



A Division of Equity Trust Company

# HOW TO ESTABLISH A TRADITIONAL, ROTH, OR SEP SELF-DIRECTED IRA ACCOUNT UNDER THE PROGRAM IRA ARRANGEMENT FOR REALTY CAPITAL SECURITIES INVESTORS



## APPLICATION INSTRUCTIONS AND GUIDELINES

**IMPORTANT!** Sterling Trust does not investigate, sponsor, or endorse any investment product. You assume sole responsibility for the success or failure of your investments. All Sterling Trust accounts are self-directed, and you are responsible for directing the investment of assets in your account. Sterling Trust does not provide any investment advice, or recommend or evaluate the merits or suitability of an investment.

*If Sterling Trust's services were suggested by a financial representative, such person is not an agent, employee, representative, or affiliate of Sterling Trust. Sterling Trust is not responsible for and is not bound by any representations, warranties, statements or agreements made by any financial representative.*

- Section 1:** Complete the Account Holder information and choose the type of account you are opening.  
Account Holder Information
- Section 2:** If you would like to have your request expedited, choose that option here. Please designate the form of payment for processing fees.  
Expedited Processing
- Section 3:** Please designate your beneficiaries. If designating a beneficiary, all information is required to prevent a delay in processing your application. If you are currently married and live in a community or marital property state and your spouse is not being named as beneficiary, your spouse must sign consent.  
Beneficiary Designation
- Section 4:** How will you fund your account? Please choose the funding option.  
Fund your Account
- If by check, please make check payable to **Equity Trust Company**.
  - If you wish to have your IRA funds transferred from an existing IRA account held with another firm to your Sterling Trust IRA, or rolled over directly from an eligible employer-sponsored retirement plan, complete and sign the **Account Transfer Form**. If rolling over from an employer-sponsored plan, check with the plan administrator for any additional requirements.
  - If you are opening a SEP account you must include a copy of the completed **IRS Form 5305-SEP** with your **Application** regardless if a contribution is being submitted at this time. The original signed version of the **IRS Form 5305-SEP** should be retained by the employer.
  - If you are funding your account through a recharacterization (Traditional or SEP only), please submit a completed and signed **Recharacterization Form**.
  - If you wish to convert an existing **Sterling Trust Traditional IRA** to a **Sterling Trust Roth IRA**, complete and sign the **Roth Conversion Form**.



A Division of Equity Trust Company

P.O. Box 2526, Waco, TX 76702-2526  
PHONE: 800-955-3434 (option 2), 254-751-1505 (option 2)  
E-MAIL: IRAServices@SterlingTrustCompany.com

**Section 5:**  
Fees

Please choose payment options for the new account fees and your subsequent annual maintenance and special services fees.

- Your account Establishment Fee and First Year Annual Fee as shown in the **IRA Fee Schedule**. If your account will receive funds from an IRA transfer or direct rollover, include your payment of the Establishment Fee. Your First Year Annual Fee may be deducted from the transfer/rollover proceeds, provided that Sterling Trust receives these funds within 60 days of your account being established. Any fees owed after 60 days will be billed to you including late charges.

Under this Program IRA, your Establishment Fee, First-Year Annual Fee and Annual Renewal Fee will be paid by Realty Capital Securities (RCS) provided that you:

- Purchase the RCS Healthcare Trust of America or American Realty Capital investment within this IRA, and
- Hold at least one publicly-registered investment issued by Realty Capital Securities.

**May hold other publicly-registered and/or publicly traded securities which are not offered or affiliated with Realty Capital Securities.**

- If you wish to pay your fees by credit card please submit the **Credit Card Form** with your application.

**Section 6:**  
Optional  
Authorizations

These are optional features available; select only the items you wish to authorize. You may designate an Interested Third Party and/or you may opt out of telephone authorization.

**Section 7:**  
Optional  
Representative

Please complete this section if you wish to authorize your financial advisor, broker, financial planner, or other person of your choice as your Representative on your account.

**Section 8:**  
Signature,  
Acknowledgement and  
Mailing Information

Please read the account agreement. Sign and date before submitting the application. The account cannot be processed **without your signature and date**. Be sure to include the following if applicable:

- Any rollover or IRA contribution check must be made payable to **Equity Trust Company, Custodian FBO (Account Holder name) IRA**
- The Realty Capital Securities subscription document and any other investment subscription forms

Send to Sterling Trust at one of the following addresses:

**Mailing Address:** P.O. Box 2526, Waco, TX 76702-2526

**Physical Address:** 1101 Wooded Acres, Suite 120, Waco, TX 76710

**Establishment:**

Sterling Trust will establish your account and process your transfer request, if you are making one. Upon receipt of funds, Sterling Trust will execute the completed subscription document as IRA custodian and forward it with indicated purchase amount to Realty Capital Securities via USPS First Class mail unless otherwise directed. Sterling Trust requires a specific purchase amount completed on the subscription document or other attached written instructions detailing how the purchase is to be made.

**Need help?** For more information on establishing your account, please call our Client Services Group at 800.955.3434, Option 2, or e-mail [IRAServices@SterlingTrustCompany.com](mailto:IRAServices@SterlingTrustCompany.com). Please mention that you have questions about setting up an IRA for Realty Capital Securities Investors.



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**Account Acceptance**

Your account will be opened upon acceptance of your *IRA Custodial Account Agreement*, by an authorized signatory of Equity Trust Company, d.b.a. Sterling Trust ("Sterling Trust"). Sterling Trust will then process any transfer/direct rollover requests and any investment instructions you provide. Your new account number will be mailed to you along with a Welcome Packet.

**Interested Party Designation**

If you wish to authorize an additional person (other than yourself or your Representative designated in **Section 7** of the *Application*, if one has been designated) to receive duplicate copies of your account statements and to be authorized to receive other account information, please complete the Interested Party Designation information in **Section 6** of the *Application*. Transaction instructions will not be accepted by Sterling Trust from this individual.

**Account Statements and Asset Values**

Sterling Trust will issue quarterly account statements to you which reflect your account activity and investment holdings, including the uninvested cash held in an FDIC insured bank account (as described in the *Application*). You may obtain certain information regarding the rate of interest which is being paid on cash deposited in such account by referencing your quarterly account statement. You should review your statements promptly and report any discrepancies to Sterling Trust within 60 days of the ending statement date. After this time Sterling Trust shall not be liable for the discrepancy.

Your quarterly account statements may not reflect current or accurate market values for certain types of assets, particularly limited partnerships and private placement investments. If no valuation is reported by the investment sponsor, then Sterling Trust may list the value of the asset at its original acquisition cost or carry forward the last known value. Sterling Trust may reflect a valuation of zero if assets are reported by the investment sponsor as having no market value, if the investment sponsor is in bankruptcy, or if other relevant conditions exist.

**Sterling Trust's Private Placement Processing Procedure**

If you choose to hold or invest in a non-RCS affiliated private placement or nonstandard asset within this IRA, you must first convert to a Sterling Trust Flex IRA and Sterling Trust's current retail *IRA Fee Schedule* will apply.

All private placement investments and nonstandard assets must follow specific processing guidelines before Sterling will process a purchase or accept an in-kind transfer, rollover, or exchange-in of a private placement investment or nonstandard asset. **Sterling does not perform a due diligence review of any investment, and Sterling's processing your instructions to purchase a private placement or nonstandard asset shall no be construed as a favorable opinion as to the prudence, viability, merits, or suitability of the investment.**

You may obtain the Direction of Investment forms for the following types of investments by contacting our Client Services Group at **800.955.3434, ext. 5396**, by visiting Sterling's website at [www.SterlingTrustCompany.com](http://www.SterlingTrustCompany.com), or by requesting the forms by e-mail at [IRAServices@SterlingTrustCompany.com](mailto:IRAServices@SterlingTrustCompany.com).

- Private Equity Investments (Private Stocks, Limited Partnerships, Limited Liability Companies, Real Estate Investment Trusts)
- Private Debt Investments (Promissory Notes, Corporate Debt Offerings, Deeds of Trust/Mortgages, Contracts for Deed/Real Estate Contracts)
- Real Estate (cash purchases or debt-financed)
- Investment Management Agreements Sponsored by Registered Commodity Trading Advisors or Registered Investment Advisors

The above investments are subject to special asset transaction and holding fees as shown on the *IRA Fee Schedule*.



**OUR USA PATRIOT ACT DISCLOSURE**

To help the government fight the funding of terrorism and money laundering activities, Federal law (Section 326 of the USA PATRIOT Act of 2001) requires all financial institutions to obtain, verify, and record information that identifies each individual or institution who opens an account or establishes a customer relationship with Sterling Trust.

**WHAT THIS MEANS FOR YOU:**

When you open an account, Sterling Trust will ask for your name, address, date of birth and other information that will allow us to identify you. As appropriate, we may also ask to see your driver's license or other identifying documents.

This information may be compared to information obtained through third party sources, as permitted by law. If we cannot verify this information, your account may not be opened or it may be restricted and/or closed, and we will not be responsible for any losses nor damages including, but not limited to, lost opportunities, you may incur.

We thank you for your understanding and for joining us in securing a safer tomorrow.



# APPLICATION

## FOR TRADITIONAL, ROTH OR SEP ACCOUNTS

### UNDER THE PROGRAM IRA ARRANGEMENT FOR REALTY CAPITAL SECURITIES INVESTORS



#### INSTRUCTIONS AND GUIDELINES

Use this form to open a Traditional, Roth or SEP Account.

##### Account Type Summaries

- **Traditional IRA** (a tax-deferred account) - Contributions are made with pre-tax dollars and contributions can be tax deductible. Money compounds tax free until funds are withdrawn.
- **Roth IRA** (a tax-free savings plan) - Contributions are made with after-tax dollars and are **not** tax deductible. Money compounds tax free and all funds withdrawn are also tax free. Earned income must fall within the MAGI (Modified Adjusted Gross Income) limits to qualify for account.
- **SEP (Simplified Employee Pension)** - Designed for self-employed or small business owners with up to 25 employees. Plan allows for high annual contributions which are tax deductible and all money compounds tax free until funds are withdrawn. The *IRS 5305-SEP* form must also be completed in order to open this type of account.

If the Account Holder is under 18 years of age, please include with this application a copy of ID (Social Security Card or Birth Certificate).

You may fund your account through a contribution, transfer, rollover, conversion or recharacterization.

- If you are funding by a transfer, please include the completed **Account Transfer Form** and a copy of a recent statement (within 6 mos.) from the transferring account.
- If you are funding by a rollover, please ensure that your rollover is completed within 60 days of the time you took the distribution in order to avoid any taxes or penalties.
- If you are funding your account through a conversion (Roth IRA only), you will need to accompany this application with a **Roth Conversion Form**.
- If you are funding your account through a recharacterization (Traditional or SEP only), you will need to accompany this application with a **Recharacterization Form**.



#### SUBMISSION OPTIONS

##### **OVERNIGHT:**

Sterling Trust  
1101 Wooded Acres  
Suite 120  
Waco, TX 76710

##### **REGULAR MAIL:**

Sterling Trust  
P.O. Box 2526  
Waco, TX 76702-2526



#### CONTACT INFORMATION

##### **MAILING ADDRESS:**

Sterling Trust  
P. O. Box 2526  
Waco, TX 76702-2526

##### **PHYSICAL ADDRESS:**

Sterling Trust  
1101 Wooded Acres  
Suite 120  
Waco, TX 76710

##### **For assistance, please contact a Client Service Representative at:**

**Phone:**  
800-955-3434 (Option 2)  
254-751-1505 (Option 2)

**Fax:**  
254-751-0872

##### **Website:**

[www.SterlingTrustCompany.com](http://www.SterlingTrustCompany.com)

##### **Or e-mail questions to:**

[IRAServices@SterlingTrustCompany.com](mailto:IRAServices@SterlingTrustCompany.com)



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**1 ACCOUNT HOLDER INFORMATION**

LEGAL NAME (Last, First, Middle) <input type="checkbox"/> Mr. <input type="checkbox"/> Mrs. <input type="checkbox"/> Ms. <input type="checkbox"/> Dr.				<b>INTERNAL USE BOX</b> ARC/HTA
PHYSICAL STREET ADDRESS (Required - No P.O. Box)				
CITY	COUNTY	STATE	ZIP CODE	<b>ACCOUNT TYPE</b> <input type="checkbox"/> Traditional <input type="checkbox"/> Roth <input type="checkbox"/> SEP (5305 form required)
MAILING ADDRESS (If different from above - P.O. Box may be used)				
CITY	COUNTY	STATE	ZIP CODE	
SOCIAL SECURITY NUMBER	DATE OF BIRTH (MM/DD/YYYY)	COUNTRY OF CITIZENSHIP <input type="checkbox"/> USA <input type="checkbox"/> Other _____		
EMAIL ADDRESS (Important - to notify you of information pertaining to your IRA) <sup>1</sup>				
HOME PHONE NUMBER	BUSINESS PHONE NUMBER	MOBILE PHONE NUMBER		

Check box if this is a beneficiary account you have inherited from another individual  Check box if the account owner is a minor

**2 EXPEDITED PROCESSING (OPTIONAL)**

Expedited Processing Service\* (\$50.00)

Expedited processing requests will generally be completed in approximately one business day unless corrections are required.  
 \*Although the feature does not guarantee same day service, it does guarantee that your request will be processed before other non-expedited requests.

Choose a payment method:  Deduct Fee from Account  Check Enclosed  Credit Card - see attached form

**Note: Please complete the attached Credit Card Form if you wish to pay by credit card.** By completing the **Credit Card Form** you authorize Sterling Trust to charge this card for all service related fees associated with this transaction.

**3 BENEFICIARY DESIGNATION**

The following individual(s) or entity(ies) shall be my primary and/or contingent beneficiary(ies). If neither primary nor contingent is indicated, the individual or entity will be deemed to be a primary beneficiary. If more than one primary beneficiary is designated and no distribution percentages are indicated, the beneficiaries will be deemed to own equal share percentages in the IRA. Multiple contingent beneficiaries with no share percentage indicated will also be deemed to share equally.

If any primary or contingent beneficiary dies before I do, his or her interest and the interest of his or her heirs shall terminate completely, and the percentage share of any remaining beneficiary(ies) shall be increased on a prorata basis. If no primary beneficiary(ies) survives me, the contingent beneficiary(ies) shall acquire the designated share of my IRA.

**Beneficiary Designation:** I understand that I may change or add Beneficiaries at any time by completing and delivering Sterling Trust's **Change of Beneficiary form** to Sterling Trust. If you designate a trust as the beneficiary, please provide a copy of the trust. Named Beneficiaries may only be U.S. Citizens or non-U.S. Citizens that have obtained a substitute tax identification number or social security number.

Name (first, middle, last)	Date of Birth (mm/dd/yyyy)	Social Security Number	Relationship	Primary or contingent	Country(ies) of Citizenship	Share %
1.				<input type="checkbox"/> Primary <input type="checkbox"/> Contingent		
2.				<input type="checkbox"/> Primary <input type="checkbox"/> Contingent		
3.				<input type="checkbox"/> Primary <input type="checkbox"/> Contingent		

This section should be reviewed if either the trust or the residence of the IRA holder is located in a community<sup>2</sup> or marital property state and the IRA holder is married. Due to the important tax consequences of giving up one's community property interest, individuals signing this section should consult with a competent tax or legal advisor.

**CURRENT MARITAL STATUS:**  I am not married - I understand that if I become married in the future, I must complete a new **Change of Beneficiary form**.  
 I am married - I understand that if I choose to designate a primary beneficiary other than my spouse, my spouse must sign below.

**CONSENT OF SPOUSE:** I am the spouse of the aforementioned IRA holder. I acknowledge that I have received a fair and reasonable disclosure of my spouse's property and financial obligations. Due to the important tax consequences of giving up my interest in this IRA, I have been advised to see a tax professional.

I hereby give the IRA holder any interest I have in the funds or property deposited in this IRA and consent to the beneficiary designation(s) indicated above. I assume full responsibility for any adverse consequences that may result. No tax or legal advice was given to me by the Custodian.

Signature of Spouse \_\_\_\_\_

Date \_\_\_\_\_

FOR STERLING TRUST USE ONLY

Account Number \_\_\_\_\_

Event Code \_\_\_\_\_

Tracking Code \_\_\_\_\_



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**4 FUND YOUR ACCOUNT (Complete information in each section that applies)**

**AUTOMATIC ONGOING CONTRIBUTIONS - SIGN UP FOR FREE!**

I hereby authorize Equity Trust Company, to initiate debit entries to my account at the Financial Institution indicated below and for the Financial Institution to debit the same to such an account through the Automated Clearing House (ACH) system, subject to the rules of the Financial Institution.<sup>3</sup>

BANK NAME		BANK: CITY/STATE		BANK PHONE																																	
NAME ON ACCOUNT		TIMING OF DEBIT IS: Monthly		DATE OF DEBIT ( Defaults To 15 <sup>TH</sup> )	AMOUNT OF DEBIT (\$50 MINIMUM) \$																																
TYPE OF ACCOUNT (check one)		Routing Number (ABA)		Account Number																																	
<input type="checkbox"/> Checking <input type="checkbox"/> Savings		<table border="1"> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> </table>														<table border="1"> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> </table>																					

**ONE-TIME CONTRIBUTION**

CONTRIBUTION AMOUNT \$	PAYMENT METHOD <input type="checkbox"/> Credit Card ( <i>Maximum contribution charge limit \$500, please complete the Credit Card Form</i> ) <input type="checkbox"/> Check Enclosed ( <i>made payable to Equity Trust Company</i> )		CONTRIBUTION YEAR(S)
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**OTHER FUNDING METHODS (Check all that apply and fill in the \$ amount contributed per funding method)**

Transfer (from an existing IRA or SEP account) \$   
*(Please complete and submit the Account Transfer Form.)*

Rollover (Including direct rollover from employer's plan) \$   
*This Rollover Contribution is the result of:*

- Proceeds which I have actually or constructively received from a qualified pension or profit sharing plan, a 403(b) plan or another IRA.
- Direct Rollover from the Trustees of a qualified employer retirement plan.

*I hereby certify that the cash and/or in-kind transfer of assets which I deposit as a Rollover Contribution meets all of the requirements for an "eligible rollover contribution" under applicable law. I further certify that, if I have had constructive receipt of funds or property as indicated by checking the "Rollover" box above, that this rollover is being made within 60 days of my receipt of same. I acknowledge that my designation of this account as a "Rollover" is irrevocable, unless I later determine that all or any portion of the assets deposited are an excess contribution. If I have elected a Traditional IRA, I understand that if I ever elect to combine regular annual IRA contributions, accumulated regular IRA contributions, or employer Simplified Employee Pension (SEP) plan contributions with funds rolled over from a qualified plan, I forfeit the right to subsequently roll this IRA into another qualified retirement plan. I understand that Sterling Trust will not monitor the nature of contributions to my Account, and has no duty to question my actions should I combine rollover IRA assets with regular contribution IRA assets. I hereby hold harmless Sterling Trust from any liability for any financial loss, damage, or injury which I may sustain as a result of combining rollover and regular contribution IRA assets.*

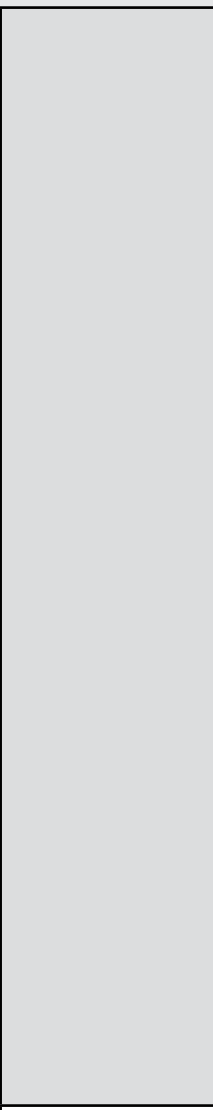
SEP IRA (applicable only in a Traditional IRA) - must submit this application with a copy of *IRS Form 5305-SEP* \$

Recharacterization \$

Conversion Roth IRA \$

- Conversion from an existing Sterling Trust Traditional IRA  
 (Please complete and submit Sterling Trust's *Roth Conversion form*.)
- Conversion from a Traditional IRA held at another IRA trustee or custodian  
 You will need to transfer your existing Traditional IRA to a Sterling Traditional IRA in order to convert to a Sterling Roth IRA. To obtain a Sterling Trust *Traditional, Roth or SEP IRA application*, go to [www.SterlingTrustCompany.com](http://www.SterlingTrustCompany.com). In addition you will need to complete and submit the *Roth Conversion form*.

