a Conversion contribution is treated as a Conversion contribution in determining when the Account Holder can make a Reconversion.

## 2.5 Distributions

- A. The Account Holder is not required to take distributions from a Roth IRA during his or her lifetime. The Beneficiary must take distributions as outlined in Paragraphs F through J of this Section 3.5.
- B. Distributions that are not included in income are:
  - Qualified distributions,
  - Return of excess contributions (but returned earnings are included in income),
  - Rolled over to another Roth IRA.

A qualified distribution is a distribution of assets from the Roth IRA that meet the following requirements:

1. It is made after the 5 (five) year period beginning with the first taxable year for which a contribution was made to any Roth IRA set up for the Account Holder's benefit, and,
2. The distribution is:
  - Made on or after the date the Account Holder reaches age 59½,
  - Made because the Account Holder is disabled,
  - Made to a Beneficiary after the Account Holder's death, or
  - Meets the requirements for the purchase of a first home.

If a distribution is not a qualified distribution, the earnings on the Roth IRA contributions will be taxable.

- C. Withdrawals of excess contributions and the earnings on them before the due date of your tax return (including extensions) are not qualified distributions. The earnings are taxable in the year for which the contribution was made and may be subject to a 10 percent early distribution penalty.
- D. Distributions that are not qualified distributions may be partially taxable. The tax treatment of these withdrawals and the earnings thereon must be withdrawn according to the order and aggregation rules as outlined in Code Section 408A(d)(F)(4).
- E. The taxable portion of other withdrawals that are not qualified distributions are subject to the additional tax on premature distributions, unless an exception applies.

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- F.** Upon the death of the Account Holder, his or her Roth IRA will be distributed at least as rapidly as follows:
1. If the designated Beneficiary is someone other than the Account Holder's surviving Spouse, the entire interest will be distributed, starting by December 31 of the calendar year following the calendar year of the Account Holder's death, over the remaining life expectancy of the designated Beneficiary, with such life expectancy determined using the age of the designated Beneficiary as of his or her birthday in the year following the year of the Account Holder's death, or, if elected, in accordance with paragraph F.3 below.
  2. If the Account Holder's sole designated Beneficiary is the Account Holder's surviving Spouse, the entire interest will be distributed, starting by December 31 of the calendar year following the calendar year of the Account Holder's death (or by December 31 of the calendar year in which the Account Holder would have attained age 70½, if later), over such Spouse's life expectancy, or, if elected, in accordance with paragraph F.3 below. If the surviving Spouse dies before distributions are required to begin, the remaining interest will be distributed, starting by the end of the calendar year following the calendar year of the Spouse's death, over the Spouse's designated Beneficiary's remaining life expectancy determined using such Beneficiary's age as of his or her birthday in the year following the death of the Spouse, or, if elected, will be distributed in accordance with paragraph F.3 below. If the surviving Spouse dies after distributions are required to begin, any remaining interest will be distributed over the Spouse's remaining life expectancy determined using the Spouse's age as of his or her birthday in the year of the Spouse's death.
  3. If there is no designated Beneficiary, or if applicable by operation of paragraph F.1 or F.2 above, the entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Account Holder's death (or of the Spouse's death in the case of the surviving Spouse's death before distributions are required to begin under paragraph F.2 above).
  4. The amount to be distributed each year under paragraph F.1 or F.2 is the quotient obtained by dividing the value of the Roth IRA as of the end of the preceding year by the remaining life expectancy specified in such paragraph. Life expectancy is determined using the Single Life Table in Q&A-1 of Section 1.401(a)(9)-9 of the Treasury Regulations. If distributions are being made to a surviving Spouse as the sole designated Beneficiary, such Spouse's remaining life expectancy for a year is the number in the Single Life Table corresponding to such Spouse's age in the year. In all other cases, remaining life expectancy for a year is the number in the Single Life Table corresponding to the Beneficiary's age in the year specified in paragraph F.1 or F.2 and reduced by 1 for each subsequent year.
  5. The value of the Roth IRA includes the amount of any outstanding rollover, transfer, and recharacterization under Q&As-7 and -8 of Section 1.408-8 of the Treasury Regulations.
- G.** If the Beneficiary has not made an election by December 31 of the year following the year of the Account Holder's death, the Trustee reserves the right to distribute the assets in any one of the following ways:
- Pay the entire value of the account to the Beneficiary in a lump sum, or
  - Pay the entire value of the account by December 31 of the fifth year following the year of the Account Holder's death, or
  - Pay the amount over the life expectancy of the Beneficiary.
- In the case of a payment made over the Beneficiary's life expectancy, the amount shall be figured using the Beneficiary's age on December 31 of the year distributions will begin and using the fair market value of the account on December 31 of the year prior to the year distributions will begin. Life expectancy shall be determined using the Single Life Table in Q&A-1 of Section 1.401(a)(9)-9 of the Treasury Regulations. If the Beneficiary is the Account Holder's Spouse, the life expectancy will be recalculated and is irrevocable when payment has been made. The Trustee will have no liability regarding payments under this paragraph G.
- H.** If a distribution to a Beneficiary is not a qualified distribution, it is generally included in the Beneficiary's income in the same manner as a distribution to the Account Holder when the Account Holder was alive (see Section 3.5(D) above).
- I.** Distributions from other Roth IRAs cannot be substituted for payments from this Roth IRA unless the other Roth IRA was inherited from the same decedent.
- J.** If the sole Beneficiary of the account is the Account Holder's Spouse, the account will be treated as if the surviving Spouse elected to treat it as his or her own in the event that the surviving Spouse fails to take a distribution by the required time or makes a contribution, rollover, or conversion to the account.

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## 3. Traditional IRAs

References to IRAs in this Article refer only to Traditional IRAs unless noted otherwise.

### 3.1 Eligibility

- A. An eligible individual is any Account Holder who received Compensation for services (including earned income of a self-employed individual) during the taxable year and is under age 70½. An individual making a rollover contribution (as permitted by Code Sections 402(c), 402(e)(6), 403(a)(4), 403(b)(8), 403(b)(10), 408(d)(3), and 457(e)(16) or an employer contribution to a Simplified Employee Pension as defined in Code Section 408(k) is also an eligible individual, regardless of age.
- B. As a condition of establishing or maintaining a Traditional IRA, the Account Holder will be required to consent to the terms and conditions of this Trust, as may be amended from time to time in accordance with Section 4.7.