Beneficiary IRA \$   
*(Styled as: Your Name, Bene FBO Deceased Name [Deceased])*



**TOTAL FUNDING**

\$



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5 FEES (Please refer to the Fee Schedule on the final page of the IRA Custodial Account Agreement and Disclosure Statement)

Form with two columns: NEW ACCOUNT FEE OPTIONS\* and SUBSEQUENT ANNUAL MAINTENANCE AND SPECIAL SERVICES FEE OPTIONS. Includes checkboxes for payment methods and fee options, and a text box for address.

\*\*Please complete the attached Credit Card Form to request a payment by credit card.

6 CHOOSE ANY OPTIONAL AUTHORIZATIONS ON YOUR STERLING IRA ACCOUNT

Form for optional authorizations. Includes a header, a paragraph about interested party designation, a table for party information (Name, Phone, Fax, Address, City, State, Zip), a section for relationship to you (Financial Advisor, CPA, Attorney, etc.), and a telephone authorization section with a checkbox to opt out.



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7 OPTIONAL REPRESENTATIVE DESIGNATION

Please complete the information and sign below only if you wish to authorize your financial advisor, broker, financial planner, or other person of your choice as your Representative on your Account. Before you appoint a Representative on your Account, you should understand that your Representative:

- is authorized to give investment directions on your behalf to Sterling Trust,
will have unlimited access to your Account information, and
will receive copies of your Account statements and other correspondence.

By my signature below, I choose to appoint the person(s) shown below as my Representative on my Sterling Trust ("Sterling") Account for the purpose of communicating investment directions to Sterling and receiving information on my Account, in accordance with this Section, Section 8.03 of Sterling's Terms of Sterling Trust Individual Retirement Custodial Account, and Sterling's Disclosure Statement. I further acknowledge that:

- 1. I understand that my Representative is my authorized agent and is not in any way an agent, employee, or representative of Sterling.
2. I understand that my Representative may be a registered representative of a broker dealer organization, a financial advisor or other person that I deem acceptable.
3. I understand that Sterling has not made and will not make any recommendation or investigation with respect to my Representative, nor does Sterling Trust compensate my Representative in any manner.
4. I understand that I may appoint and/or remove my Representative at any time by delivering my written notice on a form acceptable to Sterling.
5. I instruct Sterling to pay for or receive payment from security or other investment transactions communicated by my Representative as shown below, as indicated by broker confirmations of trade or other requests for payment received by Sterling.
6. I understand that it is solely my responsibility to direct my Representative to execute trades or other investments for my Sterling Account, and all instructions, directions, and/or confirmations received from my Representative, his agent(s), or his broker dealer, whether written or oral, shall be assumed by Sterling to have been authorized by me.
7. Without limitation, I agree to indemnify and hold Sterling harmless for any loss or breach of any kind which may result from any action or inaction that it takes or omits in good faith in accordance with, and in its reliance upon, any certificate, notice, confirmation, instruction, or other written or oral (if so elected) communication purporting to have been delivered at my direction on behalf of my Account by my Representative or brokerage firm.

\*ACCOUNTHOLDER SIGNATURE REQUIRED BELOW\*

SIGNATURE OF ACCOUNTHOLDER: [SIGN HERE] DATE:

REPRESENTATIVE NAME: REPRESENTATIVE LICENSE NUMBER:

REPRESENTATIVE ADDRESS:

CITY: STATE: ZIP CODE:

PHONE: FAX: EMAIL ADDRESS:

FIRM NAME:

FIRM ADDRESS:

CITY: STATE: ZIP CODE:

PHONE:

FIRM AUTHORIZED SIGNATURE (IF REQUIRED BY DEALER): DATE:

REPRESENTATIVE'S RELATIONSHIP TO YOU:

Is this individual a: [ ] Financial Advisor [ ] CPA [ ] Attorney [ ] Financial Planner [ ] Broker [ ] Investment Sponsor [ ] Other, please describe:



8

**IMPORTANT (PLEASE READ BEFORE SIGNING)**

The signature below acknowledges that I have received, read, and understand the Sterling Trust IRA Custodial Agreement, Disclosure Statement and Fee Schedule found in the **IRA Custodial Account Agreement and Disclosure Statement**. I acknowledge that the **IRA Custodial Account Agreement and Disclosure Statement** explains the duties, limitations on duties, and the rights of Sterling Trust and depositor. By signing this application below, the depositor assumes complete responsibility for determining contribution eligibility and tax consequences of any and all contributions or distributions; accepts and agrees to all of the terms and provisions set forth in the **IRA Custodial Account Agreement and Disclosure Statement**; and has read and accepted the terms of the Sterling Trust Fee Schedule.

**Signatures—By signing below, I hereby make the following representations:**

1. I appoint Equity Trust Company, d.b.a. Sterling Trust ("Sterling") as Custodian of my Account. I acknowledge that I have received and read Sterling's Individual Retirement Custodial Account Agreement and Sterling's Disclosure Statement on the date shown below, and I agree to be bound by the terms and conditions contained in these documents. I understand that, within seven (7) days from the date that I open my Account, I may revoke this application and close my Account without penalty by mailing or delivering a written notice to Sterling.
2. I acknowledge that my Account is self directed and I am solely responsible for the selection, management, and retention of all investments held within my Account. I understand and acknowledge that Sterling will exercise no discretion with respect to the funds in my Account, will not under any circumstances provide investment advice or recommendations, and will in all events invest all of the funds in my Account solely and exclusively at my direction. I further understand that I am not entering into a "trust" agreement with Sterling, but rather I am entering into a "custodial" agreement under which Sterling has no duties or responsibilities with respect to the investment of the funds in my Account. Finally, I understand and intend that Sterling shall not assume the responsibilities of a trustee, a "fiduciary," or a person entitled to exercise any discretionary authority with respect to the funds in my Account, as those terms and concepts are defined in the Internal Revenue Code, ERISA, or other applicable federal, state or local laws.
3. I understand that if I have chosen to appoint a Representative in the Optional Representative Designation Section of this Agreement, or should I ever appoint a Representative on a form acceptable to Sterling, such person is my agent and is not in any way an agent, employee, or representative of Sterling. I understand that Sterling has not made and will not make any recommendation or investigation with respect to my Representative, nor does Sterling compensate my Representative in any manner.
4. I understand that if a financial representative suggested that I retain Sterling's services as custodian for investments made through my Account, that such financial representative is not in any way an agent, employee, representative, or affiliate of Sterling. I acknowledge that Sterling is not responsible for and is not bound by any representations, warranties, statements or agreements made by any financial representative. I further understand that Sterling does not compensate such financial representatives in any manner.
5. I understand that Sterling does not review the prudence, viability or merits of any investment or whether the investment is acceptable under ERISA, the Internal Revenue Code, or any other applicable federal, state or local laws, including securities laws. I acknowledge that it is my responsibility to review any investments to ensure compliance with the above requirements and to avoid the occurrence of any prohibited transactions in my Account arising out of my investments. I understand that I should have all investments reviewed by my attorney and/or tax advisor.
6. I consent to Sterling's fee schedule as specified on the last page of the IRA Custodial Account Agreement and Disclosure Statement, and any amendments made thereto.
7. I agree to promptly give instructions to Sterling as necessary to enable Sterling to carry out its duties under my Custodial Account Agreement.
8. I represent that whenever information as to any taxable year is required to be filed with the Internal Revenue Service, that I will file such information with the Internal Revenue Service unless filed by Sterling.
9. I hereby expressly direct that Sterling deposit all undirected cash from any source, including without limitation contributions, transfers, rollovers or cash income from any asset of my Account, in a negotiable order of withdrawal or transaction account maintained by Sterling on behalf of accountholders (the "Bank Account") until such time as I give Sterling a further investment direction. I understand that, as a result of my direction, Sterling is required to deposit all undirected cash in my Account in the Bank Account.
10. I understand that it is my sole responsibility to manage the investment(s) held within my Account, and that Sterling has no responsibility to question any investment directions given by me or my Representative (if I have appointed one), regardless of the nature of the investment. I understand that Sterling is in no way responsible for monitoring the performance of investments or for the performance of any investment held within my Account.
11. I understand that, except to the extent of the cash which is invested in an FDIC-insured financial institution, or directed into other FDIC-insured bank products, the investments within my Account are not FDIC-insured, nor are any investments guaranteed by Sterling, and that such investments may lose value.
12. I understand that distributions I receive from my Account are subject to Federal income tax withholding unless I elect to not have withholding apply. By signing and dating below, I elect not to have withholding apply to "in-kind" distributions from my Account, subject to my right to revoke this election at a later date. If I should revoke this election and have withholding apply to "in-kind" distributions, I understand that it will be my responsibility to ensure that this Account maintains a sufficient amount of cash to satisfy my withholding election. I understand that I am responsible for paying Federal income tax on the taxable portion of my distribution(s) and that I may be subject to tax penalties if my payments of estimated tax and withholding, if applicable, are not adequate.
13. I understand that Sterling may terminate my Account upon 30 days' written notice and will do so should I fail to pay any fees, expenses or taxes as provided under my **IRA Custodial Account Agreement and Disclosure Statement**.
14. I understand that Sterling will terminate my Account, if upon 30 days' written notice, Sterling does not receive a fair market value valuation as required by my **IRA Custodial Account Agreement and Disclosure Statement**.
15. I consent to Sterling's amendment of any document which this Agreement is a part; provided that any such amendment complies with the requirements set forth in the **IRA Custodial Account Agreement and Disclosure Statement (IRS Form 5305 A/IRS Form 5305-RA)** which comprises part of these documents.
16. I consent to Sterling's use of third-party sources in fulfilling its obligation to obtain, verify and record information I provide in the opening of this Account in accordance with the USA PATRIOT Act.
17. This Application and Agreement are executed and accepted by Sterling Trust in the State of Ohio.

**SIGN HERE** (Signatures must be present on all originals, copies, faxes and/or emails. A delay in processing may occur if signature is not present.)

\_\_\_\_\_  
IRA Holder/Parent/Guardian

\_\_\_\_\_  
Date

\_\_\_\_\_  
Authorized Custodian (to be completed by Sterling)

\_\_\_\_\_  
Date



**What's Next?** Sterling Trust processes applications within 1 - 3 business days (Monday - Friday) of receiving the original of this form. Shortly thereafter, the client will receive a welcome package sent from Sterling Trust via regular mail. Contact Sterling Trust with questions about your new account by calling our toll-free number (800) 955-3434 (option 2).

<sup>1</sup> By providing your email address, you consent to receiving email from Sterling Trust. Information about opting out of certain email communications is provided at www.SterlingTrustCompany.com.  
<sup>2</sup> Community Property states include: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin.  
<sup>3</sup> This authorization, including any credit or debit entries initiated hereafter, is in full force and effect until I notify Sterling Trust of its revocation in writing and Sterling Trust has had sufficient time to act on it.

# Traditional and Roth IRA Custodial Account Agreements and Disclosure Statements

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A Division of Equity Trust Company

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# TRADITIONAL INDIVIDUAL RETIREMENT CUSTODIAL ACCOUNT AGREEMENT

Form 5305-A under Section 408(a) of the Internal Revenue Code

IRS FORM (REV. MARCH 2002)

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

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

The Depositor has assigned the custodial account the sum indicated on the Application.

The Depositor and the Custodian make the following agreement:

## ARTICLE I

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

## ARTICLE II

The Depositor's interest in the balance in the custodial account is non-forfeitable.

## ARTICLE III

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

## ARTICLE IV

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

Depositor's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the Depositor would have reached age 70½. But, in such case, if the Depositor's surviving spouse dies before distributions are required to begin, then the remaining interest will be distributed in accordance with (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), over such spouse's designated beneficiary's life expectancy, or in accordance with (ii) below if there is no such designated beneficiary.

- (ii) the remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the Depositor's death.
4. If the Depositor dies before his or her entire interest has been distributed and if the designated beneficiary is not the Depositor's surviving spouse, no additional contributions may be accepted in the account.
  5. The minimum amount that must be distributed each year, beginning with the year containing the Depositor's required beginning date, is known as the "required minimum distribution" and is determined as follows:
    - (a) the required minimum distribution under paragraph 2(b) for any year, beginning with the year the Depositor reaches age 70½, is the Depositor's account value at the close of business on December 31 of the preceding year divided by the distribution period in the uniform lifetime table in Regulations section 1.401(a)(9)-9. However, if the Depositor's designated beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the Depositor's account value at the close of business on December 31 of the preceding year divided by the number in the joint and last survivor table in Regulations section 1.401(a)(9)-9. The required minimum distribution for a year under this paragraph (a) is determined using the Depositor's (or, if applicable, the Depositor and spouse's) attained age (or ages) in the year.
    - (b) the required minimum distribution under paragraphs 3(a) and 3(b)(i) for a year, beginning with the year following the year of the Depositor's death (or the year the Depositor would have reached age 70½, if applicable under paragraph 3(b)(i)) is the account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table in Regulations section 1.401(a)(9)-9) of the individual specified in such paragraphs 3(a) and 3(b)(i).
    - (c) the required minimum distribution for the year the Depositor reaches age 70½ can be made as late as April 1 of the following year. The required minimum distribution for any other year must be made by the end of such year.
  6. The owner of two or more Traditional IRAs may satisfy the minimum distribution requirements described above by taking from one Traditional IRA the amount required to satisfy the requirement for another in accordance with the Regulations under section 408(a)(6).

## ARTICLE V

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

## ARTICLE VI

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

## ARTICLE VII

This Agreement will be amended as necessary to comply with the provisions of the Code and the related Regulations. Other amendments may be made with the consent of the persons whose signatures appear on the Application, as provided in section 8.10 below.

## ARTICLE VIII

- 8.01 *Definitions:* In this part of this Agreement (Article VIII), the words "you" and "your" mean the Depositor, the words "we," "us" and "our" mean the Custodian, "Code" means the Internal Revenue Code, and "Regulations" means the Treasury Regulations.
- 8.02 *Notices and Change of Address:* Any required notice regarding this IRA will be considered effective when we send it to the intended recipient at the last address which we have in our records. Any notice to be given to us will be considered effective when we actually receive it. You, or the intended recipient, must notify us of any change of address.
- 8.03 *Representations and Responsibilities:*
  - (a) In General. You represent and warrant to us that any information you have given or will give us with respect to this Agreement is complete and

accurate. Further, you agree that any directions you give us, or action you take will be proper under this Agreement, and that we are entitled to rely upon any such information or directions. If we fail to receive directions from you regarding any transaction, or if we receive ambiguous directions regarding any transaction, or we, in good faith, believe that any transaction requested is in dispute, we reserve the right to take no action until further clarification acceptable to us is received from you or the appropriate government or judicial authority. We shall not be responsible for losses of any kind that may result from your directions to us or your actions or failures to act, and you agree to reimburse and indemnify us for any loss we may incur as a result of such directions, actions or failures to act. **We shall not be responsible for any penalties, taxes, judgments or expenses you incur in connection with your IRA.** We have no duty to determine whether your contributions or distributions comply with the Code, Regulations, rulings or this Agreement. We may permit you to appoint, through written notice acceptable to us, an authorized agent to act on your behalf with respect to this Agreement (e.g., attorney-in-fact, executor, administrator, and investment manager), however, we have no duty to determine the validity of such appointment or any instrument appointing such authorized agent. **We shall not be responsible for losses of any kind that may result from directions, actions or failures to act by your authorized agent, and you agree to reimburse and indemnify us for any loss we may incur as a result of such directions, actions or failures to act by your authorized agent.** Except as otherwise indicated herein, you will have sixty (60) days after you receive any documents, statements or other information from us to notify us in writing of any errors or inaccuracies reflected in these documents, statements or other information. If you do not notify us within 60 days, the documents, statements or other information shall be deemed correct and accurate, and we shall have no further liability or obligation for such documents, statements, other information or the transactions described therein.

**By performing services under this Agreement we are acting as your agent. You acknowledge and agree that nothing in this Agreement shall be construed as conferring fiduciary status upon us. We shall not be required to perform any additional services unless specifically agreed to under the terms and conditions of this Agreement, or as required under the Code and the Regulations promulgated thereunder with respect to IRAs. We may employ agents and organizations, including but not limited to Sterling Administrative Services LLC, for the purpose of performing administrative or other custodial-related services with respect to your IRA for which we otherwise have responsibility under this Agreement, and the limitations on our duties to you under this Agreement or otherwise shall also apply with respect to each agent or organization so employed.**

**You represent to us that any loss sustained in your IRA will not affect your retirement income standard; and if a mandatory distribution arises, you will have the ability through your IRA and/or other retirement accounts to meet any mandatory distribution requirements.**

**You agree to release and indemnify, hold harmless and defend us from any and all claims, damages, liability, actions, costs, expenses (including, without limitation, attorneys' fees) and responsibility for any loss, resulting to the IRA, to you or to any beneficiary or incurred by or asserted against us, in connection with or by reason of any sale or investment made or other action taken (or omitted to be taken) pursuant to and/or in connection with any investment transaction directed by you or your investment advisor or resulting from serving as the custodian hereunder, including, without limitation, claims, damages, liability, actions and losses asserted by you.**

**You agree to reimburse or advance to us, on demand, all legal fees, expenses, costs, fines, penalties and obligations incurred or to be incurred in connection with the defense, contest, prosecution or satisfaction of any claim made, threatened or asserted pertaining to any investment or action you or your investment advisor directed through the custodian, including, without limitation, claims asserted by you, any state or federal regulatory authority or self regulatory organization.**

To the extent written instructions or notices are required under this Agreement, we may accept or provide such information in any other form permitted by the Code or applicable regulations.

- (b) **Prohibited Transactions.** You understand that certain transactions are prohibited in IRAs and qualified retirement plans under Section 4975 of the Internal Revenue Code. You further understand that the determination of a prohibited transaction depends on the facts and circumstances that surround the particular transaction. We will make no determination as to whether any IRA investment is prohibited. You further understand that should your IRA engage in a prohibited transaction, you will incur a taxable distribution as well as possible penalties. You represent to us that you have consulted or will consult with your own tax or legal professional to ensure that none of your IRA investments will constitute a prohibited transaction

and that your IRA investments will comply with all applicable federal and state laws, regulations and requirements.

- (c) **Unrelated Business Income Tax (UBIT).** Since your IRA is a tax-exempt organization under federal tax law, if your IRA earns income from an investment which utilizes debt-financing or which is derived from a business regarded as not related to the exempt purpose of your IRA, it may be subject to the so-called "unrelated business income tax" if it is in excess of permitted deductions. For example, income from an IRA investment in a partnership generally will result in unrelated business taxable income. In the event that your direction of investment of IRA assets results in taxable income (unrelated or debt-financed) pursuant to Sections 511-514 of the Internal Revenue Code in excess of the \$1,000 exclusion (as that amount may be adjusted) for any taxable year, you agree to prepare or have prepared the required Form 990-T tax return, an application for employer identification number (if not previously obtained), and any other documents that may be required, and to submit them to us, for filing with the Internal Revenue Service, at least five days prior to the date on which the return is due for such taxable year, along with an appropriate payment directive authorizing the custodian to execute the forms on behalf of your IRA and to pay the applicable unrelated business income tax from your IRA.
- (d) **Listed Transactions and Reportable Transactions.** You understand that certain transactions are or may be identified by the Internal Revenue Service as abusive tax shelter schemes or transactions. You further understand that the determination of a listed or reportable transaction may depend upon the facts and circumstances that surround the particular transaction. We will make no determination as to whether any IRA investment constitutes a listed or reportable transaction. You represent to us that you have consulted or will consult with your own tax or legal professional to ensure that any listed or reportable transactions engaged in by your IRA are identified. You further represent and acknowledge to us that with respect to any listed or reportable transaction you are considered the entity manager who approved or caused your IRA to be a party to the transaction and that you are responsible for: reporting each such transaction to the Internal Revenue Service, using Forms 8886-T and 8886; paying any applicable excise taxes, using Form 5330; disclosing to the IRA custodian that such transaction was a prohibited tax shelter transaction; and directing us as to any necessary corrective action to be taken by your IRA.
- (e) **Passive Custodian Provides No Investment Advice. We do not provide legal or tax services or advice with respect to your IRA investments; and you release and indemnify and agree to hold harmless and defend us in the event that any investment or sale of your IRA assets pursuant to a Direction of Investment form violates any federal or state law or regulation or otherwise results in a disqualification, penalty, fine or tax imposed upon you, your IRA, or us.**
- (f) **Investment Conforms to All Applicable Securities Laws.** You represent to us that if any investment by your IRA is a security under applicable federal or state securities laws, such investment has been registered or is exempt from registration under federal and state securities laws; **and you release and waive all claims against us for our role in carrying out your instructions with respect to such investment.**

**You acknowledge that the foregoing representation is being relied upon by us in accepting your investment directions and you agree to indemnify us with respect to all costs, expenses (including attorneys' fees), fines, penalties, liabilities, damages, actions, judgments and claims arising out of such investment and/or a breach of the foregoing representation, including, without limitation, claims asserted by you.**

- (g) **Custodian Not Responsible for Insurance.** We will not bear or assume any responsibility to notify you, secure or maintain fire, casualty, liability or other insurance coverage on any personal or real property held by your IRA or which serves as collateral under any mortgage or other security instrument held by your IRA with respect to any promissory note or other evidence of indebtedness. It is incumbent upon you as the IRA owner to arrange for such insurance as you determine necessary or appropriate to protect your IRA assets and to direct us in writing as to the payment of any premiums therefore. Furthermore it is your responsibility to determine that payment has been made upon your written request by verifying same with your IRA statements.

We will not be responsible for notification or payments of any insurance premiums, real estate taxes, utilities, or other charges with respect to any investment held in your IRA, unless you specifically direct us to pay the same in writing and sufficient funds are available to pay same from your IRA. Furthermore, it is your responsibility to determine that payment has been made from the custodial account. You must utilize an appropriate payment directive form available from us within a sufficient period of time for such direction to be accomplished in accordance with the custodian's normal business practices (without regard to whether we have undertaken efforts to comply with such directive).

8.04 *Service Fees:* We have the right to charge an annual service fee or other designated fees (e.g., a transfer, rollover or termination fee) for maintaining your IRA. In addition, we have the right to be reimbursed for all expenses, including legal expenses, we incur in connection with the administration of your IRA. We may charge you separately for any fees or expenses, or we may deduct the amount of the fees or expenses from the assets in your IRA at our discretion. We reserve the right to charge any additional fee upon 30 days notice to you that the fee will be effective. Other fees may be paid to us or our affiliates by third parties for assistance in performing certain transactions with respect to our Deposit Management Program ("Program"). Program fees are associated with cash management activities, such as account maintenance, depository bank selection, transaction processing, sub-accounting, record keeping, and any other services performed for the Program. Program fees for bank accounts maintained by the Custodian for all IRAs shall be deducted solely from interest earned on un-invested Program cash prior to the crediting of such interest to the individual custodial account. For these services the Custodian charges each bank account in the Program, a monthly fee at an annualized rate of up to 4.00% on the average assets maintained in the bank accounts, payable solely from interest earned on un-invested cash from the Program. The Program fees will be charged regardless of which bank accounts are being used by your IRA. The Custodian has no obligation to ensure that all such bank account pay the same rate of interest; however, the Custodian has the right, but not an obligation, to reduce (rebate) a portion of this fee to your IRA as to the balances in a specific bank's bank account. The Program fee for administering the bank accounts can change from time to time without notice, but cannot exceed the annualized rate of 4.00% without 30 days prior notice to you. The Program fee is deducted directly from any interest paid on each bank account in the Program, and the net amount is paid to your IRA monthly.

Upon establishment of the custodial account or at such time thereafter as we may require, you shall furnish us with a valid credit card account number and related information and hereby do authorize us to charge that account for our fees and expenses in accordance with Section 8.04 of this Article. If such credit card account expires or otherwise is or becomes invalid, you shall immediately inform us and provide us with another valid credit card number and related information and hereby do authorize us to so charge that account. In the absence of cash or money market shares in the custodial account sufficient to pay our fees and/or expenses when due, we shall charge the valid credit card on file for such fees and/or expenses. If Sterling Trust must produce a written invoice for any fees, because such fees are not paid directly from your account or charged to your credit card, you will be charged an invoice print fee. All invoices are due and payable upon receipt. If such charge cannot be consummated, we shall submit an invoice to you for all outstanding fees and expenses plus any applicable invoice costs and late charges and /or we may liquidate sufficient investments in the custodial account in accordance with Section 8.13 of this Article to pay such fees and expenses. Such credit card account shall not be used by us for the purpose of paying any other investment or investment maintenance expenses of your IRA.

Any brokerage commissions attributable to the assets in your IRA will be charged to your IRA through your brokerage account. You cannot reimburse your IRA for those commissions. Commissions or other fees may be received by our affiliates from third parties for assistance in performing certain services for your IRA.

Fees are generally based upon the fair market value of the assets held in the IRA; provided that where such assets are non-marketable investments or do not have a readily available market value, the fees shall be based upon cost or the estimated fair market value of such assets, whichever is greater. If an entity in which IRA assets are invested is subject to bankruptcy, reorganization, receivership or similar proceedings, the fee based upon such asset will not be less than \$50.00. Publicly traded securities shall be valued at their fair market value. If cost is not reflective of fair market value with respect to the assets held in your IRA, you may provide us with a qualified independent valuation of such assets for purposes of determining an appropriate fee; and we will give consideration to such independent valuation. Our determination shall be binding and conclusive for purposes of IRA fees based upon value.

Alternatively, we may collect fees associated with the above mentioned Program directly from participating financial institutions as described in Section 8.05(e) of this Article. We may receive Program fees up to \$40.00 per month per IRA and/or reimbursement of expenses directly from the financial institutions with which un-invested cash balances have been deposited or invested for these services.

8.05 *Investment of Amounts in the IRA:*

(a) In General. You have exclusive responsibility for and control over the investment of the assets of your IRA. All transactions shall be subject to any and all restrictions or limitations, direct or indirect, which are imposed by our charter, articles of incorporation, or bylaws; any and all applicable federal and state laws and regulations; the rules, regulations, customs and usages of any exchange, market or clearing house where the transaction is executed; our internal policies, standards and practices; and this Agreement.

After your death, your beneficiary(ies) shall have the right to direct the investment of your IRA assets, subject to the same conditions that applied to you during your lifetime under this Agreement (including, without limitation, Section 8.03 of this article). We will not exercise the voting rights and other shareholder rights with respect to investments in your IRA unless you provide timely written directions acceptable to us according to our then current policies and procedures.

You will select the type of investment for your IRA assets, provided, however, that your selection of investments shall be limited to those types of investments that we are authorized by our charter, articles of incorporation, or bylaws to offer and comport with our internal policies, practices, and standards and are deemed administratively feasible by us. Cash balances in your IRA for which no investment instructions have been received shall be placed in a financial institution covered by the Federal Deposit Insurance Corporation (FDIC) as provided in Section 8.05(e) of this Article.

(b) Custodian Acting in Passive Capacity Only. We are acting solely as a passive custodian to hold IRA assets and we have no discretion to direct any investment in your IRA. Accordingly, we are not a fiduciary (as said term is defined in the Internal Revenue Code, ERISA, or any other applicable federal, state or local laws) with respect to your IRA account. However, through our affiliate, we may receive a commission in connection with the unsolicited purchase or sale of a publicly-traded security.

**It is not our responsibility to review the prudence, merits, viability or suitability of any investment directed by you or your investment advisors or to determine whether the investment is acceptable under ERISA, the Internal Revenue Code or any other applicable law. We do not offer any investment advice, nor do we endorse any investment, investment product or investment strategy; and we do not endorse any investment advisor, representative, broker, or other party selected by you. We have no responsibility to question any investment directions given by you or by any investment advisor or representative appointed by you.**

It is your responsibility to perform proper due diligence with regard to any such representative, investment advisor, broker or other party. We will follow the directions of any such investment advisor, representative, broker or other party selected by you provided you furnish us with written authorization and documentation acceptable to us, and the custodian will be entitled to all the same protections and indemnities in our reliance upon and execution of the directives of such investment advisor or other party as if such directives were given by you.

**We shall be under no obligation or duty to investigate, analyze, monitor, verify title to, or otherwise evaluate or perform due diligence for any investment directed by you or your investment advisor, representative or agent;** nor shall we be responsible to notify you or take any action should there be any default with regard to any investment.

Any review performed by us with respect to an investment shall be solely for our own purposes of determining compliance with our internal policies, practices and standards, as we determine from time to time and the administrative feasibility of the investment and neither such review nor its acceptance should be construed in any way as an endorsement of any investment, investment company or investment strategy. We also have the right not to affect any transaction/investment which we deem to be beyond the scope of our administrative responsibilities, capabilities or expertise or that we determine in our sole discretion does not comport with our internal policies, practices or standards.

We have no duty or obligation to notify you with respect to any information, knowledge, irregularities or our concerns relating to your investment or your investment advisor, broker, agent, promoter or representative, except as to civil pleadings or court orders received by us.

We shall use reasonable efforts to acquire or sell investments in accordance with your directions within a reasonable period of time after we have received an investment direction and we shall make reasonable efforts to notify you if we are unable or unwilling to comply with an investment direction. Subject to the foregoing, we shall remit funds as directed, but have no responsibility to verify or assure that such funds have been invested to purchase or acquire the asset selected by you.

(c) Investment Documentation. In directing us with respect to any investment, you must utilize our Direction of Investment form suitable to such investment or such other form acceptable to us.

We shall be fully protected in acting upon any instrument, certificate, paper or transmission believed to be genuine and to be signed or presented by the proper person or persons whether or not by facsimile or other form acceptable to the custodian, and the custodian shall be under no duty to make any investigation or inquiry as to any statement contained in any such communication, but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained.

You authorize and direct us to execute and deliver, on behalf of your IRA, any and all documents delivered to us in connection with your IRA investments; and we shall have no responsibility to verify or determine that any such documents are complete, accurate or constitute the documents necessary to comply with your investment direction.

You authorize and direct us to correct errors in investment titling without notice to you and to correct other minor clerical errors with telephone or email consent from you upon verification of your identity.

(d) **Deposit Investments.** The deposit investments available through us may include savings, share, and/or money market accounts, and various certificates of deposit (CDs). Any cash in your IRA shall be invested in accordance with the instructions of the Depositor, or his or her designated representative, subject to the other terms of this Custodial Agreement. You may direct us to transfer any un-invested funds to another institution of your choice at any time

(e) **Un-invested Cash Funds.** The Depositor hereby directs Custodian pending further investment instruction to deposit all undirected and un-invested cash from any source, including, but not limited to contributions, transfers and income from assets held in the Custodial Account, into the Program, and then place such deposited cash into one or more FDIC insured financial institutions. Interest earned on such cash balances net of the Program fee described in Section 8.04 of this Article, shall be credited to your custodial account as of the end of each month. You direct us to sweep available free credit balances automatically into the Program utilizing FDIC member financial institutions until such time as further direction is received from you or your designated representative(s).

You also authorize us to transfer any such funds to a different FDIC member financial institution without any further approval from you. Information on interest earned net of the Program fee is available online at [www.sterling-trust.com/current-clients/interest.html](http://www.sterling-trust.com/current-clients/interest.html) and reported on your quarterly statement as appropriate, or can be obtained by contacting your First Class Service Representative.

8.06 **Beneficiary(ies):** If you die before you receive all of the amounts in your IRA, payments from your IRA will be made to your beneficiary(ies).

You may designate one or more persons or entities as beneficiary of your IRA. This designation can only be made on a form provided by or acceptable to us, and it will only be effective when it is filed with us during your lifetime. Unless otherwise specified, each beneficiary designation you file with us will cancel all previous ones. The consent of a beneficiary(ies) shall not be required for you to revoke a beneficiary designation. If you have designated both primary and contingent beneficiaries and no primary beneficiary(ies) survives you, the contingent beneficiary(ies) shall acquire the designated share of your IRA. If you do not designate a beneficiary, or if all of your primary and contingent beneficiary(ies) predecease you, your estate will be the beneficiary.

A spouse beneficiary shall have all rights as granted under the Code or applicable Regulations to treat your IRA as his or her own.

We may allow, if permitted by state law, an original IRA beneficiary(ies) (the beneficiary(ies) who is entitled to receive distribution(s) from an inherited IRA at the time of your death) to name a successor beneficiary(ies) for the inherited IRA. This designation can only be made on a form provided by or acceptable to us, and it will only be effective when it is filed with us during the original IRA beneficiary's(ies') lifetime. Unless otherwise specified, each beneficiary designation form that the original IRA beneficiary(ies) files with us will cancel all previous ones. The consent of a successor beneficiary(ies) shall not be required for the original IRA beneficiary(ies) to revoke a successor beneficiary(ies) designation. If the original IRA beneficiary(ies) does not designate a successor beneficiary(ies), his or her estate will be the successor beneficiary. In no event shall the successor beneficiary(ies) be able to extend the distribution period beyond that required for the original IRA beneficiary.

8.07 **Required Minimum Distributions:** Your required minimum distribution is calculated using the uniform lifetime table in Regulations section 1.401(a)(9)-9. However, if your spouse is your sole designated beneficiary and is more than 10 years younger than you, your required minimum distribution is calculated each year using the joint and last survivor table in Regulations section 1.401(a)(9)-9.

If you fail to request your required minimum distribution by your required beginning date, we can, at our complete and sole discretion, do any one of the following:

- make no distribution until you give us a proper withdrawal request;
- distribute your entire IRA to you in a single sum payment; or
- determine your required minimum distribution from your IRA with us each year based on your life expectancy, calculated using the uniform lifetime table in Regulations section 1.401(a)(9)-9, and pay those distributions to you until you direct otherwise.

We will not be liable for any penalties or taxes related to your failure to take a required minimum distribution or to your receipt of an amount in excess of the

required minimum distribution.

8.08 **Termination of Agreement, Resignation, or Removal of Custodian:** Either party may terminate this Agreement at any time by giving written notice to the other. We can resign as Custodian at any time effective 30 days after we mail written notice of our resignation to you. Upon receipt of that notice, you must make arrangements to transfer your IRA to another financial organization. If you do not complete a transfer of your IRA within 30 days from the date we mail the notice to you, we have the right to transfer your IRA assets to a successor IRA custodian or trustee that we choose in our sole discretion, or we may pay or distribute your IRA assets to you in a single sum or assignment. If we transfer your IRA, the existing IRA documents will govern your IRA relationship with the new custodian or trustee unless the successor custodian/trustee notifies you in writing of any changes and/or requires new IRA documents to be signed by you. We shall not be liable for any actions or failures to act on the part of any successor custodian or trustee, nor for any tax consequences you may incur that result from the transfer or distribution of your assets pursuant to this section.

If this Agreement is terminated, we may charge to your IRA a reasonable amount of money that we believe is necessary to cover any associated costs, including but not limited to, one or more of the following:

- any fees, expenses or taxes chargeable against your IRA;
- any penalties or surrender charges associated with the early withdrawal of any savings instrument or other investment in your IRA

After your IRA Account with us is closed, if there are additional assets remaining in or subsequently credited to your IRA account, we will endeavor to distribute or transfer such assets in accordance with your prior direction, but after offsetting any applicable administrative expenses and custodial fees (per our then operative fee schedule).

If we are required to comply with Regulations section 1.408-2(e), and we fail to do so, or we are not keeping the records, making the returns or sending the statements as are required by forms or Regulations, the IRS may, after notifying you, require you to substitute another trustee or custodian.

We may establish a policy requiring distribution of the entire balance of your IRA to you in cash or property if the balance of your IRA drops below the minimum balance required under the applicable investment or policy established.

8.09 **Successor Custodian:** If our organization changes its name, reorganizes, merges with another organization (or comes under the control of any federal or state agency), or if our entire organization (or any portion which includes your IRA) is bought by another organization, that organization (or agency) shall automatically become the trustee or custodian of your IRA, but only if it is the type of organization authorized to serve as an IRA trustee or custodian.

8.10 **Amendments:** We have the right to amend this Agreement at any time. Any amendment we make to comply with the Code and related Regulations does not require your consent. You will be deemed to have consented to any other amendment unless, within 30 days from the date we mail the amendment, you notify us in writing that you do not consent.

8.11 **Withdrawals or Transfers:** All requests for withdrawal or transfer shall be in writing on a form provided by or acceptable to us. The method of distribution must be specified in writing. The tax identification number of the recipient must be provided to us before we are obligated to make a distribution. Withdrawals shall be subject to all applicable tax and other laws and regulations, including possible early withdrawal penalties or surrender charges and withholding requirements.

8.12 **Transfers from Other Plans:** We can receive amounts transferred to this IRA from the custodian or trustee of another IRA. In addition, we can accept direct rollovers of eligible rollover distributions from employer-sponsored retirement plans as permitted by the Code. We reserve the right not to accept any transfer or direct rollover.

8.13 **Liquidation of Assets:** We have the right to liquidate assets in your IRA if necessary to make distributions, pay fees, expenses, indemnities, taxes, federal tax levies, and penalties or surrender charges properly chargeable against your IRA. If you fail to direct us as to which assets to liquidate, we will decide, in our complete and sole discretion, and you agree not to hold us liable for any adverse consequences that result from our decision.

8.14 **Restrictions on the Fund:** Neither you nor any beneficiary may sell, transfer or pledge any interest in your IRA in any manner whatsoever, except as provided by law or this Agreement.

The assets in your IRA shall not be responsible for the debts, contracts or torts of any person entitled to distributions under this Agreement.

8.15 **What Law Applies:** This Agreement is subject to all applicable federal laws and regulations and shall be governed by and construed under the applicable laws of the State of Ohio.

If any part of this Agreement is held to be illegal or invalid, the remaining parts shall not be affected. Neither you nor our failure to enforce at any time or for any period of time any of the provisions of this Agreement shall be construed as a

waiver of such provisions, or your right or our right thereafter to enforce each and every such provision.

Any suit filed against custodian arising out of or in connection with this Agreement shall only be instituted in the county courts of Lorain County, Ohio where custodian maintains its principal office and you agree to submit to such jurisdiction both in connection with any such suit you may file and in connection with any suit which we may file against you.

- 8.16 *Valuations Policy:* In valuing the assets of the custodial account for record-keeping and reporting purposes we shall use reasonable, good faith efforts to ascertain the fair market value of each asset through utilization of various outside sources available to us and consideration of various relevant factors generally recognized as appropriate to the application of customary valuation techniques.

However where assets are illiquid or their value is not readily ascertainable on either an established exchange or generally recognized market, the valuation is by necessity not a true market value and is merely an estimate of value in a broad range of values and its accuracy should not be relied upon by you for any other purposes.

The precision with which a value is assigned is a factor of the nature of the asset and the cost effectiveness of pursuing a more comprehensive appraisal. In certain cases where fair market value is not readily ascertainable and we do not have a recent qualified independent appraisal we may follow an internal protocol for assigning value based on the cost of the asset or we may rely upon a current independent appraisal obtained by you.

We neither provide a guarantee of value nor the appropriateness of the appraisal techniques applied in developing an estimate of value and we assume no responsibility for the accuracy of the valuations presented with respect to assets whose value is not readily ascertainable on either an established exchange or a generally recognized market.

- 8.17 *Form 990-T Filing for UBIT:* Pursuant to Sections 511-514 of the Internal Revenue Code you agree to prepare or have prepared the required Form 990-T tax return, an application for employer identification number (if not previously obtained), and any other documents that may be required, and to submit them for filing with the Internal Revenue Service to the custodian at least fifteen days prior to the date on which the return is due for such taxable year, along with an appropriate payment directive authorizing the custodian to execute the forms on behalf of your IRA and to pay the applicable unrelated business income tax from your IRA on unrelated business income which exceeds the current \$1,000 exclusion.
- 8.18 *Acknowledgment of and Authorization for Telephone Recordings:* We reserve the right to install and/or maintain automatic telephone recording equipment on certain telephone lines used by personnel servicing the custodial account in connection with trading functions and customer inquiries. By signing this Agreement, you acknowledge our right and expressly authorize us to record and play back any and all such telephone calls.