### 3.2 Contributions

- A. Each taxable year, the Account Holder may contribute on a periodic basis to this Trust an amount not to exceed the lesser of one-hundred percent (100%) of compensation or the applicable contribution limit. A qualified rollover contribution or a contribution made in accordance with the terms of a Simplified Employee Pension (SEP) as described in Code Section 408(k) do not apply toward the contribution limit.

If the Account Holder is under age 50, the applicable contribution limit is \$5,500 for any taxable year beginning in 2015 and years thereafter.

If the Account Holder is 50 or older, the applicable contribution limit is \$6,500 for any taxable year beginning in 2015 and years thereafter.

After 2015, the applicable limits in the paragraphs above will be adjusted by the Secretary of the Treasury for cost-of-living increases under Code Section 219(b)(5)(D). Such adjustments will be in multiples of \$500. However, notwithstanding the preceding limits on contributions, an Account Holder may make additional contributions or rollovers specifically authorized by statute – such as repayments of qualified reservist distributions, repayments of certain plan distributions made on account of a federally declared disaster, and rollover of certain amounts received in connection with the Exxon Valdez litigation.

- B. No amounts made under a SIMPLE IRA plan established by any employer pursuant to Code Section 408(p) will be accepted into this Trust. Also, no transfer or rollover of funds attributable to contributions made by a particular employer under its SIMPLE IRA plan will be accepted from a SIMPLE IRA, that is, an IRA used in conjunction with a SIMPLE IRA plan, prior to the expiration of the 2-year period beginning on the date the Account Holder first participated in the SIMPLE IRA plan.
- C. If this is an inherited IRA within the meaning of Code Section 408(d)(3)(C), no contributions will be accepted.
- D. The contribution limit to this Traditional IRA is also reduced by the amount of contributions made by the Account Holder to a Roth IRA.
- E. No contributions can be made to this Trust in or after the taxable year during which the Account Holder reaches age 70½.

### 3.3 Rollovers

- A. **Qualified Rollover Contribution.** The total cash contributions are limited as described in Section 3.2 above unless the contribution is a “qualified rollover contribution” as described in Code Sections 402(c), 402(e)(6), 403(a), 403(b)(8), 403(b)(10), 408(d)(3), and 457(e)(16) or an employer contribution to a SEP described in Code Section 408(k).
- B. This Trust will accept rollovers of qualified rollover contributions provided they are deposited within 60 days of the date distributed from the previous IRA or eligible retirement plan and provided that they otherwise satisfy the requirements.
- C. If this Trust or an individual's IRA forming part of the employer's retirement trust has been disqualified because the Account Holder and/or the Beneficiary engaged in a prohibited transaction as defined in Section 406 of the Act, then such individual's account may not be rolled over to another IRA.
- D. Only cash or property from a plan as described above may be rolled over from such plan to this Trust.

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## 3.4 Distributions

- A. Taxable amounts distributed from a Traditional IRA and not rolled over into another Traditional IRA or plan as described in Code Section 408(d)(3), are subject to a 10 percent early distribution penalty tax as described in Code Section 72(t)(2), unless an exception applies. The Code Section 72(t)(2) exceptions are distributions that are made:
- After the Account Holder attains age 59½,
  - After the death of the Account Holder,
  - Due to disability as defined in Code Section 72(m)(7),
  - As part of a series of substantially equal and periodic payments that are not less frequently than annually and made over the life expectancy of the Account Holder or the Account Holder and his or her Beneficiary,
  - For certain first time home buyers,
  - For certain higher education expenses,
  - In situations that qualify for special disaster relief provided by the IRS or federal tax law,
  - On account of a tax levy under Code Section 6331, or
  - Distributions made under Code Section 72(t)(2)(B) (certain medical expenses), Code Section 72(t)(2)(C) (qualified domestic relation orders), and 72(t)(2)(D) (distributions to unemployed individuals for health insurance premiums) may also be exempt from the ten percent (10%) penalty.
- B. Notwithstanding any provision of this IRA to the contrary, the distribution of the Account Holder's interest in the account shall be made in accordance with the requirements of Code Section 408(a)(6) and the regulations thereunder, the provisions of which are herein incorporated by reference. If distributions are made from an annuity contract purchased from an insurance company, distributions thereunder must satisfy the requirements of Q&A-4 of Section 1.401(a)(9)-6 of the Treasury Regulations, rather than sections C, E, and K below. If this is an inherited IRA within the meaning of Code Section 408(d)(3)(C), the preceding sentence and paragraphs C, E and K below do not apply.
- C. The Account Holder's entire interest in the Traditional IRA must be distributed or begin to be distributed by the Account Holder's Required Beginning Date (which is April 1 of the year following the calendar year in which the Account Holder reaches age 70½) and over the life of such Account Holder or the lives of such Account Holder and his or her designated Beneficiary. A distribution must be made on or before December 31 for each succeeding year.
- D. The Account Holder may elect to receive a distribution of the balance of the Trust at any time, upon written notice to the Trustee. This is true even if distributions have begun in accordance with one of the above options.
- E. The amount that must be distributed each year, beginning with the calendar year for which distributions are required and continuing through the year of the Account Holder's death, is obtained by dividing the IRA account balance on December 31 of the previous year by the distribution period in the Uniform Lifetime Table in Q&A-2 of Section 1.401(a)(9)-9 of the Treasury Regulations, using the Account Holder's age as of his or her birthday in the year. However, if the Account Holder's sole designated Beneficiary is his or her surviving Spouse and such Spouse is more than 10 years younger than the Account Holder, then the distribution period is determined under the Joint and Last Survivor Table in Q&A-3 of Section 1.401(a)(9)-9 using the ages as of the Account Holder's and Spouse's birthdays in the year.
- F. If in any taxable year after the Account Holder turns age 70½, the Account Holder fails to withdraw the required minimum distribution from the IRA, a 50 percent non-deductible penalty may be imposed by the IRS on the difference between the amount that should have been distributed and the amount actually distributed.
- G. If an Account Holder has multiple IRAs, then the Account Holder must determine the required minimum distribution amount for each IRA, however the minimum amounts can be totaled together and the total taken from any one or more of the IRAs in accordance with Q&A-9 of Section 1.408-8 of the Treasury Regulations.
- H. If the Account Holder fails to receive any of the distributions described above before the first day of April following the calendar year in which the age of 70½ is reached, then the Trustee reserves the right to pay out the balance of the account in a single sum payment.
- I. Distributions in excess of the required minimum payment cannot be used as a credit when figuring a subsequent year's required minimum distribution.