**General Instructions**

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

**Purpose of Form**

Form 5305-A is a model custodial account agreement that meets the requirements of section 408(a) and has been pre-approved by the IRS. A traditional individual retirement account (Traditional IRA) is established after the form is fully executed by both the individual (Depositor) and the Custodian and must be completed no later than the due date (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 Depositor and his or her beneficiaries.

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

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

**Definitions**

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

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

**Identifying Number**

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

**Traditional IRA for Nonworking Spouse**

Form 5305-A may be used to establish the IRA custodial account for a nonworking spouse. Contributions to an IRA custodial account for a nonworking spouse must be made to a separate IRA custodial account established by the nonworking spouse.

**Specific Instructions**

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

**Article VIII.** Article VIII and any that follow it may incorporate additional provisions that are agreed to by the Depositor and Custodian to complete the agreement. They may include, for example, definitions, investment powers, voting rights, exculpatory provisions, amendment and termination, removal of the Custodian, Custodian's fees, state law requirements, beginning date of distributions, accepting only cash, treatment of excess contributions, prohibited transactions with the Depositor, etc. Attach additional pages if necessary. General Instructions Section references are to the Internal Revenue Code unless otherwise noted.

# ROTH INDIVIDUAL RETIREMENT CUSTODIAL ACCOUNT AGREEMENT

Form 5305-RA under Section 408A of the Internal Revenue Code

FORM (REV. MARCH 2002)

The Depositor named on the Application is establishing a Roth Individual Retirement Account under section 408A to provide for his or her retirement and for the support of his or her beneficiaries after death.

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

The Depositor has assigned the custodial account the sum indicated on the Application.

The Depositor and the Custodian make the following agreement:

## ARTICLE I

Except in the case of a rollover contribution described in section 408A(e), a recharacterized contribution described in section 408A(d)(6), or an IRA Conversion Contribution, the Custodian will accept only cash contributions up to \$3,000 per year for tax years 2002 through 2004. That contribution limit is increased to \$4,000 for tax years 2005 through 2007 and \$5,000 for 2008 and thereafter. For individuals who have reached the age of 50 before the close of the tax year, the contribution limit is increased to \$3,500 per year for tax years 2002 through 2004, \$4,500 for 2005, \$5,000 for 2006 and 2007, and \$6,000 for 2008 and thereafter. For tax years after 2008, the above limits will be increased to reflect a cost-of-living adjustment, if any.

## ARTICLE II

1. The annual contribution limit described in Article I is gradually reduced to \$0 for higher income levels. For a single Depositor, the annual contribution is phased out between adjusted gross income (AGI) of \$110,000 and \$125,000; for a married Depositor filing jointly, between AGI of \$173,000 and \$183,000; and for a married Depositor filing separately, between AGI of \$0 and \$10,000. In the case of a conversion, the Custodian will not accept IRA Conversion Contributions in a tax year if the Depositor's AGI for the tax year the funds were distributed from the other IRA exceeds \$100,000 or if the Depositor is married and files a separate return. Adjusted gross income is defined in section 408A(c)(3) and does not include IRA Conversion Contributions.
2. In the case of a joint return, the AGI limits in the preceding paragraph apply to the combined AGI of the Depositor and his or her spouse.

## ARTICLE III

The Depositor's interest in the balance in the custodial account is non-forfeitable.

## ARTICLE IV

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

## ARTICLE V

1. If the Depositor dies before his or her entire interest is distributed to him or her and the Depositor's surviving spouse is not the designated beneficiary, the remaining interest will be distributed in accordance with (a) below or, if elected or there is no designated beneficiary, in accordance with (b) below:
  - (a) The remaining interest will be distributed; starting by the end of the calendar year following the year of the Depositor's death, over the designated beneficiary's remaining life expectancy as determined in the year following the death of the Depositor.
  - (b) The remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the Depositor's death.
2. The minimum amount that must be distributed each year under paragraph 1(a) above 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 designated beneficiary using the attained age of the beneficiary in the year following the year of the Depositor's death and subtracting 1 from the divisor for each subsequent year.
3. If the Depositor's surviving spouse is the designated beneficiary, such spouse will then be treated as the Depositor.

## ARTICLE VI

1. The Depositor agrees to provide the Custodian with all information necessary to prepare any reports required by sections 408(i) and 408A(d)(3)(E), Regulations sections 1.408-5 and 1.408-6, or other guidance published by the Internal Revenue Service (IRS).

2. The Custodian agrees to submit to the IRS and Depositor the reports prescribed by the IRS.

## ARTICLE VII

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

## ARTICLE VIII

This Agreement will be amended as necessary to comply with the provisions of the Code, the related Regulations, and other published guidance. Other amendments may be made with the consent of the persons whose signatures appear on the Application, as provided in section 9.09 below.

## ARTICLE IX

9.01 *Definitions:* In this part of this Agreement (Article IX), the words "you" and "your" mean the Depositor, the words "we," "us" and "our" mean the Custodian, "Code" means the Internal Revenue Code, and "Regulations" means the Treasury Regulations.

9.02 *Notices and Change of Address:* Any required notice regarding this Roth IRA will be considered effective when we send it to the intended recipient at the last address which we have in our records. Any notice to be given to us will be considered effective when we actually receive it. You, or the intended recipient, must notify us of any change of address.

9.03 *Representations and Responsibilities:*

- (a) In General. You represent and warrant to us that any information you have given or will give us with respect to this Agreement is complete and accurate. Further, you agree that any directions you give us, or action you take will be proper under this Agreement, and that we are entitled to rely upon any such information or directions. If we fail to receive directions from you regarding any transaction, or if we receive ambiguous directions regarding any transaction, or we, in good faith, believe that any transaction requested is in dispute, we reserve the right to take no action until further clarification acceptable to us is received from you or the appropriate government or judicial authority. **We shall not be responsible for losses of any kind that may result from your directions to us or your actions or failures to act, and you agree to reimburse us for any loss we may incur as a result of such directions, actions or failures to act. We shall not be responsible for any penalties, taxes, judgments or expenses you incur in connection with your Roth IRA.** We have no duty to determine whether your contributions or distributions comply with the Code, Regulations, rulings or this Agreement. We may permit you to appoint, through written notice acceptable to us, an authorized agent to act on your behalf with respect to this Agreement (e.g., attorney-in-fact, executor, administrator, and investment manager), however, we have no duty to determine the validity of such appointment or any instrument appointing such authorized agent. We shall not be responsible for losses of any kind that may result from directions, actions or failures to act by your authorized agent, and you agree to reimburse us for any loss we may incur as a result of such directions, actions or failures to act by your authorized agent. Except as otherwise indicated herein, you will have sixty (60) days after you receive any documents, statements or other information from us to notify us in writing of any errors or inaccuracies reflected in these documents, statements or other information. If you do not notify us within 60 days, the documents, statements or other information shall be deemed correct and accurate, and we shall have no further liability or obligation for such documents, statements, other information or the transactions described therein.

**By performing services under this Agreement we are acting as your agent. You acknowledge and agree that nothing in this Agreement shall be construed as conferring fiduciary status upon us. We shall not be required to perform any additional services unless specifically agreed to under the terms and conditions of this Agreement, or as required under the Code and the Regulations promulgated thereunder with respect to Roth IRAs. We may employ agents and organizations, including but not limited to Sterling Administrative Services LLC, for the purpose of performing administrative or other custodial-related services with respect to your Roth IRA for which we otherwise have responsibility under this Agreement, and the limitations on our duties to you under this Agreement or otherwise shall also apply with respect to each agent or organization so employed.**

**You agree to release and indemnify, hold harmless and defend us from any and all claims, damages, liability, actions, costs, expenses (including, without limitation, attorneys' fees) and responsibility for any loss resulting to the Roth IRA, to you or to any beneficiary or incurred by or asserted against us, in connection with or by reason of any sale or investment**

made or other action taken (or omitted to be taken) pursuant to and/or in connection with any investment transaction directed by you or your investment advisor or resulting from serving as the custodian hereunder, including, without limitation, claims, damages, liability, actions and losses asserted by you.

You agree to reimburse or advance to us, on demand, all legal fees, expenses, costs, fines, penalties and obligations incurred or to be incurred in connection with the defense, contest, prosecution or satisfaction of any claim made, threatened or asserted pertaining to any investment or action you or your investment advisor directed through the custodian, including, without limitation, claims asserted by you, any state or federal regulatory authority or self regulatory organization.

To the extent written instructions or notices are required under this Agreement; we may accept or provide such information in any other form permitted by the Code or applicable regulations.

- (b) **Prohibited Transactions.** You understand that certain transactions are prohibited in Roth IRAs and qualified retirement plans under Section 4975 of the Internal Revenue Code. You further understand that the determination of a prohibited transaction depends on the facts and circumstances that surround the particular transaction. We will make no determination as to whether any Roth IRA investment is prohibited. You further understand that should your Roth IRA engage in a prohibited transaction, you may incur a taxable distribution as well as possible penalties. You represent to us that you have consulted or will consult with your own tax or legal professional to ensure that none of your Roth IRA investments will constitute a prohibited transaction and that your Roth IRA investments will comply with all applicable federal and state laws, regulations and requirements.
- (c) **Unrelated Business Income Tax (UBIT).** Since your Roth IRA is a tax-exempt organization under federal tax law, if your Roth IRA earns income from an investment which utilizes debt-financing or which is derived from a business regarded as not related to the exempt purpose of your Roth IRA, it may be subject to the so-called "unrelated business income tax" if it is in excess of permitted deductions. For example, income from a Roth IRA investment in a partnership generally will result in unrelated business taxable income. In the event that your direction of investment of Roth IRA assets results in taxable income (unrelated or debt-financed) pursuant to Sections 511-514 of the Internal Revenue Code in excess of the \$1,000 exclusion (as that amount may be adjusted) for any taxable year, you agree to prepare or have prepared the required Form 990-T tax return, an application for employer identification number (if not previously obtained), and any other documents that may be required, and to submit them to us, for filing with the Internal Revenue Service, at least five days prior to the date on which the return is due for such taxable year, along with an appropriate payment directive authorizing the custodian to execute the forms on behalf of your Roth IRA and to pay the applicable unrelated business income tax from your Roth IRA.
- (d) **Listed Transactions and Reportable Transactions.** You understand that certain transactions are or may be identified by the Internal Revenue Service as abusive tax shelter schemes or transactions. You further understand that the determination of a listed or reportable transaction may depend upon the facts and circumstances that surround the particular transaction. We will make no determination as to whether any Roth IRA investment constitutes a listed or reportable transaction. You represent to us that you have consulted or will consult with your own tax or legal professional to ensure that any listed or reportable transactions engaged in by your Roth IRA are identified. You further represent and acknowledge to us that with respect to any listed or reportable transaction you are considered the entity manager who approved or caused your Roth IRA to be a party to the transaction and that you are responsible for: reporting each such transaction to the Internal Revenue Service, using Forms 8886-T and 8886; paying any applicable excise taxes, using Form 5330; disclosing to the Roth IRA custodian that such transaction was a prohibited tax shelter transaction; and directing us as to any necessary corrective action to be taken by your Roth IRA.
- (e) **Passive Custodian Provides No Investment Advice.** We do not provide legal or tax services or advice with respect to your Roth IRA investments; and you release and indemnify and agree to hold harmless and defend us in the event that any investment or sale of your Roth IRA assets pursuant to a Direction of Investment form violates any federal or state law or regulation or otherwise results in a disqualification, penalty, fine or tax imposed upon you, your Roth IRA, or us.
- (f) **Investment Conforms to All Applicable Securities Laws.** You represent to us that if any investment by your Roth IRA is a security under applicable federal or state securities laws, such investment has been registered or is exempt from registration under federal and state securities laws; and you release and waive all claims against us for our role in carrying out your instructions with respect to such investment.

You acknowledge that the foregoing representation is being relied upon by us in accepting your investment directions and you agree to indemnify

us with respect to all costs, expenses (including attorneys' fees), fines, penalties, liabilities, damages, actions, judgments and claims arising out of such investment and/or a breach of the foregoing representation, including, without limitation, claims asserted by you.

- (g) **Custodian Not Responsible for Insurance.** We will not bear or assume any responsibility to notify you, secure or maintain fire, casualty, liability or other insurance coverage on any personal or real property held by your Roth IRA or which serves as collateral under any mortgage or other security instrument held by your Roth IRA with respect to any promissory note or other evidence of indebtedness. It is incumbent upon you as the Roth IRA owner to arrange for such insurance as you determine necessary or appropriate to protect your Roth IRA assets and to direct us in writing as to the payment of any premiums therefore. Furthermore it is your responsibility to determine that payment has been made upon your written request by verifying same with your Roth IRA statements.

We will not be responsible for notification or payments of any insurance premiums, real estate taxes, utilities, or other charges with respect to any investment held in your Roth IRA, unless you specifically direct us to pay the same in writing and sufficient funds are available to pay same from your Roth IRA. Furthermore, it is your responsibility to determine that payment has been made from the custodial account. You must utilize an appropriate payment directive form available from us within a sufficient period of time for such direction to be accomplished in accordance with the custodian's normal business practices (without regard to whether we have undertaken efforts to comply with such directive).

- 9.04 **Service Fees:** We have the right to charge an annual service fee or other designated fees (e.g., a transfer, rollover or termination fee) for maintaining your Roth IRA. In addition, we have the right to be reimbursed for all expenses, including legal expenses, we incur in connection with the administration of your Roth IRA. We may charge you separately for any fees or expenses, or we may deduct the amount of the fees or expenses from the assets in your Roth IRA at our discretion. We reserve the right to charge any additional fee upon 30 days notice to you that the fee will be effective. Other fees may be paid to us or our affiliates by third parties for assistance in performing certain transactions with respect to our Deposit Management Program ("Program"). Program fees are associated with cash management activities, such as account maintenance, depository bank selection, transaction processing, sub-accounting, record keeping, and any other services performed for the Program. Program fees for bank accounts maintained by the Custodian for all Roth IRAs shall be deducted solely from interest earned on un-invested Program cash prior to the crediting of such interest to the individual custodial account. For these services the Custodian charges each bank account in the program, a monthly fee at an annualized rate of up to 4.00% on the average assets maintained in the bank account, payable solely from interest earned on un-invested cash from the Program. The Program fees will be charged regardless of which bank accounts are being used by your Roth IRA. The Custodian has no obligation to ensure that all such bank accounts pay the same rate of interest; however, the Custodian has the right, but not an obligation, to reduce (rebate) a portion of this fee to your Roth IRA as to the balances in a specific bank's bank account. The Program fee for administering the bank accounts can change from time to time without notice, but cannot exceed the annualized rate of 4.00% without 30 days prior notice to you. The Program fee is deducted directly from any interest paid on each bank account in the Program, and the net amount is paid to your Roth IRA monthly.

Upon establishment of the custodial account or at such time thereafter as we may require, you shall furnish us with a valid credit card account number and related information and hereby do authorize us to charge that account for our fees and expenses in accordance with this Section 9.04. If such credit card account expires or otherwise is or becomes invalid, you shall immediately inform us and provide us with another valid credit card number and related information and hereby do authorize us to so charge that account. In the absence of cash or money market shares in the custodial account sufficient to pay our fees and/or expenses when due, we shall charge the valid credit card on file for such fees and/or expenses. If Sterling Trust must produce a written invoice for any fees, because such fees are not paid directly from your account or charged to your credit card, you will be charged an invoice print fee. All invoices are due and payable upon receipt. If such charge cannot be consummated, we shall submit an invoice to you for all outstanding fees and expenses plus any applicable invoice costs and late charges and/or we may liquidate sufficient investments in the custodial account in accordance with Section 9.12 of this Article to pay such fees and expenses. Such credit card account shall not be used by us for the purpose of paying any other investment or investment maintenance expenses of your Roth IRA.

Any brokerage commissions attributable to the assets in your Roth IRA will be charged to your Roth IRA through the brokerage account. You cannot reimburse your Roth IRA for those commissions. Commissions or other fees may be received by our affiliates from third parties for assistance in performing certain services for your Roth IRA.

Fees are generally based upon the fair market value of the assets held in the

Roth IRA; provided that where such assets are non-marketable investments or do not have a readily available market value, the fees shall be based upon cost or the estimated fair market value of such assets, whichever is greater. If an entity in which Roth IRA assets are invested is subject to bankruptcy, reorganization, receivership or similar proceedings, the fee based upon such asset will not be less than \$50.00. Publicly traded securities shall be valued at their fair market value. If cost is not reflective of fair market value with respect to the assets held in your Roth IRA, you may provide us with a qualified independent valuation of such assets for purposes of determining an appropriate fee; and we will give consideration to such independent valuation. Our determination shall be binding and conclusive for purposes of Roth IRA fees based upon value.

Alternatively, we may collect fees associated with the above mentioned Program directly from participating financial institutions as described in Section 9.05(e) of this Article. We may receive Program fees up to \$40.00 per month per IRA and/or reimbursement of expenses directly from the financial institutions with which un-invested cash balances have been deposited or invested for these services.

#### 9.05 Investment of Amounts in the Roth IRA:

(a) In General. You have exclusive responsibility for and control over the investment of the assets of your Roth IRA. All transactions shall be subject to any and all restrictions or limitations, direct or indirect, which are imposed by our charter, articles of incorporation, or bylaws; any and all applicable federal and state laws and regulations; the rules, regulations, customs and usages of any exchange, market or clearing house where the transaction is executed; our internal policies, standards and practices; and this Agreement. After your death, your beneficiary(ies) shall have the right to direct the investment of your Roth IRA assets, subject to the same conditions that applied to you during your lifetime under this Agreement (including, without limitation, Section 9.03 of this article). We will not exercise the voting rights and other shareholder rights with respect to investments in your Roth IRA unless you provide timely written directions acceptable to us according to our then current policies and procedures.

You will select the type of investment for your Roth IRA assets, provided, however, that your selection of investments shall be limited to those types of investments that we are authorized by our charter, articles of incorporation, or bylaws to offer and comport with our internal policies, practices, and standards and are deemed administratively feasible by us. Cash balances in your IRA for which no investment instructions have been received shall be placed in a financial institution covered by the Federal Deposit Insurance Corporation (FDIC) as provided in Section 9.05(e) of this Article.

(b) Custodian Acting in Passive Capacity Only. We are acting solely as a passive custodian to hold Roth IRA assets and we have no discretion to direct any investment in your Roth IRA. Accordingly, we are not a fiduciary (as said term is defined in the Internal Revenue Code, ERISA, or any other applicable federal, state or local laws) with respect to your Roth IRA account. However, through our affiliate, we may receive a commission in connection with the unsolicited purchase or sale of a publicly-traded security.

**It is not our responsibility to review the prudence, merits, viability or suitability of any investment directed by you or your investment advisors or to determine whether the investment is acceptable under ERISA, the Internal Revenue Code or any other applicable law. We do not offer any investment advice, nor do we endorse any investment, investment product or investment strategy; and we do not endorse any investment advisor, representative, broker, or other party selected by you. We have no responsibility to question any investment directions given by you or by any investment advisor or representative appointed by you.**

It is your responsibility to perform proper due diligence with regard to any such representative, investment advisor, broker or other party. We will follow the directions of any such investment advisor, representative, broker or other party selected by you provided you furnish us with written authorization and documentation acceptable to us, and the custodian will be entitled to all the same protections and indemnities in our reliance upon and execution of the directives of such investment advisor or other party as if such directives were given by you.

**We shall be under no obligation or duty to investigate, analyze, monitor, verify title to, or otherwise evaluate or perform due diligence for any investment directed by you or your investment advisor, representative or agent; nor shall we be responsible to notify you or to take any action should there be any default with regard to any investment.**

Any review performed by us with respect to an investment shall be solely for our own purposes of determining compliance with our internal policies, practices and standards, as we determine from time to time and the administrative feasibility of the investment and neither such review nor its acceptance should be construed in any way as an endorsement of any investment, investment company or investment strategy. We also have the right not to affect any transaction/investment which we deem to be beyond the scope of our administrative responsibilities, capabilities or expertise, or

that we determine in our sole discretion does not comport with our internal policies, practices or standards.