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- J.** If the Account Holder has not requested a required minimum distribution payment from his or her IRA for a year such payment is required, the Trustee may do any one of the following:
- Assume the Account Holder is taking his or her required minimum distribution from another Traditional IRA and make no payment from this IRA until the Account Holder provides payment direction,
  - Pay the entire IRA to the Account Holder in a lump sum payment, or
  - Calculate the required minimum distribution and pay that amount to the Account Holder.

The Trustee will have no liability regarding any decision made or action taken under this paragraph J.

- K.** If the Account Holder dies before the entire interest in the IRA is distributed, the remaining interest will be distributed as follows:

1. Death on or after Required Beginning Date: If the Account Holder dies on or after the Required Beginning Date, the remaining portion of his or her interest will be distributed as least as rapidly as follows:
  - a. If the designated Beneficiary is someone other than the Account Holder's surviving Spouse, the remaining interest will be distributed over the remaining life expectancy of the designated Beneficiary, with such life expectancy determined using the designated Beneficiary's age as of his or her birthday in the year following the year of the Account Holder's death, or over the period described in paragraph (a)(3) below if longer.
  - b. If the Account Holder's sole designated Beneficiary is the Account Holder's surviving Spouse, the remaining interest will be distributed over such Spouse's life expectancy or over the period described in paragraph (a)(3) below if longer. Any interest remaining after such Spouse's death will be distributed over such Spouse's remaining life expectancy using the Spouse's age as of his or her birthday in the year of the Spouse's death, or, if the distributions are being made over the period described in paragraph (a)(3) below, over such period.
  - c. If there is no designated Beneficiary, or if applicable by operation of paragraph (a)(1) or (a)(2) above, the remaining interest will be distributed over the Account Holder's remaining life expectancy determined in the year of the Account Holder's death.
  - d. The amount to be distributed each year under paragraphs (a)(1), (2), or (3), beginning with the calendar year following the calendar year of the Account Holder's death, is the quotient obtained by dividing the value of the IRA as of December 31 of the preceding year by the remaining life expectancy specified in such paragraph. Life expectancy is determined using the Single Life Table in Q&A-1 of Section 1.401(a)(9)-9 of the Treasury Regulations. If distributions are being made to a surviving Spouse as the sole designated Beneficiary, such Spouse's remaining life expectancy for a year is the number in the Single Life Table corresponding to such Spouse's age in the year. In all other cases, remaining life expectancy for a year is the number in the Single Life Table corresponding to the Beneficiary's or Account Holder's age in the year specified in paragraphs (a)(1), (2), or (3) and reduced by 1 for each subsequent year.
2. Death before Required Beginning Date: If the Account Holder dies before the Required Beginning Date, the entire remaining interest must be distributed at least as rapidly as follows:
  - a. If the designated Beneficiary is someone other than the Account Holder's surviving Spouse, the entire interest will be distributed, starting by December 31 of the calendar year following the year of the Account Holder's death, over the remaining life expectancy of the designated Beneficiary, with such life expectancy determined using the age of the Beneficiary as of his or her birthday in the year following the year of the Account Holder's death, or, if elected, in accordance with paragraph (b)(3) below. If this is an inherited IRA within the meaning of Code Section § 408(d)(3)(C) established for the benefit of a non-Spouse designated beneficiary by a direct trustee-to-trustee transfer from a retirement plan of a deceased individual under Code Section § 402(c)(11), then, notwithstanding any election made by the deceased individual pursuant to the preceding sentence, the non-Spouse designated beneficiary may elect to have distributions made under this paragraph (b)(1) if the transfer is made no later than the end of the year following the year of death.



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- b. If the Account Holder's sole designated Beneficiary is the Account Holder's surviving Spouse, the entire interest will be distributed, starting by December 31 of the calendar year following the calendar year of the Account Holder's death (or by December 31 of the calendar year in which the Account Holder would have attained age 70½ if later), over such Spouse's life expectancy, or, if elected, in accordance with paragraph (b)(3) below. If the surviving Spouse dies before distributions are required to begin, the remaining interest will be distributed, starting by December 31 of the calendar year following the calendar year of the Spouse's death, over the Spouse's designated Beneficiary's remaining life expectancy determined using such Beneficiary's age as of his or her birthday in the year following the death of the Spouse, or, if elected, will be distributed in accordance with paragraph (b)(3) below. If the surviving Spouse dies after distributions are required to begin, any remaining interest will be distributed over the Spouse's remaining life expectancy determined using the Spouse's age as of his or her birthday in the year of the Spouse's death.
  - c. If there is no designated Beneficiary, or if applicable by operation of paragraph (b)(1) or (b)(2) above, the entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Account Holder's death (or of the Spouse's death in the case of the surviving Spouse's death before distributions are required to begin under paragraph (b)(2) above).
  - d. The amount to be distributed each year under paragraph (b)(1) or (2) is the quotient obtained by dividing the value of the IRA as of December 31 of the preceding year by the remaining life expectancy specified in such paragraph. Life expectancy is determined using the Single Life Table in Q&A-1 of Section 1.401(a)(9)-9 of the Treasury Regulations. If distributions are being made to a surviving Spouse as the sole designated Beneficiary, such Spouse's remaining life expectancy for a year is the number in the Single Life Table corresponding to such Spouse's age in the year. In other cases, remaining life expectancy for a year is the number in the Single Life Table corresponding to the Beneficiary's age in the year specified in paragraph (b)(1) or (2) and reduced by 1 for each subsequent year.
- 3. The value of the IRA includes the amount of any outstanding rollover, transfer, and recharacterization under Q&As-7 and -8 of section 1.408-8 of the Treasury Regulations.
  - 4. If the sole designated Beneficiary is the Account Holder's surviving Spouse, the Spouse may elect to treat the IRA as his or her own IRA. This election will be deemed to have been made if such surviving Spouse makes a contribution to the IRA or fails to take required distributions as a Beneficiary.
- L. The required minimum distributions payable to a designated Beneficiary from this IRA may be withdrawn from another IRA the beneficiary holds from the same decedent in accordance with Q&A-9 of Section 1.408-8 of the Treasury Regulations.
  - M. If the Beneficiary has not made an election by December 31 of the year following the year of the Account Holder's death, the Trustee reserves the right to distribute the assets in any one of the following ways:
    - Pay the entire value of the account to the Beneficiary in a lump sum, or
    - Pay the entire value of the account by December 31 of the fifth year following the year of the Account Holder's death, or
    - Pay the amount over the life expectancy of the Beneficiary.
- In the case of a payment made over the Beneficiary's life expectancy, the amount shall be figured using the Beneficiary's age on December 31 of the year distributions will begin and using the fair market value of the account on December 31 of the year prior to the year distributions will begin. If the Beneficiary is the Account Holder's Spouse, the life expectancy will be recalculated and is irrevocable when payment has been made. The Trustee will have no liability regarding payments under this paragraph M.
- N. Distributions under these Paragraphs B through M are considered to have begun if the distributions are made because the Account Holder has reached his or her Required Beginning Date. If the Account Holder received distributions before the Required Beginning Date and the Account Holder dies, distributions will not be considered to have begun.



**4. Traditional and Roth IRAs**

The following provisions apply to both Traditional IRAs and Roth IRAs

**4.1 Contributions**

- A. Contributions must be made in cash. The Account Holder will specify the investment to be made for all such contributions. All contributions received, together with the income therefrom, and any other increment thereon will be held, and administered by the Trustee pursuant to the terms of this Trust without distinction between principal and income and without liability for the payment of interest thereon. The Trustee will not be responsible for the computation and collection of any contributions under the Trust and will be under no duty to determine whether the amount of any contributions is in accordance with the Trust.
- B. Except in the case of a rollover contribution as described in Sections 2.3 (Roth IRA) and 3.3, (Traditional IRA), Conversion Contributions as described in Section 2.2 and Recharacterizations as described in Section 2.4, the Trustee will accept only cash and will not accept contributions on behalf of the Account Holder in excess of \$5,500 or such limits as may be prescribed by law for any taxable year. In the case of a SEP as described in Code Section 408(k), the Trustee will not accept employer contributions on behalf of the Account Holder in excess of \$52,000 or such limits as may be prescribed by law for that taxable year.
- C. Contributions made to this Trust by the Account Holder will be made to, or for the account, not later than April 15 of the year following the year to which the contribution relates. Contributions by an employer to a SEP must be made no later than three and one half months after the close of the Trust year.
- D. Contributions made to this Trust by or for the Account Holder will be fully vested and nonforfeitable at all times. Neither the Account Holder nor the Beneficiary may pledge, sell, or transfer any part of the account, except as provided by law and this Trust Agreement.
- E. The Account Holder will direct the Trustee with respect to the investment of all contributions and the earnings thereon under the Trust. Such direction will be limited to securities obtainable through the brokerage firm designated in the Application (or any other stockbroker selected by the Account Holder and approved by the Trustee) for reinvestment in accordance with the instructions of the Account Holder. Notwithstanding the above, the Account Holder may direct contributions and earnings to be placed in a savings account or a Certificate of Deposit with an institution approved by the Trustee. The Trustee in its discretion reserves the right to return contributions received without the proper investment instructions to the payer or deposit such contributions to a money market account of the Trustee's choice. See Section 4.5 below for Investments and Administration.
- F. If the Account Holder makes a contribution to this Trust which exceeds the amounts allowed to be contributed under the applicable type of IRA, or such limits as may be prescribed by law and it is deemed that any portion of such contribution which exceeds the applicable limits is not deductible for federal income tax purposes, then the non-deductible portion may be withdrawn by the Account Holder. Such withdrawal must be made prior to the date on which the Account Holder is required to file his or her federal income tax return.
- G. Any income earned on the non-deductible portion of such contributions must be withdrawn by the Account Holder at the same time as indicated in paragraph F, above.

**4.2 Rollovers**

- A. Partial rollovers from this Trust to another IRA meeting the requirements of Code Section 408(a) or to an Annuity contract meeting the requirements of Code Section 408(b), or a Roth IRA meeting the requirements of Code Section 408A, are permitted to be made once a year in accordance with the provisions of Code Section 408(d).
- B. The Account Holder may rollover or transfer the entire interest in a Traditional IRA to another Individual Retirement Trust or custodial agreement meeting the requirements of Code Section 408(a) or to an Annuity contract meeting the requirements of Code Section 408(b), or a Roth IRA meeting the requirements of Code Section 408A.
- C. The above described rollover(s) must be completed within sixty (60) days after the day on which the Account Holder receives the payment or distribution from the IRA or in such time frames as prescribed by law.

**4.3 Distributions**

- A. Subject to, and in accordance with other provisions in this Trust, the Trustee will from time to time on the written directions of the Account Holder (or after the Account Holder's death, the Beneficiary) make distributions out of the Trust to such individuals, in such manner, in such amounts, and for such purposes as may be specified in such written directions.

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## 4.3 Distributions

- A. Subject to, and in accordance with other provisions in this Trust, the Trustee will from time to time on the written directions of the Account Holder (or after the Account Holder's death, the Beneficiary) make distributions out of the Trust to such individuals, in such manner, in such amounts, and for such purposes as may be specified in such written directions.
- B. The Trustee will not be liable for the proper application of any part of the Trust if distributions are made in accordance with the written directions of the Account Holder (or Beneficiary) as herein provided, nor will the Trustee be responsible for the adequacy of the Trust to meet and discharge any and all distributions and liabilities.
- C. All requests for withdrawals will be in writing and in a form acceptable to the Trustee. A withholding election and the tax identification number of the recipient will be provided to the Trustee before the Trustee makes a payment. All payments are subject to applicable taxes and penalties. If no withholding election is provided to the Trustee, taxes will be withheld in accordance with applicable laws.
- D. The Account Holder may transfer his or her interest in whole or in part, under a divorce decree, dissolution of marriage, or a written instrument incident to such divorce or dissolution. The Account Holder shall promptly notify the Trustee of such transfer by providing a certified copy of such decree or true copy of such written instrument to the Trustee.