We have no duty or obligation to notify you with respect to any information, knowledge, irregularities or our concerns relating to your investment or your investment advisor, broker, agent, promoter or representative, except as to civil pleadings or court orders received by us.

We shall use reasonable efforts to acquire or sell investments in accordance with your directions within a reasonable period of time after we have received an investment direction and we shall make reasonable efforts to notify you if we are unable or unwilling to comply with an investment direction. Subject to the foregoing, we shall remit funds as directed, but have no responsibility to verify or assure that such funds have been invested to purchase or acquire the asset selected by you.

(c) Investment Documentation. In directing us with respect to any investment, you must utilize our Direction of Investment form suitable to such investment or such other form acceptable to us.

We shall be fully protected in acting upon any instrument, certificate, paper or transmission believed to be genuine and to be signed or presented by the proper person or persons whether or not by facsimile or other form acceptable to the custodian, and the custodian shall be under no duty to make any investigation or inquiry as to any statement contained in any such communication, but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained.

You authorize and direct us to execute and deliver, on behalf of your Roth IRA, any and all documents delivered to us in connection with your Roth IRA investments; and we shall have no responsibility to verify or determine that any such documents are complete, accurate or constitute the documents necessary to comply with your investment direction.

You authorize and direct us to correct errors in investment titling without notice to you and to correct other minor clerical errors with telephone or email consent from you upon verification of your identity.

(d) Deposit Investments. The deposit investments available through us may include savings, share, and/or money market accounts, and various certificates of deposit (CDs). Any cash in your IRA shall be invested in accordance with the instructions of the Depositor, or his or her designated representative, subject to the other terms of the Custodial Agreement. You may direct us to transfer any un-invested funds to another institution of your choice at any time.

(e) Un-invested Cash Funds. The Depositor hereby directs Custodian pending further investment instruction to deposit all undirected and un-invested cash from any source, including, but not limited to contributions, transfers and income from assets held in the Custodial Account, into the Program, and then place such deposited cash into one or more FDIC insured financial institutions. Interest earned on such cash balances net of the Program fee described in Section 9.04 of this Article, shall be credited to your custodial account as of the end of each month. You direct us to sweep available free credit balances automatically into the Program utilizing FDIC member financial institutions until such time as further direction is received from you or your designated representative(s).

You also authorize us to transfer any such funds to a different FDIC member financial institution without any further approval from you. Information on interest earned net of the Program fee is available online at [www.sterling-trust.com/current-clients/interest.html](http://www.sterling-trust.com/current-clients/interest.html) and reported on your quarterly statement as appropriate, or can be obtained by contacting your First Class Service Representative.

9.06 *Beneficiary(ies)*: If you die before you receive all of the amounts in your Roth IRA, payments from your Roth IRA will be made to your beneficiary(ies).

You may designate one or more persons or entities as beneficiary of your Roth IRA. This designation can only be made on a form provided by or acceptable to us, and it will only be effective when it is filed with us during your lifetime. Unless otherwise specified, each beneficiary designation you file with us will cancel all previous ones. The consent of a beneficiary(ies) shall not be required for you to revoke a beneficiary designation. If you have designated both primary and contingent beneficiaries and no primary beneficiary(ies) survives you, the contingent beneficiary(ies) shall acquire the designated share of your Roth IRA. If you do not designate a beneficiary, or if all of your primary and contingent beneficiary(ies) predecease you, your estate will be the beneficiary.

If your surviving spouse is the designated beneficiary, your spouse may elect to treat your Roth IRA as his or her own Roth IRA, and would not be subject to the required minimum distribution rules. Your surviving spouse will also be entitled to such additional beneficiary payment options as are granted under the Code or applicable Regulations.

We may allow, if permitted by state law, an original Roth IRA beneficiary(ies) (the beneficiary(ies) who is entitled to receive distribution(s) from an inherited Roth IRA at the time of your death) to name a successor beneficiary(ies) for the

inherited Roth IRA. This designation can only be made on a form provided by or acceptable to us, and it will only be effective when it is filed with us during the original Roth IRA beneficiary's(ies) lifetime. Unless otherwise specified, each beneficiary designation form that the original Roth IRA beneficiary(ies) files with us will cancel all previous ones. The consent of a successor beneficiary(ies) shall not be required for the original Roth IRA beneficiary(ies) to revoke a successor beneficiary(ies) designation. If the original Roth IRA beneficiary(ies) does not designate a successor beneficiary(ies), his or her estate will be the successor beneficiary. In no event shall the successor beneficiary(ies) be able to extend the distribution period beyond that required for the original Roth IRA beneficiary.

9.07 *Termination of Agreement, Resignation, or Removal of Custodian:* Either party may terminate this Agreement at any time by giving written notice to the other. We can resign as Custodian at any time effective 30 days after we mail written notice of our resignation to you. Upon receipt of that notice, you must make arrangements to transfer your Roth IRA to another financial organization. If you do not complete a transfer of your Roth IRA within 30 days from the date we mail the notice to you, we have the right to transfer your Roth IRA assets to a successor Roth IRA custodian or trustee that we choose in our sole discretion, or we may pay or distribute your Roth IRA assets to you in a single sum or assignment. If we transfer your Roth IRA, the existing Roth IRA documents will govern your Roth IRA relationship with the new custodian or trustee unless the successor custodian/trustee notifies you in writing of any changes and/or requires new Roth IRA documents to be signed by you. We shall not be liable for any actions or failures to act on the part of any successor custodian or trustee, nor for any tax consequences you may incur that result from the transfer or distribution of your assets pursuant to this section.

If this Agreement is terminated, we may charge to your Roth IRA a reasonable amount of money that we believe is necessary to cover any associated costs, including but not limited to, one or more of the following:

- any fees, expenses or taxes chargeable against your Roth IRA;
- any penalties or surrender charges associated with the early withdrawal of any savings instrument or other investment in your Roth IRA.

After your Roth IRA Account with us is closed, if there are additional assets remaining in or subsequently credited to your Roth IRA account, we will endeavor to distribute or transfer such assets in accordance with your prior direction, but after offsetting any applicable administrative expenses and custodial fees (per our then operative fee schedule).

If we are required to comply with Regulations section 1.408-2(e), and we fail to do so, or we are not keeping the records, making the returns or sending the statements as are required by forms or Regulations, the IRS may, after notifying you, require you to substitute another trustee or custodian.

We may establish a policy requiring distribution of the entire balance of your Roth IRA to you in cash or property if the balance of your Roth IRA drops below the minimum balance required under the applicable investment or policy established.

9.08 *Successor Custodian:* If our organization changes its name, reorganizes, merges with another organization (or comes under the control of any federal or state agency), or if our entire organization (or any portion which includes your Roth IRA) is bought by another organization, that organization (or agency) shall automatically become the trustee or custodian of your Roth IRA, but only if it is the type of organization authorized to serve as a Roth IRA trustee or custodian.

9.09 *Amendments:* We have the right to amend this Agreement at any time. Any amendment we make to comply with the Code and related Regulations does not require your consent. You will be deemed to have consented to any other amendment unless, within 30 days from the date we mail the amendment, you notify us in writing that you do not consent.

9.10 *Withdrawals or Transfers:* All requests for withdrawal or transfer shall be in writing on a form provided by or acceptable to us. The method of distribution must be specified in writing. The tax identification number of the recipient must be provided to us before we are obligated to make a distribution. Withdrawals shall be subject to all applicable tax and other laws and regulations, including possible early withdrawal penalties or surrender charges and withholding requirements.

You are not required to take a distribution from your Roth IRA at age 70½. At your death, however, your beneficiary(ies) must begin taking distributions in accordance with Article V and Section 9.06 of this Agreement. We will make no distributions to you from your Roth IRA until you provide us with a written request for a distribution on a form provided by or acceptable to us.

9.11 *Transfers from Other Plans:* We can receive amounts transferred to this Roth IRA from the custodian or trustee of another Roth IRA as permitted by the Code. We reserve the right not to accept any transfer.

9.12 *Liquidation of Assets:* We have the right to liquidate assets in your Roth IRA if necessary to make distributions or to pay fees, expenses, indemnities, taxes, penalties or surrender charges properly chargeable against your Roth IRA. If you fail to direct us as to which assets to liquidate, we will decide, in our complete and sole discretion, and you agree not to hold us liable for any adverse

consequences that result from our decision.

9.13 *Restrictions on the Fund:* Neither you nor any beneficiary may sell, transfer or pledge any interest in your Roth IRA in any manner whatsoever, except as provided by law or this Agreement.

The assets in your Roth IRA shall not be responsible for the debts, contracts or torts of any person entitled to distributions under this Agreement.

9.14 *What Law Applies:* This Agreement is subject to all applicable federal laws and regulations and shall be governed by and construed under the applicable laws of the State of Ohio.

If any part of this Agreement is held to be illegal or invalid, the remaining parts shall not be affected. Neither you nor our failure to enforce at any time or for any period of time any of the provisions of this Agreement shall be construed as a waiver of such provisions, or your right or our right thereafter to enforce each and every such provision.

Any suit filed against custodian arising out of or in connection with this Agreement shall only be instituted in the county courts of Lorain County, Ohio where custodian maintains its principal office and you agree to submit to such jurisdiction both in connection with any such suit you may file and in connection with any suit which we may file against you.

9.15 *Valuations Policy:* In valuing the assets of the custodial account for record-keeping and reporting purposes we shall use reasonable, good faith efforts to ascertain the fair market value of each asset through utilization of various outside sources available to us and consideration of various relevant factors generally recognized as appropriate to the application of customary valuation techniques.

However where assets are liquid or their value is not readily ascertainable on either an established exchange or generally recognized market, the valuation is by necessity not a true market value and is merely an estimate of value in a broad range of values and its accuracy should not be relied upon by you for any other purposes.

The precision with which a value is assigned is a factor of the nature of the asset and the cost effectiveness of pursuing a more comprehensive appraisal. In certain cases where fair market value is not readily ascertainable and we do not have a recent qualified independent appraisal we may follow an internal protocol for assigning value based on the cost of the asset or we may rely upon a current independent appraisal obtained by you.

We neither provide a guarantee of value nor the appropriateness of the appraisal techniques applied in developing an estimate of value and we assume no responsibility for the accuracy of the valuations presented with respect to assets whose value is not readily ascertainable on either an established exchange or a generally recognized market.

9.16 *Form 990-T Filing for UBIT:* Pursuant to Sections 511-514 of the Internal Revenue Code you agree to prepare or have prepared the required Form 990-T tax return, an application for employer identification number (if not previously obtained), and any other documents that may be required, and to submit them for filing with the Internal Revenue Service to the custodian at least fifteen days prior to the date on which the return is due for such taxable year, along with an appropriate payment directive authorizing the custodian to execute the forms on behalf of your Roth IRA and to pay the applicable unrelated business income tax from your Roth IRA on unrelated business income which exceeds the current \$1,000 exclusion.

9.17 *Acknowledgment of and Authorization for Telephone Recordings:* We reserve the right to install and/or maintain automatic telephone recording equipment on certain telephone lines used by personnel servicing the custodial account in connection with trading functions and customer inquiries. By signing this Agreement, you acknowledge our right and expressly authorize us to record and play back any and all such telephone calls.

**General Instructions**

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

**Purpose of Form**

Form 5305-RA is a model custodial account agreement that meets the requirements of section 408A and has been pre-approved by the IRS. A Roth Individual Retirement Account (Roth IRA) is established after the form is fully executed by both the individual (Depositor) and the Custodian. This account must be created in the United States for the exclusive benefit of the Depositor and his or her beneficiaries.

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

Unlike contributions to Traditional individual retirement arrangements, contributions to a Roth IRA are not deductible from the Depositor's gross income; and distributions after 5 years that are made when the Depositor is 59½ years of age or older or on account of death, disability, or the purchase of a home by a first-time home buyer (limited to \$10,000), are not includible in gross income. For more information on Roth IRAs, including the required disclosures the Custodian must give the Depositor, see **Pub. 590, Individual Retirement Arrangements (IRAs)**.

**Definitions**

**IRA Conversion Contributions.** IRA Conversion Contributions are amounts rolled over, transferred, or considered transferred from a non-Roth IRA to a Roth IRA. A non-Roth IRA is an individual retirement account or annuity described in section 408(a) or 408(b), other than a Roth IRA.

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

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

**Specific Instructions**

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**Article I.** The Depositor may be subject to a 6% tax on excess contributions if **(1)** contributions to other individual retirement arrangements of the Depositor have been made for the same tax year, **(2)** the Depositor's adjusted gross income exceeds the applicable limits in Article II for the tax year, or **(3)** the Depositor's and spouse's compensation is less than the amount contributed by or on behalf of them for the tax year. The Depositor should see the Disclosure Statement or Pub. 590 for more information.

**Article V.** This article describes how distributions will be made from the Roth IRA after the Depositor's death. Elections made pursuant to this article should be reviewed periodically to ensure they correspond to the Depositor's intent. Under paragraph 3 of Article V, the Depositor's spouse is treated as the owner of the Roth IRA upon the death of the Depositor, rather than as the beneficiary. If the spouse is to be treated as the beneficiary, and not the owner, an overriding provision should be added to Article IX.

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

## TRADITIONAL IRA DISCLOSURE STATEMENT

### RIGHT TO REVOKE YOUR IRA

If you receive this Disclosure Statement at the time you establish your IRA, you have the right to revoke your IRA within seven (7) days of its establishment. If revoked, you are entitled to a full return of the contribution you made to your IRA. The amount returned to you would not include an adjustment for such items as sales commissions, administrative expenses, or fluctuation in market value. You may make this revocation only by mailing or delivering a written notice to the Custodian at the address listed on the Application.

If you send your notice by first class mail, your revocation will be deemed mailed as of the postmark date.

If you have any questions about the procedure for revoking your IRA, please call the Custodian at the telephone number listed on the Application.

### REQUIREMENTS OF AN IRA

- A. **CASH CONTRIBUTIONS** - Your contribution must be in cash, unless it is a rollover contribution.
- B. **MAXIMUM CONTRIBUTION** - The total amount you may contribute to an IRA for any taxable year cannot exceed the lesser of 100 percent of your compensation or \$3,000 for years 2002-2004, \$4,000 for years 2005-2007, and \$5,000 for years 2008-2012, with possible cost-of-living adjustments in years 2013 and thereafter. If you also maintain a Roth IRA, the maximum contribution to your Traditional IRAs (i.e., IRAs subject to Internal Revenue Code (Code) sections 408(a) or 408(b)) is reduced by any contributions you make to your Roth IRA. Your total annual contribution to all Traditional IRAs and Roth IRAs cannot exceed the lesser of the dollar amounts described above or 100 percent of your compensation. An exception to the contribution dollar limitations applies if you received a qualified reservist distribution. In such case, you may, at any time during the two-year period beginning on the day after the end of your active duty period, make one or more contributions to your IRA in an aggregate amount not to exceed the amount of your qualified reservist distribution.
- C. **CONTRIBUTION ELIGIBILITY** - You are eligible to make a regular contribution to your IRA if you have compensation and have not attained age 70½ by the end of the taxable year for which the contribution is made.
- D. **CATCH-UP CONTRIBUTIONS** - If you are age 50 or older by the close of the taxable year, you may make an additional contribution to your IRA. The maximum additional contribution is \$500 for years 2002-2005 and \$1,000 for years 2006 and beyond.
- E. **NON-FORFEITABILITY** - Your interest in your IRA is non-forfeitable.
- F. **ELIGIBLE CUSTODIANS** - The Custodian of your IRA must be a bank, savings and loan association, credit union, or a person or entity approved by the Secretary of the Treasury.
- G. **COMMINGLING ASSETS** - The assets of your IRA cannot be commingled with other property except in a common trust fund or common investment fund.
- H. **LIFE INSURANCE** - No portion of your IRA may be invested in life insurance contracts.
- I. **COLLECTIBLES** - You may not invest the assets of your IRA in collectibles (within the meaning of Code section 408(m)). A collectible is defined as any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or other tangible personal property specified by the Internal Revenue Service (IRS). However, specially minted United States gold and silver coins, and certain state-issued coins are permissible investments. Platinum coins and certain gold, silver, platinum or palladium bullion (as described in Code section 408(m)(3)) are also permitted as IRA investments.
- J. **REQUIRED MINIMUM DISTRIBUTIONS** - You are required to take minimum distributions from your IRA at certain times in accordance with Regulations section 1.408-8. Below is a summary of the IRA distribution rules.
  1. You are required to take a minimum distribution from your IRA for the year in which you reach age 70½ and for each year thereafter. You must take your first distribution by your required beginning date, which is April 1 of the year following the year you attain age 70½. The minimum distribution for any taxable year is equal to the amount obtained by dividing the account balance at the end of the prior year by the applicable divisor.
  2. The applicable divisor is generally determined using the uniform lifetime table provided by the IRS. The table assumes a designated beneficiary exactly 10 years younger than you, regardless of who is named as your beneficiary(ies), if any. If your spouse is your sole designated beneficiary, and is more than 10 years younger than you, the required minimum distribution is determined annually using the actual joint life expectancy of you and your spouse obtained from the joint and last survivor table provided by the IRS, rather than the life expectancy divisor from the uniform lifetime table.

We reserve the right to do any one of the following by April 1 of the year

following the year in which you turn age 70½ :

- (a) make no distribution until you give us a proper withdrawal request,
  - (b) distribute your entire IRA to you in a single sum payment, or
  - (c) determine your required minimum distribution from your IRA with us each year based on your life expectancy calculated using the uniform lifetime table, and pay those distributions to you until you direct otherwise.
3. Your designated beneficiary is determined based on the beneficiary(ies) designated as of the date of your death, who remains your beneficiary(ies) as of September 30 of the year following the year of your death. If you die,
- (a) on or after your required beginning date, distributions must be made to your beneficiary(ies) over the longer of the single life expectancy of your designated beneficiary(ies), or your remaining life expectancy. If a beneficiary other than an individual or qualified trust as defined in the Regulations is named, you will be treated as having no designated beneficiary of your IRA for purposes of determining the distribution period. If there is no designated beneficiary of your IRA, distributions will commence using your single life expectancy, reduced by one in each subsequent year.
  - (b) before your required beginning date, the entire amount remaining in your account will, at the election of your designated beneficiary(ies), either
    - (i) be distributed by December 31 of the year containing the fifth anniversary of your death, or
    - (ii) be distributed over the remaining life expectancy of your designated beneficiary(ies).

Your designated beneficiary(ies) must elect either option (i) or (ii) by December 31 of the year following the year of your death. If no election is made, distribution will be calculated in accordance with option (ii). In the case of distributions under option (ii), distributions must commence by December 31 of the year following the year of your death. Generally if your spouse is the designated beneficiary, distributions need not commence until December 31 of the year you would have attained age 70½, if later. If a beneficiary(ies) other than an individual or qualified trust as defined in the Regulations is named, you will be treated as having no designated beneficiary(ies) of your IRA for purposes of determining the distribution period. If there is no designated beneficiary of your IRA, the entire IRA must be distributed by December 31 of the year containing the fifth anniversary of your death.

A spouse who is the sole designated beneficiary of your entire IRA will be deemed to elect to treat your IRA as his or her own by either (1) making contributions to your IRA or (2) failing to timely remove a required minimum distribution from your IRA. Regardless of whether or not the spouse is the sole designated beneficiary of your IRA, a spouse beneficiary may roll over his or her share of the assets to his or her own IRA.

### INCOME TAX CONSEQUENCES OF ESTABLISHING AN IRA

- A. **IRA DEDUCTIBILITY** - If you are eligible to contribute to your IRA, the amount of the contribution for which you may take a tax deduction will depend upon whether you (or, in some cases, your spouse) are an active participant in an employer-maintained retirement plan. If you (and your spouse, if married) are not an active participant, your entire IRA contribution will be deductible. If you are an active participant (or are married to an active participant), the deductibility of your contribution will depend on your modified adjusted gross income (MAGI) and your tax filing status for the tax year for which the contribution was made. MAGI is determined on your income tax return using your adjusted gross income but disregarding any deductible IRA contribution.