## 4.4 Designation of Beneficiary

- A. The Account Holder shall designate a Beneficiary on the IRA application. The Account Holder may change the Beneficiary designation by filing a written notice with the Trustee in such manner as the Trustee deems acceptable. Changes to the Beneficiary designation must be received by the Trustee during the Account Holder's lifetime and are considered valid when they have been received and accepted by the Trustee.
- B. The Beneficiary will be entitled to the Account Holder's interest in the event of the Account Holder's death before the complete distribution of the entire interest. If the Account Holder named multiple Beneficiaries, the Beneficiaries will receive the designated portion of the Account Holder's interest.
- C. Unless the Account Holder designates in writing how distributions are to be paid, the interest in the account will be paid equally to all primary Beneficiaries, or contingent Beneficiaries if all primary Beneficiaries have died before the Account Holder.
- D. If the designation of a Beneficiary has not been made by the Account Holder at the time of the Account Holder's death, the Beneficiary shall be the Spouse of the Account Holder, or if there is no Spouse living at the time of the Account Holder's death, the Beneficiary will be the estate of the Account Holder.
- E. If the Beneficiary designated to receive payments is a minor child or declared incapacitated or incompetent by the court, the Trustee may make such payment to a court appointed guardian or legally appointed representative. The receipt of such payment by such individual shall be a full and complete discharge to the Trustee for any sums so paid.
- F. If the Trustee is unable to make a payment to a Beneficiary within six months after any such payment is due because the Trustee cannot ascertain the whereabouts or the identity of the Beneficiary by mailing to the last known address shown on the Trustee's records and such Beneficiary has not written claim for such payment before the expiration of said six-month period, then the Trustee may deposit the Beneficiary's funds in a savings account or money market mutual fund established in the name of the Beneficiary.
- G. Upon the death of the Account Holder, the Beneficiary may designate his or her own Beneficiary to receive any remaining assets in the account in the event the Beneficiary dies before a total distribution of the interest in the account occurs. Payments to the Beneficiary's Beneficiary must continue at least as rapidly as they would have been to the original Beneficiary.
- H. A designated Beneficiary may disclaim his or her interest in the account provided the disclaimer is in a form acceptable to the Trustee and complies with Code Section 2518(b).
- I. A Beneficiary is responsible for paying any fees, expenses, or taxes of the Trust in the same manner and time frame as if they were the original Account Holder.
- J. If the Beneficiary of the account is the Spouse (designated either by name or relationship or both), the dissolution, annulment or other legal termination of the Account Holder's marriage will automatically revoke such designation. An Account Holder may designate a former Spouse as a Beneficiary on a form executed following the date the Account Holder's marriage legally terminated, provided the beneficiary designation otherwise satisfies the requirements of this Trust.

# Self-Directed Individual Retirement Trust Agreement

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- K. In the event of a dispute between two or more beneficiaries, the Trustee retains the right to apply to a court of competent jurisdiction for judicial settlement or to arbitration pursuant to Section 4.8(F). All fees and expenses incurred by the Trustee in connection with such action will be deducted from the assets of the Trust after reasonable notice is given to the beneficiaries. Such fees and expenses do not have to be approved by the court or an arbitrator.

## 4.5 Investments and Administration

The Trustee shall have the power and authority in the administration of this Trust to do all acts, including by way of illustration, but not in limitation of the powers conferred by law, the following:

- A. Pursuant to the Account Holder's written directions (or those of the Account Holder's agent, if applicable) and notwithstanding any provision to the contrary in this Agreement, to invest and reinvest all or any part of the Trust in (i) cash, cash equivalents, exchange traded debt or equity securities (including options thereon and collectively defined as securities), mutual fund shares, savings media, and any other investment for the Trust under applicable law, to the extent they are not prohibited by Code Section 408(m) and the regulations thereunder, and (ii) with respect to which the Trustee agrees to provide Trust services. The allowable investments shall include, without limitation, any options on any security that may be held by the Trust under this Agreement and applicable law which is obtainable through the Brokerage Firm designated in the Application, either "over the counter" or on a recognized exchange. Any and all such investments and reinvestments must be acceptable to the Trustee without any duty on the part of the Trustee to diversify the investments or to make inquiry with regard to the investments or the written directions. The Trustee may absolutely rely on such written directions for the Account Holder that the Trustee believes to be genuine and will be fully protected in doing so;
- B. To hold part or all of the Trust account uninvested or, pursuant to directions of the Account Holder to place the same in savings, share, and/or money market accounts, and various certificates of deposits (CDs) approved by the Trustee with an institution approved by the Trustee. However, the Trustee may, but need not, establish a program under which cash deposits in excess of a minimum set by it will periodically be invested in savings, share, and/or money market accounts, and various certificates of deposits (CDs) approved by the Trustee with an institution approved by the Trustee without direction of the Account Holder or his or her agent and the terms of any such program may be determined and altered at the discretion of the Trustee;
- C. To employ suitable agents and counsel and to pay their reasonable expenses and compensations;
- D. Pursuant to the Account Holder's written directions or agent, to write covered listed call options against existing positions and to liquidate or close such option contracts and the purchase of put options on existing long positions (the same securities cannot be used to simultaneously cover more than one position), to exercise conversion privileges or rights, to subscribe for additional securities and to make payments therefore;
- E. Pursuant to the Account Holder or agent's written directions, and subject to Section 4.5(C), to consent to or participate in dissolutions, reorganizations, consolidations, mergers, sales, leases, mortgages, transfers or other changes affecting securities held by the Trustee;
- F. To leave any securities or cash for safekeeping or on deposit, with or without interest, with such banks, brokers and other custodians as the Trustee may select, and to hold any securities in bearer form or in the name of the banks, brokers and other custodians or in the name of the Trustee without qualification or description or in the name of any nominee;
- G. To invest contributions for Account Holder through the facilities of the Brokerage Firm designated in the Application (or equivalent facilities maintained by any other stockbroker or investment agent selected by the Account Holder and administratively pre-approved by the Trustee);
- H. The Brokerage Firm named in the Application is designated by the Account Holder with authority to provide the Trustee with instructions, via confirmations or otherwise, implementing his or her directions to the Brokerage Firm to purchase and sell securities for his or her account. Before the entry of any orders to purchase or sell securities in this account, the Account Holder shall approve beforehand all such orders and direct the Brokerage Firm to implement his or her instructions. The Account Holder authorizes the Trustee to honor trades within his or her account without obligation to verify prior authorizations of such trades. The Brokerage Firm shall receive advices of available cash in this account and shall forward confirmation of purchases and sales to the Trustee. Selling short, and executing purchases in an amount greater than available cash are prohibited transactions. Investments in life insurance and collectibles are not permitted. No assets will be commingled. All investments outside of the brokerage account shall be accompanied by additional written instructions. Except as provided in Section 4.5(A), investments in offshore entities, foreign securities, and insurance contracts are not permitted under this Trust;
- I. Except with respect to Paragraph R below or Section 4.6, and notwithstanding anything to the contrary contained in this Trust, the Trustee shall not make any investment or dispose of any investment held in the Trust, except upon the direction of the Account Holder or his or her agent;

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- J. The Trustee shall be under no duty to question any such direction of the Account Holder or his or her agent, to review any securities or other property held in the Trust, or to make suggestions to the Individual with respect to the investment, retention, or disposition of any assets held in the Trust. The Account Holder hereby agrees to indemnify the Trustee and hold it harmless from and against any claim or liability which may be asserted against the Trustee by reason of its acting or not acting pursuant to any direction from the Account Holder or his or her agent or failing to act in the absence of any such direction;
- K. In accordance with Section 404(c) under the Act and being that the Account Holder exercises control over his or her assets in this Trust which provides for his or her account such Account Holder or their Beneficiary shall not be deemed to be a fiduciary by reason of such exercise, and no person who is otherwise a fiduciary shall be liable under this Trust for any loss, or by reason of any breach, which results from such Account Holder's exercise of control;
- L. The Account Holder may appoint in writing an Investment Manager or Managers to manage (including power to acquire and dispose of) any assets of this Trust. Any such Investment Manager shall be registered as an Investment Adviser under the Investment Advisers Act of 1940 ("1940 Act"). If investment of the Trust is to be directed by an Investment Manager, the Account Holder shall deliver to the Trustee a copy of the instruments appointing the Investment Manager and evidencing the Investment Manager's acceptance of such appointment, an acknowledgment by the Investment Manager that it is a fiduciary of the Trust, and a certificate evidencing the Investment Manager's current registration under the 1940 Act. The Trustee shall be fully protected in relying upon such instruments and certificate until otherwise notified in writing by the Account Holder;

The Trustee shall follow the directions of the Investment Manager regarding the investment and reinvestment of the Trust, or such portion thereof as shall be under management by the Investment Manager. The Trustee shall be under no duty or obligation to review any investment to be acquired, held or disposed of pursuant to such directions nor to make any recommendations with respect to the disposition or continued retention of any such investment or the exercise or non-exercise of the powers. Therefore, and in accordance with Section 405 (d) (1) under the Act, the Trustee shall have no liability or responsibility for acting or not acting pursuant to the direction of, or failing to act in the absence of any direction from, the Investment Manager, unless the Trustee knows that by such action or failure to act it would be itself committing or participating in a breach of fiduciary duty by the Investment Manager. The Account Holder hereby agrees to indemnify the Trustee and hold it harmless from and against any claim or liability which may be asserted against the Trustee by reason of its acting or not acting pursuant to any direction from the Investment Manager or failing to act in the absence of any such direction.

The Investment Manager at any time and from time to time may issue orders for the purchase or sale of securities directly to a broker; and in order to facilitate such transaction, the Trustee upon written request shall execute and deliver appropriate trading authorizations. Written notification of the issuance of each such order shall be given promptly to the Trustee by the Investment Manager, and the execution of each such order shall be confirmed by written advice via confirms or otherwise to the Trustee by the broker.

In the event that an Investment Manager should resign or be removed by the Account Holder, the Account Holder shall manage the investments pursuant to the terms of this Trust unless and until the Trustee shall be notified of the appointment of another Investment Manager with respect thereto as provided in this Paragraph L.

The Trustee shall be under no duty to question any such direction of the Account Holder or Investment Manager to review any securities or other property held in the Trust or to make suggestions to the Account Holder or Investment Manager with respect to the investment, retention, or disposition of any assets held in the Trust.

- M. Notwithstanding anything herein contained to the contrary, the Trustee shall not lend any part of the corpus or income of the Trust to: pay any compensation for personal services rendered to the Trust; to make any part of its services available on a preferential basis to, or acquire for the Trust any property, other than cash, from or sell any property to any Account Holder, or to any member of an Account Holder's family, or to a corporation controlled by any Account Holder through the ownership, directly or indirectly, of 50 percent or more of the total combined voting power of all classes of stock entitled to vote or 50 percent or more of the total value of shares of all classes of stock of such corporation;

All contributions made by the Account Holder and all investments made with such contributions and the earnings thereon shall be credited to an account maintained for the Account Holder by the Trustee. Such account shall reflect the amounts contributed by the Account Holder;

# Self-Directed Individual Retirement Trust Agreement

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- N.** Within ninety (90) days from the close of each Trust Year, the Trustee shall render an accounting, valuing the assets at fair market value, to the Account Holder. The accounting may consist of copies of regularly issued broker-dealer statements to the Trustee and copies of mutual fund, insurance company, and other investment summary account statements supplied to the Trustee, upon which the Trustee is entitled to rely. The Account Holder must file any exceptions or objections to the accounting with the Trustee in writing, within sixty (60) days of the mailing of such accounting. In the absence of such filing, the Account Holder shall be deemed to have approved such account; and in such case, or upon the written approval of the Account Holder of any such account, the Trustee shall be released, relieved and discharged with respect to all matters and things set forth in such account as though such account had been settled by the decree of a court of competent jurisdiction. No person other than the Account Holder may require an accounting or bring any action against the Trustee with respect to the Trust or its actions as Trustee.

The Trustee shall have the right at any time to apply to a court of competent jurisdiction for judicial settlement of its accounts for determination of any questions of construction, which may arise, or for instructions. The only necessary party defendant to such action shall be the Account Holder, except that the Trustee may, if it so elects, bring in as a party defendant any other person or persons;

- O.** The Trustee shall be fully protected in acting upon any instrument, certificate, or paper believed by it to be genuine and to be signed or presented by the Account Holder or such proper person or persons, and the Trustee shall be under no duty to make any investigation or inquiry as to any statement contained in any such writing but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained;
- P.** The Trustee shall be under no duty to question any direction of an Account Holder or his or her agent with respect to any investments, to review or monitor any securities or other property held in Trust, or to make suggestions to the Account Holder or his or her agent with respect to investment. The Trustee will not be liable for any loss that may result by reason of investments made in accordance with the directions of an Account Holder or his or her agent;
- Q.** Whenever the services of a stockbroker or a dealer are required, the Trustee shall retain the Brokerage Firm designated by the Account Holder in the Application. If no Brokerage Firm is currently selected, the Trustee may, in its discretion, appoint another stockbroker or dealer to handle investments in securities under the Trust;
- R.** The surviving Spouse and/or Beneficiary shall be bound by this Section 4.5, including the indemnification provisions in paragraphs J and L above regarding investments and administration of their interest. Provided, however, should the Beneficiary be a minor or, in the discretion of the Trustee, of unsound mind, the Trustee may liquidate the interest of such Beneficiary and hold such interest in an interest bearing account or money market account until distributed;
- S.** To not vote in person or by proxy upon securities held by the Trustee and destroy such proxies if received by the Trustee.