Definition of Active Participant - Generally, you will be an active participant if you are covered by one or more of the following employer-maintained retirement plans:

1. a qualified pension, profit sharing, 401(k), or stock bonus plan;
2. a qualified annuity plan of an employer;
3. a simplified employee pension (SEP) plan;
4. a retirement plan established by the federal government, a state, or a political subdivision (except certain unfunded deferred compensation plans under Code section 457);
5. a tax-sheltered annuity for employees of certain tax-exempt organizations or public schools;
6. a plan meeting the requirements of Code section 501(c)(18);
7. a qualified plan for self-employed individuals (H.R. 10 or Keogh Plan); and
8. a savings incentive match plan for employees of small employers (SIMPLE) IRA plan or a SIMPLE 401(k) plan.

If you do not know whether your employer maintains one of these plans, or

whether you are an active participant in it, check with your employer or your tax advisor. Also, the IRS Form W-2, Wage and Tax Statement, that you receive at the end of the year from your employer will indicate whether you are an active participant. If you are an active participant and are single, the deductible amount of your contribution is determined as follows: (1) begin with the appropriate phase-out range maximum for the applicable year (specified below), and subtract your MAGI; (2) divide this total by the difference between the phase-out maximum and minimum; (3) multiply this number by the maximum allowable contribution for the applicable year, including catch-up contributions if you are age 50 or older. The resulting figure will be the maximum IRA deduction you may take. For example, if you are age 30 with MAGI of \$58,000 in 2012, your maximum deductible contribution is \$4,000 (the 2012 phase-out range maximum of \$66,000 minus your MAGI of \$58,000, divided by the difference between the maximum and minimum phase-out range limits of \$10,000 and multiplied by the contribution limit of \$5,000.)

If you are an active participant, are married and you file a joint income tax return, the deductible amount of your contribution is determined as follows: (1) begin with the appropriate phase-out maximum for the applicable year (specified below), and subtract your MAGI range; (2) divide this total by the difference between the phase-out range maximum and minimum; (3) multiply this number by the maximum allowable contribution for the applicable year, including catch-up contributions if you are age 50 or older. The resulting figure will be the maximum IRA deduction you may take. For example, if you are age 30 with MAGI of \$92,000 in 2012, your maximum deductible contribution is \$5,000 (the 2012 phase-out maximum of \$112,000 minus your MAGI of \$92,000, divided by the difference between the maximum and minimum phase-out limits of \$20,000 and multiplied by the contribution limit of \$5,000.)

If you are an active participant, are married and you file a separate income tax return, your MAGI phase-out range is generally \$0 - \$10,000. However, if you lived apart for the entire tax year, you are treated as a single filer.

Tax Year	Joint Filers	Single Taxpayer
	Phase-out Range	Phase-out Range
	<i>(minimum)(maximum)</i>	<i>(minimum)(maximum)</i>
2007	\$83,000 - \$103,000	\$52,000 - \$62,000
2008	\$85,000 - \$105,000	\$53,000 - \$63,000
2009	\$89,000 - \$109,000	\$55,000 - \$65,000
2010	\$89,000 - \$109,000	\$56,000 - \$66,000
2011	\$90,000 - \$110,000	\$56,000 - \$66,000
2012	\$92,000 - \$112,000	\$58,000 - \$68,000

If you are not an active participant in an employer-maintained retirement plan, are married to someone who is an active participant, and you file a joint income tax return, your maximum deductible contribution is determined as follows for 2012: (1) begin with \$183,000 and subtract your MAGI; (2) divide this total by \$20,000; (3) multiply this number by the maximum allowable contribution for the applicable year, including catch-up contributions if you are age 50 or older. The resulting figure will be the maximum IRA deduction you may take.

You must round the resulting deduction to the next highest \$10 if the number is not a multiple of 10. If your resulting deduction is between \$0 and \$200 you may round up to \$200.

- B. **CONTRIBUTION DEADLINE** - The deadline for making an IRA contribution is your tax return due date (not including extensions). You may designate a contribution as a contribution for the preceding taxable year in a manner acceptable to us. For example, if you are a calendar year taxpayer, and you make your IRA contribution on or before April 15, your contribution is considered to have been made for the previous tax year if you designate it as such.
- C. **TAX CREDIT FOR CONTRIBUTIONS** - For taxable years beginning on or after January 1, 2002, you may be eligible to receive a tax credit for your Traditional or Roth IRA contributions. This credit will be allowed in addition to any tax deduction that may apply, and may not exceed \$1,000 in a given year. You may be eligible for this tax credit if you are
  - age 18 or older as of the close of the taxable year,
  - not a dependent of another taxpayer, and
  - not a full-time student.

The credit is based upon your income (see chart below), and will range from 0 to 50 percent of eligible contributions. In order to determine the amount of your contributions, add all of the contributions made to your Traditional or Roth IRA and reduce these contributions by any distributions that you have taken during the testing period. The testing period begins two years prior to the year for which the credit is sought and ends on the tax return due date (including extensions) for the year for which the credit is sought. In order to determine your tax credit,

multiply the applicable percentage from the chart below by the amount of your contributions that do not exceed \$2,000.

For 2012: Adjusted Gross Income*			Applicable %
Joint Return	Head of Household	All Other Cases	
\$1 - \$34,500	\$1 - \$25,875	\$1 - \$17,250	50 %
\$34,501 - \$37,500	\$25,876 - \$28,125	\$17,251 - \$18,750	20 %
\$37,501 - \$57,500	\$28,126 - \$43,125	\$18,751 - \$28,750	10 %
Over \$57,501	Over \$43,126	Over \$28,751	0 %

\*Adjusted gross income includes foreign earned income and income from Guam, American Samoa, North Mariana Islands and Puerto Rico.

- D. **TAX-DEFERRED EARNINGS** - The investment earnings of your IRA are not subject to federal income tax until distributions are made (or, in certain instances, when distributions are deemed to be made).
  - E. **NONDEDUCTIBLE CONTRIBUTIONS** - You may make nondeductible contributions to your IRA to the extent that deductible contributions are not allowed. The sum of your deductible and nondeductible IRA contributions cannot exceed your contribution limit (the lesser of the allowable contribution limit described previously, or 100 percent of compensation). You may elect to treat deductible IRA contributions as nondeductible contributions.
- If you make nondeductible contributions for a particular tax year, you must report the amount of the nondeductible contribution along with your income tax return using IRS Form 8606. Failure to file IRS Form 8606 will result in a \$50 per failure penalty.
- If you overstate the amount of designated nondeductible contributions for any taxable year, you are subject to a \$100 penalty unless reasonable cause for the overstatement can be shown.
- F. **TAXATION OF DISTRIBUTIONS** - The taxation of IRA distributions depends on whether or not you have ever made nondeductible IRA contributions. If you have only made deductible contributions, any IRA distribution will be fully included in income.

If you have ever made nondeductible contributions to any IRA, the following formula must be used to determine the amount of any IRA distribution excluded from income.

$$(\text{Aggregate Nondeductible Contributions}) \times \frac{(\text{Amount Withdrawn})}{(\text{Amount of IRA Distributions})} = \text{Amount Excluded from Income (Aggregate IRA Balance) + (Amount of IRA Distributions)}$$

NOTE: Aggregate nondeductible contributions include all nondeductible contributions made by you through the end of the year of the distribution (which have not previously been withdrawn and excluded from income). Also note that the aggregate IRA balance includes the total balance of all of your IRAs as of the end of the year of distribution and any distributions occurring during the year.

**Use of IRAs for Charitable Contributions**

For years 2006 through 2011, if you are 70-1/2 or older you can distribute up to \$100,000 tax-free annually from your IRA to certain charitable organizations without claiming a charitable deduction or including the distribution in your gross income. The distribution must be made directly by the IRA Trustee or Custodian, unless the distribution check is made payable to the charity and delivered by you to the charity.

- G. **ROLLOVERS AND CONVERSIONS** - Your IRA may be rolled over to an IRA of yours, may receive rollover contributions, and may be converted to a Roth IRA, provided that all of the applicable rollover and conversion rules are followed. Rollover is a term used to describe a tax-free movement of cash or other property to your IRA from another IRA, or from your employer's qualified retirement plan, 403(a) annuity plan, 403(b) tax-sheltered annuity, or 457(b) eligible governmental deferred compensation plan. Conversion is a term used to describe the movement of Traditional IRA assets to a Roth IRA. A conversion is generally a taxable event. The rollover and conversion rules are generally summarized below. These transactions are often complex. If you have any questions regarding a rollover or conversion, please see a competent tax advisor.
  1. **Traditional IRA to Traditional IRA Rollovers** - Funds distributed from your IRA may be rolled over to an IRA of yours if the requirements of Code section 408(d)(3) are met. A proper IRA to IRA rollover is completed if all or part of the distribution is rolled over not later than 60 days after the distribution is received. You may not have completed another IRA to IRA rollover from the distributing IRA during the 12 months preceding the date you receive the distribution. Further, you may roll over the same dollars or assets only once every 12 months.
  2. **SIMPLE IRA to Traditional IRA Rollovers** - Funds may be distributed from your

SIMPLE IRA and rolled over to your IRA without IRS penalty provided; two years have passed since you first participated in a SIMPLE IRA plan sponsored by your employer. As with Traditional IRA to Traditional IRA rollovers, the requirements of Code section 408(d)(3) must be met. A proper SIMPLE IRA to IRA rollover is completed if all or part of the distribution is rolled over not later than 60 days after the distribution is received. You may not have completed another SIMPLE IRA to IRA or SIMPLE IRA to SIMPLE IRA rollover from the distributing SIMPLE IRA during the 12 months proceeding the date you receive the distribution. Further, you may roll over the same dollars or assets only once every 12 months.

- 3. **Employer-Sponsored Retirement Plan to Traditional IRA Rollovers** - You may roll over, directly or indirectly, any eligible rollover distribution from an eligible employer-sponsored retirement plan. An eligible rollover distribution is defined generally as any distribution from a qualified retirement plan, 403(a) annuity, 403(b) tax-sheltered annuity, or 457(b) eligible governmental deferred compensation plan (including trustee-to-trustee transfers after December 31, 2006 to non-spouse beneficiaries) unless it is part of a certain series of substantially equal periodic payments, a required minimum distribution, or a hardship distribution.

If you elect to receive your rollover distribution prior to placing it in an IRA, thereby conducting an indirect rollover, your plan administrator will generally be required to withhold 20 percent of your distribution as a payment of income taxes. When completing the rollover, you may make up the amount withheld, out of pocket, and roll over the full amount distributed from your employer-sponsored retirement plan. To qualify as a rollover, your eligible rollover distribution must be rolled over to your IRA not later than 60 days after you receive it. Alternatively, you may claim the withheld amount as income, and pay the applicable income tax and, if you are under age 59½, the 10 percent early distribution penalty (unless an exception to the penalty applies).

As an alternative to the indirect rollover, your employer generally must give you the option to directly roll over your employer-sponsored retirement plan balance to an IRA. If you elect the direct rollover option, your eligible rollover distribution will be paid directly to the IRA (or other eligible employer-sponsored retirement plan) that you designate. The 20 percent withholding requirements do not apply to direct rollovers.

- 4. **Traditional IRA to Employer-Sponsored Retirement Plans** - You may roll over, directly or indirectly, any eligible rollover distribution from an IRA to an employer's qualified retirement plan, 403(a) annuity, 403(b) tax-sheltered annuity, or 457(b) eligible governmental deferred compensation plan so long as the employer-sponsored retirement plan accepts such rollover contributions. An eligible rollover distribution is defined as any taxable distribution from an IRA that is not a part of a required minimum distribution.
- 5. **Traditional IRA to Roth IRA Conversions** - For tax years before 2010, if your modified adjusted gross income was not more than \$100,000, and if you were married and you did not file a separate income tax return, you were eligible to convert all or any portion of your existing Traditional IRA(s) into your Roth IRA(s). For tax years after 2009, the \$100,000 MAGI limit and joint filing requirements are no longer applicable. However, if you are age 70½ or older you must remove your required minimum distribution prior to converting your Traditional IRA. The amount of the conversion from your Traditional IRA to your Roth IRA shall be treated as a distribution for income tax purposes, and is includible in your gross income (except for any nondeductible contributions). Although the conversion amount is generally included in income, the 10 percent early distribution penalty shall not apply to conversions from a Traditional IRA to a Roth IRA, regardless of whether you qualify for any exceptions to the 10 percent penalty. There is a special tax treatment permitted for conversions in 2010, whereby, unless you otherwise elect to recognize the conversion amount in full in 2010, you are permitted to recognize the income ratably in 2011 and 2012.
- 6. **Written Election** - At the time you make a proper rollover to an IRA, you must designate in writing to us, your election to treat that contribution as a rollover. Once made, the rollover election is irrevocable.

- H. **TRANSFER DUE TO DIVORCE** - If all or any part of your IRA is awarded to your spouse or former spouse in a divorce or legal separation proceeding, the amount so awarded will be treated as the spouse's IRA (and may be transferred pursuant to a court-approved divorce decree or written legal separation agreement to another IRA of your spouse), and will not be considered a taxable distribution to you. A transfer is a tax-free direct movement of cash and/or property from one Traditional IRA to another.

- I. **RECHARACTERIZATIONS** - If you make a contribution to a Traditional IRA and later recharacterize either all or a portion of the original contribution to a Roth IRA along with net income attributable, you may elect to treat the original contribution as having been made to the Roth IRA. The same methodology applies when recharacterizing a contribution from a Roth IRA to a Traditional IRA. If you have converted from a Traditional IRA to a Roth IRA you may recharacterize

the conversion along with net income attributable back to the Traditional IRA. The deadline for completing a recharacterization is your tax filing deadline (including any extensions), for the year for which the original contribution was made or conversion completed. You must report a recharacterized contribution on your federal income tax return in accordance with the instructions to IRS Form 8606. You may not recharacterize Roth IRA contributions as contributions to a SEP or SIMPLE IRA.

**LIMITATIONS AND RESTRICTIONS**

- A. **SEP PLANS** - Under a simplified employee pension (SEP) plan that meets the requirements of Code section 408(k), your employer may make contributions to your IRA. Your employer is required to provide you with information which describes the terms of your employer's SEP plan.
- B. **SPOUSAL IRA** - If you are married and have compensation, you may contribute to an IRA established for the benefit of your spouse for any year prior to the year your spouse turns age 70½, regardless of whether or not your spouse has compensation. You may make these spousal contributions even if you are age 70½ or older. You must file a joint income tax return for the year for which the contribution is made.

The amount you may contribute to your IRA and your spouse's IRA is the lesser of 100 percent of your combined compensation or \$6,000 for 2002-2004, \$8,000 for 2005-2007, and \$10,000 for 2008-2012. This amount may be increased with cost-of-living adjustments in 2013 and beyond. However, you may not contribute more than the individual contribution limit to each IRA.

If your spouse is age 50 or older by the close of the taxable year, and is otherwise eligible, you may make an additional contribution to your spouse's IRA. The maximum additional contribution is \$500 for years 2002-2005, and \$1,000 for years 2006 and beyond.

- C. **DEDUCTION OF ROLLOVERS AND TRANSFERS** - A deduction is not allowed for rollover contributions or transfers.
- D. **GIFT TAX** - Transfers of your IRA assets to a beneficiary made during your life and at your request may be subject to federal gift tax under Code section 2501.
- E. **SPECIAL TAX TREATMENT** - Capital gains treatment and 10-year forward income averaging authorized by Code section 402 do not apply to IRA distributions.
- F. **INCOME TAX TREATMENT** - Any withdrawal from your IRA is subject to federal income tax withholding. You may, however, elect not to have withholding apply to your IRA withdrawal. If withholding is applied to your withdrawal, not less than 10 percent of the amount withdrawn must be withheld.
- G. **PROHIBITED TRANSACTIONS** - If you or your beneficiary engages in a prohibited transaction with your IRA, as described in Code section 4975, your IRA will lose its tax-deferred status, and you must include the value of your account in your gross income for the taxable year you engage in the prohibited transaction. The following transactions are examples of prohibited transactions with your IRA: (1) taking a loan from your IRA; (2) buying property for personal use (present or future) with IRA funds; or (3) receiving certain bonuses or premiums because of your IRA.
- H. **PLEDGING** - If you pledge any portion of your IRA as collateral for a loan, the amount so pledged will be treated as a distribution, and will be included in your gross income for the taxable year in which you pledge the assets.
- I. **LISTED TRANSACTIONS AND REPORTABLE TRANSACTIONS** -- Certain transactions are or may be identified by the Internal Revenue Service as abusive tax shelter schemes or transactions. A prohibited tax shelter transaction, as described in Code section 4965, is a transaction that is a listed transaction (including a subsequently listed transaction), as described in Code section 6707A(c)(2), or a prohibited reportable transaction, which is either a confidential transaction or a transaction with contractual protection and which is a reportable transaction defined in Code section 6707A(c)(1). A listed transaction is a transaction that is the same as or substantially similar to any of the types of transactions that the IRS has determined to be a tax avoidance transaction and are identified by notice, regulation or other form of published guidance as a listed transaction. A confidential transaction is a transaction that is offered under conditions of confidentiality and for which a minimum fee was paid. A transaction with contractual protection is a transaction for which the party to the transaction has the right to a full or partial refund of fees if all or part of the intended tax consequences from the transaction are not sustained or with respect to which fees are contingent on the realization of tax benefits from the transaction.

As a type of tax-exempt entity subject to the prohibited tax shelter transaction rules, an IRA is required to file IRS Form 8886-T to disclose information with respect to each prohibited tax shelter transaction, entered into after May 17, 2006, to which it is a party. If the IRA participates in a reportable transaction (as defined in Treasury Regulations section 1.6011-4) the IRA also may be required to file IRS Form 8886. These forms must be filed by the entity manager, who in the case of a self-directed IRA, is the IRA owner who approved or caused the IRA to be a party to the transaction. Code section 6011(g) also requires a taxable party to a prohibited

tax shelter transaction to disclose to the IRA custodian that such transaction has occurred. In addition to the reporting and disclosure requirements, an IRA entity manager may be liable for excise taxes in connection with the prohibited tax shelter transaction. IRS Form 5330 is to be used for reporting such excise taxes. Additional penalties are imposed by Code section 6662A for failure to disclose required information with respect to prohibited tax shelter transactions.

**FEDERAL TAX PENALTIES**

- A. **EARLY DISTRIBUTION PENALTY** - If you are under age 59½ and receive an IRA distribution, an additional tax of 10 percent will apply, unless made on account of 1) death, 2) disability, 3) a qualifying rollover, 4) the timely withdrawal of an excess contribution, 5) a series of substantially equal periodic payments (at least annual payments) made over your life expectancy or the joint life expectancy of you and your beneficiary, 6) medical expenses which exceed 7.5 percent of your adjusted gross income, 7) health insurance payments if you are separated from employment and have received unemployment compensation under a federal or state program for at least 12 weeks, 8) certain qualified education expenses, 9) first-home purchases (up to a life-time maximum of \$10,000), 10) a levy issued by the IRS, or 11) being called to active military duty if the distribution meets the requirement to be a qualified reservist distribution (i.e., called to active duty for at least 180 days or an indefinite period and made during the period from the date when ordered or called and ending at the close of the active duty period). This additional tax will apply only to the portion of a distribution which is includible in your taxable income.
- B. **EXCESS CONTRIBUTION PENALTY** - An additional tax of six percent is imposed upon any excess contribution you make to your IRA. This additional tax will apply each year in which an excess remains in your IRA. An excess contribution is any amount that is contributed to your IRA that exceeds the amount that you are eligible to contribute.
- C. **EXCESS ACCUMULATION PENALTY** - As previously described, you must take a required minimum distribution by your required beginning date for the year you attain age 70½ and by the end of each year thereafter. Your beneficiary(ies) is required to take certain minimum distributions after your death. An additional tax of 50 percent is imposed on the amount of the required minimum distribution which should have been taken but was not.
- D. **PENALTY REPORTING** - You must file IRS Form 5329 along with your income tax return to the IRS to report and remit any additional taxes.
- E. **PROHIBITED TAX SHELTER TRANSACTION EXCISE TAX** - For tax years beginning after May 17, 2006, if you, as entity manager of your IRA, approve or otherwise cause your IRA to be a party to a prohibited tax shelter transaction during the taxable year and you know or have a reason to know the transaction is a prohibited tax shelter transaction, you must pay an excise tax under Code section 4965(b)(2). You must file IRS Form 5330 to report this tax.