## 4.6 Trustee Compensation

- A.** The Trustee shall be paid such reasonable compensation as shall from time to time be communicated to the Account Holder by the Trustee, and such compensation shall be chargeable to the Account Holder. The Account Holder hereby covenants and agrees to pay the same.
- B.** The Trustee shall charge the Account Holder any taxes paid by it which may be imposed upon the Trust or the income thereof or upon which the Trustee is required to pay, as well as all expenses of administration of the Trust, including but not limited to transaction costs, distributions, postage, commissions, fees, and reasonable attorney fees. The Account Holder hereby covenants and agrees to pay the same.
- C.** In the event the Account Holder shall at any time fail to pay the Trustee's compensation, taxes, and expenses within a reasonable time after demand for such payment has been made by the Trustee on the Account Holder, the Trustee will charge the Trust such compensation, taxes and expenses and may liquidate assets of the Trust for such purposes, as in its sole discretion, it shall determine. The custodian will and hereby agrees to collect such compensation, taxes and expenses for the Trustee as so directed by the Trustee in writing.
- D.** Notwithstanding any other provision contained in this Trust Agreement, all payments under this Section 4.6 and the liquidation of assets to obtain funds therefore may be made without the approval or direction of the Account Holder. If the Trust is not sufficient to satisfy the Trustee's compensation, fees, taxes, and expenses, then the Trustee will charge the Account Holder for such unpaid compensation, fees, taxes, and expenses.



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## 4.7 Amendment and Termination

- A. Each Account Holder who adopts this Trust delegates to the Trustee the power to amend this Trust from time to time in any respect (other than as provided in B.) without obtaining the consent or approval of the Account Holder (or Beneficiary). Any amendments will be provided to the Account Holder.

Each Account Holder shall be deemed to have consented to any and all such amendments. In addition, the Trustee may amend the fee schedule from time to time with advance notice to the Account Holder (or Beneficiary).

The Account Holder shall be permitted to revoke this Trust in writing within a period not to exceed seven (7) days after the date that the Account Holder adopted this Trust. In the event of such revocation, the Trustee will return the entire account plus any Trustee compensation, taxes and expenses as soon as practical.

- B. Neither the Account Holder nor the Trustee shall have the right to amend or terminate this Trust in such a manner as would cause or permit all or part of the entire interest of the Account Holder to be diverted for purposes other than their exclusive benefit or that of their Beneficiary. No Account Holder shall have the right to sell, assign, discount, or pledge as collateral for a loan any asset of this Trust.
- C. An Account Holder shall have the right to terminate this Trust, at any time and from time to time, by delivering to the Trustee a signed copy of a statement of termination.
- D. Either the Trustee or the Account Holder may terminate this Trust upon thirty (30) days written notice to the other. Upon removal of the Trustee by the Account Holder, the Account Holder shall appoint a successor trustee or custodian that shall have the same powers and duties as are conferred upon the Trustee hereunder and in default thereof, such successor trustee or custodian may be appointed by a court of competent jurisdiction. In the event of resignation of the Trustee, if the Account Holder fails to appoint a successor trustee or custodian and complete the transfer of assets within 30 days of the date the Trustee mails such termination notice to the last address on file for the Account Holder or the Account Holder mails such notice to the Trustee, the Trustee may in its discretion, transfer the assets to a successor trustee or custodian of its choosing or to a successor trustee or custodian as may be appointed by a court of competent jurisdiction, or liquidate and/or distribute the assets, less any amounts withheld for Trustee compensation, taxes, and expenses, to the Account Holder. The Trustee will not be responsible for any penalties, fines, taxes, or tax consequences that may result from such distribution or transfer.
- E. Upon the delivery by the resigning or removed Trustee to its successor trustee or custodian of all property of the Trust, less such reasonable amount as it shall deem necessary to provide for its compensation and any taxes and expenses or advances chargeable or payable out of the Trust, the successor trustee or custodian shall thereupon have the same powers and duties as are conferred upon the Trustee.
- F. No successor trustee or custodian shall have any obligation or liability with respect to the acts or omissions of its predecessors.
- The actual appointment and qualification of a successor trustee or custodian to whom the Trust assets may be transferred are conditions which must be fulfilled before the resignation or removal of the Trustee shall become effective. The transfer of the Trust assets shall be made coincidentally with an accounting by the resigned or removed Trustee and such resigned or removed Trustee shall endorse, transfer, convey and deliver to the successor trustee or custodian all of the funds, securities or other property then held by it under the Trust, together with such records as may be reasonably required in order that the successor trustee or custodian may properly administer the Trust.
- G. This Trust Agreement and the Trust created hereby will be terminated in the case of complete distribution of the Trust. This Trust Agreement and the Trust created hereby will also terminate at such time, as determined by the Trustee based on available information, that the investments in the Trust have no value. The Trustee will have no liability for making a no value determination.
- H. If the Trustee receives any claim to assets held in the Trust which is adverse to the Account Holder's interest or the interest of his or her Beneficiary, and the Trustee, in its absolute discretion, decides the claim is, or may be, meritorious, the Trustee may withhold distribution until the claim is resolved to its Trustee shall be entitled to reimbursement of all costs, fees and expenses, including reasonable attorney's fees, directly from the Trust assets, without the approval or direction of the Account Holder. If necessary, the Trustee may liquidate Trust assets in order to be reimbursed. As an alternative, the Trustee may deposit all or any portion of the assets in the Trust into the court. Deposit with the court shall relieve the Trustee of any further obligation with respect to the assets deposited. The Trustee has the right to be reimbursed from the funds deposited with the court for legal fees and costs incurred. Such reimbursement may be made directly from the Trust assets without approval or direction of the Account Holder. If necessary, the Trustee may liquidate Trust assets in order to be reimbursed as stated above.