**OTHER INFORMATION**

- A. **IRS PLAN APPROVAL** - Articles I through VII of the Sterling Trust Traditional Individual Retirement Custodial Account Agreement reflect the precise language of the corresponding articles of the IRS Model Traditional Individual Retirement Custodial Account Agreement (Form 5305-A). Therefore, your Sterling Trust Traditional Individual Retirement Custodial Account Agreement is treated as satisfying all applicable IRS requirements as to the form of the IRA, without the need for specific IRS approval. However, because this treatment relates to the form of the IRA only, nothing in your Custodial Account Agreement constitutes an endorsement of, or a determination or opinion of the merits or consequences of, any action in connection with the operation of your Traditional IRA or of any investments made
- B. **NO PREDICTION, REPRESENTATION OR GUARANTEE OF FUTURE VALUE** - The value of your IRA at any time will depend on the amount of contributions to it, the performance of its investments as selected by you or your Authorized Agent, and the time and amount of charges to and payments from it. Sterling Trust does not predict, represent or guarantee the value of your IRA at any future time.
- C. **NON-DEPOSIT INVESTMENTS NOT INSURED BY FDIC** - Non-deposit investments, such as, but not limited to stocks, bonds, mutual funds, real property and private placements, of the IRA are not FDIC insured and are subject to investment risks, including the loss of principal.
- D. **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 all financial organizations to obtain, verify, and record information that identifies each person who opens an account. What this means for you: When you open an account, you are required to provide your name, residential address, date of birth, and identification number. We may require other information that will allow us to identify you.
- E. **STATEMENTS/ACCOUNTING** - Each year Sterling Trust will furnish you a statement of account which will state the amount of the contributions to your custodial account, distributions from the custodial account and the total value of the

custodial account as of the end of the year. Information relating to contributions and withdrawals must be reported annually to the Internal Revenue Service by you or, in the case of a spousal IRA, by your spouse. Statements will reflect information provided to Sterling Trust by you and/or your Authorized Agent. Therefore, statements will be only as accurate as the information provided. Sterling Trust neither assumes any responsibility for the accuracy of information provided, nor guarantees the particular tax treatment of any amounts entered in its records.

- F. **AVAILABILITY OF FUNDS AFTER DEPOSIT** - Generally, before Sterling Trust can or will execute on or otherwise effectuate a directed transaction with respect to your IRA account, Sterling Trust requires knowledge that your IRA account has or is in receipt of good funds needed for such transaction. Thus, generally, Sterling Trust will need to wait until it knows that checks deposited or other funds transferred into your IRA account have cleared before Sterling Trust can or will act on investment directives from you or your Authorized Agent. The availability of funds deposited with Sterling Trust will depend upon the method utilized to accomplish such transmission and several other factors. However, as a general rule, checks deposited from another IRA custodian will be available within five business days from deposit, and personal checks deposited by you as an IRA contribution or from third parties in payment of amounts owing to your IRA from investments, etc. will be available within seven business days from deposit. Utilization of wire transfers and online banking may expedite clearance of such funds.
- G. **TELEPHONE AUTHORIZATION** - Sterling Trust is authorized, at its option, to honor telephone transaction requests placed by you or your Authorized Agent with respect to your custodial account. These requests may include purchases, sales and exchanges of assets whose sponsors accept telephone authorizations from Sterling Trust on your behalf. Sterling Trust may require you to complete and provide a Telephone Authorization Form. Sterling Trust also may require the use of a special identification number and Social Security number for each transaction. Sterling Trust is not responsible for determining whether or not a caller is authorized other than verifying that such caller is using the proper identification number for the account. You agree that Sterling Trust is not responsible for unauthorized transactions in your custodial account by callers who provide the proper identification number for your account.
- H. **AMENDMENTS** - Sterling Trust may amend, change or terminate the Custodial Account Agreement at any time. Any amendment made by Sterling Trust to comply with the Code and related Regulations does not require your consent. You will be deemed to have consented to any other amendment unless, within 30 days from the date Sterling Trust mails or otherwise transmits the amendment, you notify Sterling Trust in writing that you do not consent. Amendments also may be made by written agreement of Sterling Trust and you.
- I. **ACCOUNT TERMINATION** - You may terminate your Sterling Trust IRA at any time upon written notice signed by you. The notice must identify your Sterling Trust IRA account number, give instructions on the disposition of your IRA's assets and be sent to:

Mailing Address:	Overnight/Delivery Address:	Contact Information:
P.O. Box 2526	1101 Wooded Acres, Suite 120	Phone:
Waco, TX 76702-2526	Waco, TX 76710	(800) 955-3434, #2
		Fax:
		(440) 365-1440

- Your Sterling Trust IRA will terminate upon the earliest of:
- The date the IRA assets have been disposed of in accordance with your instructions if you terminate Sterling Trust as custodian;
  - The date all the IRA's assets have been distributed;
  - The date the IRA ceases to meet the requirements of Code section 408; or
  - The date the IRA assets have been transferred to and accepted by a successor custodian or trustee as a result of the resignation of Sterling Trust and selection of a successor custodian or trustee.
- J. **ADDITIONAL INFORMATION** - You may obtain further information on IRAs from your District Office of the IRS. In particular, you may wish to obtain IRS Publication 590, Individual Retirement Arrangements, by calling 1-800-TAX-FORM, or by visiting [www.irs.gov](http://www.irs.gov) on the Internet.

## ROTH IRA DISCLOSURE STATEMENT

### RIGHT TO REVOKE YOUR ROTH IRA

If you receive this Disclosure Statement at the time you establish your Roth IRA, you have the right to revoke your Roth IRA within seven (7) days of its establishment. If revoked, you are entitled to a full return of the contribution you made to your Roth IRA. The amount returned to you would not include an adjustment for such items as sales commissions, administrative expenses, or fluctuation in market value. You may make this revocation only by mailing or delivering a written notice to the Custodian at the address listed on the Application.

If you send your notice by first class mail, your revocation will be deemed mailed as of the postmark date.

If you have any questions about the procedure for revoking your Roth IRA, please call the Custodian at the telephone number listed on the Application.

### REQUIREMENTS OF A ROTH IRA

- A. **CASH CONTRIBUTIONS** - Your contribution must be in cash, unless it is a rollover or conversion contribution.
- B. **MAXIMUM CONTRIBUTION** - The total amount you may contribute to a Roth IRA for any taxable year cannot exceed the lesser of 100 percent of your compensation or \$3,000 for years 2002-2004, \$4,000 for years 2005-2007, and \$5,000 for years 2008-2012, with possible cost-of-living adjustments in years 2013 and thereafter. If you also maintain a Traditional IRA (i.e., an IRA subject to the limits of Internal Revenue Code (Code) sections 408(a) or 408(b)), the maximum contribution to your Roth IRAs is reduced by any contributions you make to your Traditional IRA. Your total annual contribution to all Traditional IRAs and Roth IRAs cannot exceed the lesser of the dollar amounts described above or 100 percent of your compensation. An exception to the contribution dollar limitations applies if you received a qualified reservist distribution. In such case, you may, at any time during the two-year period beginning on the day after the end of your active duty period, make one or more contributions to your IRA in an aggregate amount not to exceed the amount of your qualified reservist distribution. In addition, if you are the recipient of a military death gratuity or payment from the Servicemember's Group Life Insurance (SGLI) program resulting from a death from injuries occurring on or after June 17, 2008, you are permitted to roll over such gratuity or payment to a Roth IRA and/or a Coverdell Education Savings Account on a tax-free basis within one year of your receipt of the benefit or payment, notwithstanding the otherwise applicable contribution limits. Another special rule applied for similar benefits or payments that were contributed by June 17, 2009, and attributable to deaths from injuries between October 7, 2001 and June 17, 2008.

As indicated by the chart below, your Roth IRA contribution is further limited if your modified adjusted gross income (MAGI) equals or exceeds certain threshold amounts depending upon whether you are a married individual filing a joint income tax return, or you are a single individual. If your modified adjusted gross income equals or exceeds the maximum level indicated for your category of taxpayer, you may not fund a Roth IRA.

Tax Year	Joint Filers	Single Taxpayer
	Phase-out Range (minimum)(maximum)	Phase-out Range (minimum)(maximum)
2007	\$156,000 - \$166,000	\$99,000 - \$114,000
2008	\$159,000 - \$169,000	\$101,000 - \$116,000
2009	\$166,000 - \$176,000	\$105,000 - \$120,000
2010	\$167,000 - \$177,000	\$105,000 - \$120,000
2011	\$169,000 - \$179,000	\$107,000 - \$122,000
2012	\$173,000 - \$183,000	\$110,000 - \$125,000

Married individuals filing a separate income tax return with MAGI equaling or exceeding \$10,000 may not fund a Roth IRA.

For 2012, if you are married filing a joint income tax return and your MAGI is between \$173,000 and \$183,000, your maximum Roth IRA contribution is determined as follows: (1) Subtract your MAGI from \$183,000; (2) divide the difference by \$10,000; and (3) multiply the result in step (2) by the maximum allowable contribution for the year, including catch-up contributions if you are age 50 or older. For example, if you are age 30 and your MAGI is \$173,000, your maximum Roth IRA contribution for 2012 is \$5,000. This amount is determined as follows: [(\$183,000 minus \$173,000) divided by \$10,000] multiplied by \$5,000.

For 2012, if you are single and your MAGI is between \$110,000 and \$125,000, your maximum Roth IRA contribution is determined as follows: (1) Subtract your MAGI from \$125,000; (2) divide the difference by \$15,000; and (3) multiply the result in step (2) by the maximum allowable contribution for the year, including catch-up contributions if you are age 50 or older. For example, if you are age 30 and your MAGI is \$116,000, your maximum Roth IRA contribution for 2012 is \$3,000. This amount is determined as follows: [(\$125,000 minus \$116,000) divided by \$15,000] multiplied by \$5,000.

- C. **CONTRIBUTION ELIGIBILITY** - You are eligible to make a regular contribution to your Roth IRA, regardless of your age, if you have compensation and your MAGI is below the maximum threshold. Your Roth IRA contribution is not limited by your participation in a retirement plan, other than a Traditional IRA.
- D. **CATCH-UP CONTRIBUTION** - If you are age 50 or older by the close of the taxable year, you may make an additional contribution to your Roth IRA. The maximum additional contribution is \$500 for years 2002-2005 and \$1,000 for years 2006 and beyond.
- E. **NON-FORFEITABILITY** - Your interest in your Roth IRA is non-forfeitable.
- F. **ELIGIBLE CUSTODIANS** - The Custodian of your Roth IRA must be a bank, savings and loan association, credit union, or a person or entity approved by the Secretary of the Treasury.
- G. **COMMINGLING ASSETS** - The assets of your Roth IRA cannot be commingled with other property except in a common trust fund or common investment fund.
- H. **LIFE INSURANCE** - No portion of your Roth IRA may be invested in life insurance contracts.
- I. **COLLECTIBLES** - You may not invest the assets of your Roth IRA in collectibles (within the meaning of Code section 408(m)). A collectible is defined as any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or other tangible personal property specified by the Internal Revenue Service (IRS). However, specially minted United States gold and silver coins, and certain state-issued coins are permissible investments. Platinum coins and certain gold, silver, platinum or palladium bullion (as described in Code section 408(m)(3)) are also permitted as Roth IRA investments.
- J. **BENEFICIARY PAYOUTS** - Your designated beneficiary is determined based on the beneficiary(ies) designated as of the date of your death who remains your beneficiary(ies) as of September 30 of the year following the year of your death. The entire amount remaining in your account will, at the election of your beneficiary(ies), either
1. be distributed by December 31 of the year containing the fifth anniversary of your death, or
  2. be distributed over the remaining life expectancy of your designated beneficiary(ies).

Your designated beneficiary(ies) must elect either option (1) or (2) by December 31 of the year following the year of your death. If no election is made, distribution will be calculated in accordance with option (2). In the case of distributions under option (2), distributions must commence by December 31 of the year following the year of your death. Generally if your spouse is the designated beneficiary, distributions need not commence until December 31 of the year you would have attained age 70½, if later. If a beneficiary(ies) other than an individual or qualified trust as defined in the Regulations is named, you will be treated as having no designated beneficiary(ies) of your Roth IRA for purposes of determining the distribution period. If there is no designated beneficiary of your Roth IRA, the entire Roth IRA must be distributed by December 31 of the year containing the fifth anniversary of your death.

A spouse who is the sole designated beneficiary of your entire Roth IRA will be deemed to elect to treat your Roth IRA as his or her own by either (1) making contributions to your Roth IRA or (2) failing to timely remove a required minimum distribution from your Roth IRA. Regardless of whether or not the spouse is the sole designated beneficiary of your Roth IRA, a spouse beneficiary may roll over his or her share of the assets to his or her own Roth IRA.

### INCOME TAX CONSEQUENCES OF ESTABLISHING A ROTH IRA

- A. **CONTRIBUTIONS NOT DEDUCTED** - No deduction is allowed for Roth IRA contributions, including transfers, rollovers and conversion contributions.
- B. **CONTRIBUTION DEADLINE** - The deadline for making a Roth IRA contribution is your tax return due date (not including extensions). You may designate a contribution as a contribution for the preceding taxable year in a manner acceptable to us. For example, if you are a calendar year taxpayer, and you make your Roth IRA contribution on or before April 15, your contribution is considered to have been made for the previous tax year if you designate it as such.
- C. **TAX CREDIT FOR CONTRIBUTIONS** - For taxable years beginning on or after January 1, 2002, you may be eligible to receive a tax credit for your Traditional or Roth IRA contributions. This credit will be allowed in addition to any tax deduction that may apply, and may not exceed \$1,000 in a given year. You may be eligible for this tax credit if you are
- age 18 or older as of the close of the taxable year,
  - not a dependent of another taxpayer, and
  - not a full-time student.

The credit is based upon your income (see chart below), and will range from 0 to 50 percent of eligible contributions. In order to determine the amount of your

contributions, add all of the contributions made to your Traditional or Roth IRA and reduce these contributions by any distributions that you have taken during the testing period. The testing period begins two years prior to the year for which the credit is sought and ends on the tax return due date (including extensions) for the year for which the credit is sought. In order to determine your tax credit, multiply the applicable percentage from the chart below by the amount of your contributions that do not exceed \$2,000.

For 2012: Adjusted Gross Income*			Applicable %
Joint Return	Head of Household	All Other Cases	
\$1 - \$34,500	\$1 - \$25,875	\$1 - \$17,250	50 %
\$34,501 - \$37,500	\$25,876 - \$28,125	\$17,251 - \$18,750	20 %
\$37,501 - \$57,500	\$28,126 - \$43,125	\$18,751 - \$28,750	10 %
Over \$57,501	Over \$43,126	Over \$28,751	0 %

\*Adjusted gross income includes foreign earned income and income from Guam, American Samoa, North Mariana Islands and Puerto Rico.

D. **TAX-DEFERRED EARNINGS** - The investment earnings of your Roth IRA are not subject to federal income tax as they accumulate in your Roth IRA. In addition, distributions of your Roth IRA earnings will be free from federal income tax if you take a qualified distribution, as described below.

E. **TAXATION OF DISTRIBUTIONS** - The taxation of Roth IRA distributions depends on whether the distribution is a qualified distribution or a non-qualified distribution.

1. **Qualified Distributions** - Qualified distributions from your Roth IRA (both the contributions and earnings) are not included in your income. A qualified distribution is a distribution which is made after the expiration of the five-year period beginning January 1 of the first year for which you made a contribution to any Roth IRA (including a conversion from a Traditional IRA), and is made on account of one of the following events:

- attainment of age 59½,
- disability,
- the purchase of a first home, or
- death.

For example, if you made a contribution to your Roth IRA for 1998, the five-year period for determining whether a distribution is a qualified distribution is satisfied as of January 1, 2003.

2. **Non-qualified Distributions** - If you do not meet the requirements for a qualified distribution, any earnings you withdraw from your Roth IRA will be included in your gross income and, if you are under age 59½, may be subject to an early distribution penalty. However, when you take a distribution, the amounts you contributed annually to any Roth IRA account will be deemed to be removed first, followed by conversion contributions made to any Roth IRA on a first-in, first-out basis. Therefore, your non-qualified distributions will not be taxable to you until your withdrawals exceed the amount of your annual contributions and your conversion contributions. However, the 10 percent early distribution penalty may apply to conversion contributions distributed within the five-year period beginning with the year in which the conversion occurred. These "ordering rules" are complex. If you have any questions regarding the taxation of distributions from your Roth IRA, please see a competent tax advisor.

F. **REQUIRED MINIMUM DISTRIBUTIONS** - You are not required to take distributions from your Roth IRA at age 70½ (as required for Traditional and SIMPLE IRAs). However, your beneficiary(ies) is generally required to take distributions from your Roth IRA after your death. See the section titled *Beneficiary Payouts* in this Disclosure Statement regarding beneficiary's(ies) required minimum distributions.

G. **ROLLOVERS AND CONVERSIONS** - Your Roth IRA may be rolled over to another Roth IRA of yours, may receive rollover contributions, or may receive conversion contributions provided that all of the applicable rollover or conversion rules are followed. Rollover is a term used to describe a tax-free movement of cash or other property to your Roth IRA from another Roth IRA. Conversion is a term used to describe the movement of Traditional IRA or SIMPLE IRA assets to a Roth IRA. A conversion is generally a taxable event. The rollover and conversion rules are generally summarized below. These transactions are often complex. If you have any questions regarding a rollover or conversion, please see a competent tax advisor.

1. **Roth IRA to Roth IRA Rollovers** - Funds distributed from your Roth IRA may be rolled over to a Roth IRA of yours if the requirements of Code section 408(d)(3) are met. A proper Roth IRA to Roth IRA rollover is completed if all or part of the distribution is rolled over not later than 60 days after the distribution is received. You may not have completed another Roth IRA to Roth IRA rollover from the distributing Roth IRA during the 12 months preceding the date you receive the distribution. Further, you may roll over the same dollars or assets only once every 12 months. Roth IRA assets may not be rolled over to other types of IRAs (e.g., Traditional IRA, SIMPLE IRA).

2. **Traditional IRA to Roth IRA Conversions** - For tax years before 2010, if your MAGI was not more than \$100,000, and if you were married and you did not file a separate income tax return, you were eligible to convert all or any portion of your existing Traditional IRA(s) into your Roth IRA(s). For tax years after 2009, the \$100,000 MAGI limit and joint filing requirements are no longer applicable. However, if you are age 70½ or older you must remove your required minimum distribution prior to converting your Traditional IRA. The amount of the conversion from your Traditional IRA to your Roth IRA shall be treated as a distribution for income tax purposes, and is includable in your gross income (except for any nondeductible contributions). Although the conversion amount is generally included in income, the 10 percent early distribution penalty shall not apply to conversions from a Traditional IRA to a Roth IRA, regardless of whether you qualify for any exceptions to the 10 percent penalty. There is a special tax treatment permitted for conversions in 2010, whereby, unless you otherwise elect to recognize the conversion amount in full in 2010, you are permitted to recognize the income ratably in 2011 and 2012.

3. **SIMPLE IRA to Roth IRA Conversions** - For tax years before 2010, if your MAGI was not more than \$100,000 and if you were married and you did not file a separate income tax return, you were eligible to convert all or any portion of your existing savings incentive match plan for employees of small employers (SIMPLE) IRA(s) into your Roth IRA(s), provided two years have passed since you first participated in a SIMPLE IRA plan sponsored by your employer. For tax years after 2009, the \$100,000 MAGI limit and joint filing requirements are no longer applicable. However, if you are age 70½ or older you must remove your required minimum distribution prior to converting your SIMPLE IRA. The amount of the conversion from your SIMPLE IRA to your Roth IRA shall be treated as a distribution for income tax purposes and is includable in your gross income. Although the conversion amount is generally included in income, the 10 percent early distribution penalty shall not apply to conversions from a SIMPLE IRA to a Roth IRA, regardless of whether you qualify for any exceptions to the 10 percent penalty. There is a special tax treatment permitted for conversion in 2010, whereby, unless you otherwise elect to recognize the conversion amount in full in 2010, you are permitted to recognize the income ratably in 2011 and 2012.