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## 4.8 Miscellaneous

- A. Notwithstanding anything to the contrary contained in this Trust Agreement or in any amendment thereto, no part of the Trust other than such part as is required to pay the Trustee's compensation, taxes, and administration expenses (including the reimbursement referenced in Section 4.7 (H)), shall be used for, or diverted to, purposes other than for the exclusive benefit of the Account Holder, their Beneficiaries, or their estates. The Trust account is established for the exclusive benefit of the Account Holder or his or her Beneficiary.
- B. The Trustee shall not be liable for any act or omission made in connection with the Trust except for its intentional misconduct or negligence. Any required notice regarding the Trust will be considered effective when the Trustee mails it to the last address of the intended recipient which is contained in the Trustee's records. Any notice to be given to the Trustee will be considered effective when the Trustee actually receives it. The Account Holder and/or Beneficiaries must notify the Trustee of any change of address in a manner acceptable to the Trustee.
- C. To the extent the Trustee is engaged in any form of litigation, arbitration, or dispute resolution concerning the Trust assets or the interest of the Trust, the Trustee shall be entitled to recover all costs, fees and expenses, including reasonable attorney's fees, directly from the Trust assets, pursuant to Section 4.7(H).
- D. The terms and conditions of this Trust Agreement shall be applicable without regard to the community property laws of any state.
- E. The captions of Articles and Sections in this Trust Agreement are included for convenience only and shall not be considered a part of, or an aid to, the construction of this Trust.
- F. The Account Holder agrees that all controversies between the Account Holder and/or Beneficiaries and the Trustee and any of its officers, directors, agents or employees (present or former) concerning or arising from (i) any account maintained with the Trustee by the Account Holder; (ii) any transaction involving the Account Holder's account, whether or not such transaction occurred in such account or accounts; or (iii) the construction, performance or breach of this Trust Agreement, whether such controversy arose prior, on or subsequent to the date hereof, shall be determined by instituting a lawsuit in the county courts of Lorain County, Ohio where custodian maintains a principal place of business. The Account Holder and/or Beneficiaries agree to submit to such jurisdiction both in connection with any suit filed by an Account Holder and/or Beneficiary against the Trustee or any suit filed by the Trustee against such Account Holder and/or Beneficiary.
- G. The determination that any provision of this Trust Agreement is not enforceable in accordance with its terms in a particular jurisdiction shall not affect the validity or enforceability of the remaining provisions of this Trust Agreement generally or in any other jurisdiction or as to any other parties, but rather such unenforceable provisions shall be stricken or modified in accordance with such determination only as to such parties and this Trust Agreement, as so modified, shall continue to bind the specific parties involved therein and otherwise all other parties in unmodified form.
- H. All contributions to this Trust shall be deemed to take place in the State of South Dakota.
- I. This Trust Agreement is executed by signing the Application (in a manner acceptable to the Trustee), which may be executed in any number of counterparts, each one of which shall be deemed to be the original although the others shall not be produced.
- J. This Trust Agreement is made pursuant to and shall be construed in accordance with the laws of the State of South Dakota.
- K. The Trustee shall furnish annual calendar-year reports concerning the status of the Account and such information concerning required minimum distribution as is prescribed by the Commissioner of Internal Revenue.

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## **General Instructions**

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

### **Purpose of Form**

Form 5305 is a model trust 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 (Grantor) and the Trustee and must be completed no later than the due date (excluding extensions) of the individual's income tax return for the tax year. This account must be created in the United States for the exclusive benefit of the Grantor and his or her beneficiaries.

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

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

### **Definitions**

**Trustee.** The trustee 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 trustee.

**Grantor.** The grantor is the person who establishes the trust account.

### **Identifying Number**

The Grantor'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 may be used to establish the IRA trust account for a nonworking spouse. Contributions to an IRA trust account for a nonworking spouse must be made to a separate IRA trust account established by the nonworking spouse.



Mailing Address:  
Interactive Brokers LLC  
Attn: Retirement Dept.  
209 South LaSalle, 10<sup>th</sup> Floor  
Chicago, IL 60604  
Phone: 877-442-2757 opt. #3  
Fax: 312-984-1019  
www.interactivebrokers.com

## Schedule of Standard Trustee Fees

Effective January 1, 2012

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### Acceptance Fee

Opening the Trust account .....	\$ 25
The acceptance fee will be refunded if you revoke the Trust within seven (7) days from the date of adoption	
Service charge if acceptance fee does not accompany application .....	\$ 12

### Annual Fees

Annual Fee .....	\$ 250
Annual fees are charged on a calendar year basis and are not pro-rated. There is no percentage charge based on cumulative assets	
Late payment or directive to debit your account for Trustee fees (after 30 days) .....	\$ 10
Assets held outside the brokerage account .....	\$ 75
Investment holding fee .....	\$ 15

### Fees for Disbursement from Trust

Partial distribution .....	\$ 30
Includes refund/reallocation of excess – no cap	

### Other Charges

Transfer or termination of an existing Trust in addition to annual fees .....	\$ 100
Change in brokerage firm .....	\$ 15
Transaction requiring trustee processing .....	\$ 15
No charge for buys and sells in the brokerage account	
Processing on terminated Trust .....	\$ 25
Processing of checks or securities after the account has been closed more than 6 months	
Reissue of check over 6 months old .....	\$ 30
Returned check .....	\$ 25
Additional managed account .....	\$ 25
Investment review .....	\$ 150
Research of transaction over 6 months old per hour (minimum ½ hour) .....	\$ 80
Affidavit of loss .....	\$ 50
Never funded account, after one year .....	\$ 50
Reinstatement of closed account .....	\$ 50
Forms 2439 filing .....	\$ 50
Preparing and signing Form 990-T .....	\$ 150
Signing Form 990-T only .....	\$ 25
Outgoing wire processing .....	\$ 25
<b>Special services not otherwise provided above</b>	<b>As agreed</b>

*In the event the fees become delinquent and it becomes necessary to collect the balance through the services of a collection agency, you will be held responsible for their fees.*

**Your Trustee fees depend on the Brokerage Firm who services your account. Please check with your Brokerage Firm for all fees applicable to your account. If you transfer your account to another Brokerage Firm, you will need to obtain another schedule of fees.**