4. **Rollovers from Employer-Sponsored Retirement Plans** - Effective after 2007, if you satisfy certain requirements, you may directly roll over distributions from your employer's qualified retirement plan, 403(a) annuity plan, 403(b) tax-sheltered annuity, or 457(b) eligible governmental deferred compensation plan into your Roth IRA.

5. **Written Election** - At the time you make a proper rollover or conversion to a Roth IRA, you must designate in writing to us, your election to treat that contribution as a rollover or conversion. Once made, the election is irrevocable.

H. **TRANSFER DUE TO DIVORCE** - If all or any part of your Roth IRA is awarded to your spouse or former spouse in a divorce or legal separation proceeding, the amount so awarded will be treated as the spouse's Roth IRA (and may be transferred pursuant to a court-approved divorce decree or written legal separation agreement to another Roth IRA of your spouse), and will not be considered a taxable distribution to you. A transfer is a tax-free direct movement of cash and/or property from one Roth IRA to another.

I. **RECHARACTERIZATIONS** - If you make a contribution to a Traditional IRA and later recharacterize either all or a portion of the original contribution to a Roth IRA along with net income attributable, you may elect to treat the original contribution as having been made to the Roth IRA. The same methodology applies when recharacterizing a contribution from a Roth IRA to a Traditional IRA. If you have converted from a Traditional IRA to a Roth IRA you may recharacterize the conversion along with net income attributable back to the Traditional IRA. The deadline for completing a recharacterization is your tax filing deadline (including any extensions), for the year for which the original contribution was made or conversion completed. You must report a recharacterized contribution on your federal income tax return in accordance with the instructions to IRS Form 8606. You may not recharacterize Roth IRA contributions as contributions to a SEP or SIMPLE IRA.

#### LIMITATIONS AND RESTRICTIONS

A. **SPOUSAL ROTH IRA** - If you are married and have compensation, you may contribute to a Roth IRA established for the benefit of your spouse, regardless of whether or not your spouse has compensation. You must file a joint income tax return for the year for which the contribution is made. Your contribution may be further limited if your MAGI falls within the minimum and maximum thresholds.

The amount you may contribute to your Roth IRA and your spouse's Roth IRA is the lesser of 100 percent of your combined compensation or \$6,000 for 2002-2004, \$8,000 for 2005-2007 and \$10,000 for 2008-2012. This amount may be increased with cost-of-living adjustments in 2013 and beyond. However, you may not contribute more than the individual contribution limit to each Roth IRA. Your contribution may be further limited if your MAGI falls within the minimum and maximum thresholds.

If your spouse is age 50 or older by the close of the taxable year, and is otherwise eligible, you may make an additional contribution to your spouse's Roth IRA. The maximum additional contribution is \$500 for years 2002-2005, and \$1,000 for years 2006 and beyond.

- B. **GIFT TAX** - Transfers of your Roth IRA assets to a beneficiary made during your life and at your request may be subject to federal gift tax under Code section 2501.
- C. **SPECIAL TAX TREATMENT** - Capital gains treatment and 10-year forward income averaging authorized by Code section 402 do not apply to Roth IRA distributions.
- D. **INCOME TAX TREATMENT** - Any non-qualified withdrawal of earnings from your Roth IRA may be subject to federal income tax withholding. You may, however, elect not to have withholding apply to your Roth IRA withdrawal. If withholding is applied to your withdrawal, not less than 10 percent of the amount withdrawn must be withheld.
- E. **PROHIBITED TRANSACTIONS** - If you or your beneficiary engages in a prohibited transaction with your Roth IRA, as described in Code section 4975, your Roth IRA will lose its tax-deferred or tax-exempt status, and you must generally include the value of the earnings in your account in your gross income for the taxable year you engage in the prohibited transaction. The following transactions are examples of prohibited transactions with your Roth IRA: (1) taking a loan from your Roth IRA; (2) buying property for personal use (present or future) with Roth IRA funds; or (3) receiving certain bonuses or premiums because of your Roth IRA.
- F. **PLEDGING** - If you pledge any portion of your Roth IRA as collateral for a loan, the amount so pledged will be treated as a distribution, and may be included in your gross income for the taxable year in which you pledge the assets to the extent it represents earnings.

- G. **LISTED TRANSACTIONS AND REPORTABLE TRANSACTIONS** - Certain transactions are or may be identified by the Internal Revenue Service as abusive tax shelter schemes or transactions. A prohibited tax shelter transaction, as described in Code section 4965, is a transaction that is a listed transaction (including a subsequently listed transaction), as described in Code section 6707A(c)(2), or a prohibited reportable transaction, which is either a confidential transaction or a transaction with contractual protection and which is a reportable transaction defined in Code section 6707A(c)(1). A listed transaction is a transaction that is the same as or substantially similar to any of the types of transactions that the IRS has determined to be a tax avoidance transaction and are identified by notice, regulation or other form of published guidance as a listed transaction. A confidential transaction is a transaction that is offered under conditions of confidentiality and for which a minimum fee was paid. A transaction with contractual protection is a transaction for which the party to the transaction has the right to a full or partial refund of fees if all or part of the intended tax consequences from the transaction are not sustained or with respect to which fees are contingent on the realization of tax benefits from the transaction.

As a type of tax-exempt entity subject to the prohibited tax shelter transaction rules, a Roth IRA is required to file IRS Form 8886-T to disclose information with respect to each prohibited tax shelter transaction, entered into after May 17, 2006, to which it is a party. If the Roth IRA participates in a reportable transaction (as defined in Treasury Regulations section 1.6011-4) the Roth IRA also may be required to file IRS Form 8886. These forms must be filed by the entity manager, who in the case of a self-directed Roth IRA, is the Roth IRA owner who approved or caused the Roth IRA to be a party to the transaction. Code section 6011(g) also requires a taxable party to a prohibited tax shelter transaction to disclose to the Roth IRA custodian that such transaction has occurred. In addition to the reporting and disclosure requirements, a Roth IRA entity manager may be liable for excise taxes in connection with the prohibited tax shelter transaction. IRS Form 5330 is to be used for reporting such excise taxes. Additional penalties are imposed by Code section 6662A for failure to disclose required information with respect to prohibited tax shelter transaction.

**FEDERAL TAX PENALTIES**

- A. **EARLY DISTRIBUTION PENALTY** - If you are under age 59½ and receive a non-qualified Roth IRA distribution, an additional tax of 10 percent will generally apply to the amount includible in income in the year of the distribution. If you are under age 59½ and receive a distribution of conversion amounts within the five-year period beginning with the year in which the conversion occurred, an additional tax of 10 percent will generally apply to the amount of the distribution. The additional tax of 10 percent will generally not apply if a distribution is made on account of 1) death, 2) disability, 3) a qualifying rollover, 4) the timely withdrawal of an excess contribution, 5) a series of substantially equal periodic payments (at least annual payments) made over your life expectancy or the joint life expectancy of you and your beneficiary, 6) medical expenses which exceed 7.5 percent of your adjusted gross income, 7) health insurance payments if you are separated from employment and have received unemployment compensation under a federal or state program for at least 12 weeks, 8) certain qualified education expenses, 9) first-home purchases (up to a life-time maximum of \$10,000), 10) a levy issued by the IRS, or 11) being called to active duty if the distribution meets the requirements to be a qualified reservist distribution (i.e., called to active duty for at least 180 days or an

indefinite period and made during the period from the date when ordered or called and ending at the close of the active duty period).

- B. **EXCESS CONTRIBUTION PENALTY** - An additional tax of six percent is imposed upon any excess contribution you make to your Roth IRA. This additional tax will apply each year in which an excess remains in your Roth IRA. An excess contribution is any amount that is contributed to your Roth IRA that exceeds the amount that you are eligible to contribute.
- C. **EXCESS ACCUMULATION PENALTY** - As previously described, your beneficiary(ies) is generally required to take certain required minimum distributions after your death. An additional tax of 50 percent is imposed on the amount of the required minimum distribution which should have been taken but was not.
- D. **PENALTY REPORTING** - You must file IRS Form 5329 along with your income tax return to the IRS to report and remit any additional taxes.
- E. **PROHIBITED TAX SHELTER TRANSACTION EXCISE TAX** - For tax years beginning after May 17, 2006, if you, as entity manager of your Roth IRA, approve or otherwise cause your Roth IRA to be a party to a prohibited tax shelter transaction during the taxable year and you know or have a reason to know the transaction is a prohibited tax shelter transaction, you must pay an excise tax under Code section 4965(b)(2). You must file IRS Form 5330 to report this tax.

**OTHER INFORMATION**

- A. **IRS PLAN APPROVAL** - Articles I through VIII of the Sterling Trust Roth Individual Retirement Custodial Account Agreement reflect the precise language of the corresponding articles of the IRS Model Roth Individual Retirement Custodial Account Agreement (Form 5305-RA). Therefore, your Sterling Trust Roth Individual Retirement Custodial Account Agreement is treated as satisfying all applicable IRS requirements as to the form of the IRA, without the need for specific IRS approval. However, because this treatment relates to the form of the Roth IRA only, nothing in your Custodial Account Agreement constitutes an endorsement of, or a determination or opinion of the merits or consequences of, any action in connection with the operation of your Roth IRA or of any investments made.
- B. **NO PREDICTION, REPRESENTATION OR GUARANTEE OF FUTURE VALUE** - The value of your Roth IRA at any time will depend on the amount of contributions to it, the performance of its investments as selected by you or your Authorized Agent, and the time and amount of charges to and payments from it. Sterling Trust does not predict, represent or guarantee the value of your Roth IRA at any future time.
- C. **NON-DEPOSIT INVESTMENTS NOT INSURED BY FDIC** - Non-deposit investments, such as, but not limited to stocks, bonds, mutual funds, real property and private placements, of the IRA are not FDIC insured and are subject to investment risks, including the loss of principal.
- D. **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 all financial organizations to obtain, verify, and record information that identifies each person who opens an account. What this means for you: When you open an account, you are required to provide your name, residential address, date of birth, and identification number. We may require other information that will allow us to identify you.
- E. **STATEMENTS/ACCOUNTING** - Each year Sterling Trust will furnish you a statement of account which will state the amount of the contributions to your custodial account, distributions from the custodial account and the total value of the custodial account as of the end of the year. Information relating to contributions and withdrawals must be reported annually to the Internal Revenue Service by you or, in the case of a spousal IRA, by your spouse. Statements will reflect information provided to Sterling Trust by you and/or your Authorized Agent. Therefore, statements will be only as accurate as the information provided. Sterling Trust neither assumes any responsibility for the accuracy of information provided, nor guarantees the particular tax treatment of any amounts entered in its records.
- F. **AVAILABILITY OF FUNDS AFTER DEPOSIT** - Generally, before Sterling Trust can or will execute on or otherwise effectuate a directed transaction with respect to your Roth IRA account, Sterling Trust requires knowledge that your Roth IRA account has or is in receipt of good funds needed for such transaction. Thus, generally, Sterling Trust will need to wait until it knows that checks deposited or other funds transferred into your Roth IRA account have cleared before Sterling Trust can or will act on investment directives from you or your Authorized Agent. The availability of funds deposited with Sterling Trust will depend upon the method utilized to accomplish such transmission and several other factors. However, as a general rule, checks deposited from another IRA custodian will be available within five business days from deposit, and personal checks deposited by you as a Roth IRA contribution or from third parties in payment of amounts owing to your Roth IRA from investments, etc. will be available within seven business days from deposit. Utilization of wire transfers and online banking may expedite clearance of such funds.
- G. **TELEPHONE AUTHORIZATION** - Sterling Trust is authorized, at its option, to honor telephone transaction requests placed by you or your Authorized Agent with respect to your custodial account. These requests may include purchases, sales and

### **Roth IRA Disclosure Statement**

exchanges of assets whose sponsors accept telephone authorizations from Sterling Trust on your behalf. Sterling Trust may require you to complete and provide a Telephone Authorization Form. Sterling Trust also may require the use of a special identification number and Social Security number for each transaction. Sterling Trust is not responsible for determining whether or not a caller is authorized other than verifying that such caller is using the proper identification number for the account. You agree that Sterling Trust is not responsible for unauthorized transactions in your custodial account by callers who provide the proper identification number for your account

- H. **AMENDMENTS** - Sterling Trust may amend, change or terminate the Custodial Account Agreement at any time. Any amendment made by Sterling Trust to comply with the Code and related Regulations does not require your consent. You will be deemed to have consented to any other amendment unless, within 30 days from the date Sterling Trust mails or otherwise transmits the amendment, you notify Sterling Trust in writing that you do not consent. Amendments also may be made by written agreement of Sterling Trust and you.
- I. **ACCOUNT TERMINATION** - You may terminate your Sterling Trust Roth IRA at any time upon written notice signed by you. The notice must identify your Sterling Trust Roth IRA account number, give instructions on the disposition of your Roth IRA's assets and be sent to:

Mailing Address:	Overnight/Delivery Address:	Contact Information:
P.O. Box 2526	1101 Wooded Acres, Suite 120	Phone:
Waco, TX 76702-2526	Waco, TX 76710	(800) 955-3434, #2
		Fax:
		(440) 365-1440

Your Sterling Trust Roth IRA will terminate upon the earliest of:

- The date the Roth IRA assets have been disposed of in accordance with your instructions if you terminate Sterling Trust as custodian;
  - The date all the Roth IRA's assets have been distributed;
  - The date the Roth IRA ceases to meet the requirements of Code section 408A; or
  - The date the Roth IRA assets have been transferred to and accepted by a successor custodian or trustee as a result of the resignation of Sterling Trust and selection of a successor custodian or trustee.
- J. **ADDITIONAL INFORMATION** - You may obtain further information on IRAs from your District Office of the IRS. In particular, you may wish to obtain IRS Publication 590, Individual Retirement Arrangements, by calling **1-800-TAX-FORM**, or by visiting **[www.irs.gov](http://www.irs.gov)** on the Internet.



A Division of Equity Trust Company

P.O. Box 2526, Waco, TX 76702-2526  
PHONE: 800-955-3434 (option 2), 254-751-1505 (option 2)  
FAX: 254-751-0872  
E-MAIL: IRAServices@SterlingTrustCompany.com

## **PERSONAL INFORMATION PRIVACY PROTECTION POLICY**

### **Our Commitment to You**

At Equity Trust Company, d.b.a. Sterling Trust ("Sterling Trust") 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 Sterling, 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.

### **Sterling Trust Privacy Policy**

Sterling Trust 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, Sterling Trust 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 nonaffiliated third parties.

You typically provide this personal information when you complete a Sterling Trust 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 secu-

rity 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**

Sterling Trust does not disclose non public personal information about you to any unaffiliated third parties, unless required by law. For example, Sterling Trust will provide your personal information in the following situations:

- Upon request by federal, state, or local law enforcement agencies;
- Upon request by the IRS for tax reporting purposes; and
- Upon request by other organizations that protect your privacy

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 Sterling Trust has contracted to print and mail account statements.

### **Your Privacy With Sterling Trust Online**

Sterling Trust considers your online confidentiality and privacy to be as important as your written documentation. At Sterling Trust 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 Sterling Trust Will Inform You of Changes to Our Policies**

As required by federal law and regulation we will notify you of our privacy policy annually. Sterling Trust 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 Sterling Trust.



A Division of Equity Trust Company

P.O. Box 2526, Waco, TX 76702-2526
PHONE: 800-955-3434 (option 2), 254-751-1505 (option 2)
FAX: 440-365-1444
E-MAIL: IRAServices@SterlingTrustCompany.com

CREDIT CARD FORM

PLEASE PRINT CLEARLY. A DELAY IN PROCESSING MAY OCCUR IF INSTRUCTION IS UNCLEAR.

1 ACCOUNT HOLDER INFORMATION
ACCOUNT HOLDER NAME ACCOUNT NUMBER
EMAIL ADDRESS

Credit Card is held by a Third Party

2 CREDIT CARD INFORMATION
NAME OF CARDHOLDER (as stated on front of card) CARD TYPE: [ ] VISA [ ] Mastercard
BILLING ADDRESS
CITY STATE ZIP CODE
HOME PHONE MOBILE PHONE
CREDIT CARD NUMBER EXPIRATION DATE (mm/yyyy)

THIS SPACE INTENTIONALLY LEFT BLANK

SIGNATURE
IMPORTANT -- Please read before signing.
The signature below acknowledges that I have received, read and understand Sterling Trust's Terms of IRA Custodial Account Agreement, Disclosure Statement and IRA Fee Schedule; the Terms of IRA Custodial Account Agreement and Disclosure Statement explains the duties, limitations on duties, and the rights of Sterling Trust and depositor; and by signing this form below, the depositor assumes complete responsibility for determining contribution eligibility and tax consequences of any and all contributions or distributions. The Account Holder accepts and agrees to all of the terms and provisions set forth in the Terms of IRA Custodial Account Agreement and Disclosure Statement and has read and accepted the terms of Sterling Trust IRA Fee Schedule.
My signature below acknowledges that I have read and agree with the Terms of IRA Custodial Account Agreement and Disclosure Statement.
SIGN & DATE
Credit Cardholder Signature Date IRA Account Holder Signature Date



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P.O. Box 2526, Waco, TX 76702-2526  
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 FAX: 254-751-0872 / E-MAIL: IRAServices@SterlingTrustCompany.com

## IRA FEE SCHEDULE FOR TRADITIONAL, ROTH, SEP OR SIMPLE IRAs

**Basic IRA** – May hold any number or combination of publicly registered or traded investments including Mutual Funds, Public Stocks, Bonds, Public REIT's, Brokerage Accounts, Bank Certificates of Deposit, Bank Accounts, U.S. Government Securities, Public Limited Partnerships, Public Limited Liability Companies, and Public Non-Traded REIT's.

FEE DESCRIPTION	Basic IRA	Paid By
<b>■ Set-up Fees: (Charged at time of account establishment)</b>		
One-Time Establishment Fee	\$ 50	RCS
First Year Annual Fee <i>Charged upon account establishment and each January thereafter. \$50 late fee for every 30 days account has past-due fees</i>	\$ 75	RCS
<b>■ Annual Renewal Fee*:</b> <i>Renewal fee is charged each January following account establishment. \$50 late fee for every 30 days account has past-due fees</i>	\$ 75*	RCS
<b>■ Special Service Fee: Charged at time service is rendered</b>		
Cashier's Check, Certified Mail, Overnight Mail Service Fee	\$ 25 each	Account Holder
Coin Shipping/Handling Fee (\$50 minimum)	Cost + \$ 10	Account Holder
Express Transfer Processing Fee	\$ 50 each	Account Holder
Expedited Process Service Fee	\$ 50 each	Account Holder
Late Fee	\$50/month	Account Holder
Legal Action Fee <i>This fee will be assessed each time Sterling Trust receives adverse action correspondence related to a client's assets.</i>	\$ 10 each	Account Holder
Paper Statement Mailing <i>This fee can be avoided by enrolling in E-Statements through Sterling Online.</i>	\$ 7.50 per quarter	Account Holder
Return Check Fee, Stop Payment Fee	\$ 30 each	Account Holder
Special Document Processing	\$ 5 each	Account Holder
Wire Transfer Fee (Domestic) <i>Wire in fee associated with initial funding of the account is waived.</i>	\$ 30 each	Account Holder
Wire Transfer Fee (International) <i>Wire in fee associated with initial funding of the account is waived</i>	\$ 50 each	Account Holder
<b>■ Termination Fees: (Charged at time service is rendered)</b>		
Partial Termination Fee	\$ 75 per asset	Account Holder
Full Termination Fee	\$135	Account Holder
Distribution of Asset/Re-registration Fee	\$ 75 per asset	Account Holder

\* Renewal Fee is charged each January after account establishment.