



**DUNHAM
TRUST COMPANY**

241 Ridge Street, Suite 100
Reno, Nevada 89501
(888) 438-6426

Traditional Beneficiary IRA

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Individual Retirement Account

Custodial
(includes self-direction)



BUILDING RELATIONSHIPS THAT LAST GENERATIONS

You will need:

- 1) The attached IRA Application. Ensure you have the correct package for the type of IRA you are opening (Traditional, Roth, SEP, Beneficiary IRA, or Beneficiary Roth IRA).
- 2) Form 5305-SEP (if opening a SEP IRA).*
- 3) Either:
 - a. The N-share (Asset Allocation Program) New Account Application - OR -
Note to Financial Representative: *Be sure to check whether your Advisory Firm allows Discretionary or Non-Discretionary authority and download the appropriate form.*
 - b. The C-share New Account Application.
- 4) Custody Fee Schedule.
- 5) Request to Transfer to an IRA Form (if applicable).

To Open Your Dunham Funds IRA:

- 1) Complete the IRA Application. See *Designation of Beneficiary* explanation below.
- 2) Complete the applicable Asset Allocation Program (Class N) or New Account Application (Class C).
- 3) If you are requesting a transfer of IRA assets held at another financial institution to your Dunham Funds IRA, also complete the Request to Transfer to an IRA Form *and include a recent copy of your current IRA statement*. If you are funding this account with a direct rollover from a former employer's retirement plan, they may require you to complete alternative paperwork. Please contact the plan's administrator for appropriate transfer instructions.
- 4) Sign and date the Custody Fee Schedule form.
- 5) Include a copy of the death certificate (if opening a Beneficiary IRA).
- 6) Make copies and retain a copy of all documents for your records.
- 7) Return the all forms to your Financial Representative for signature.
- 8) If funding this new account by check, include a check for the amount of your IRA contribution (if applicable) made payable to:
Dunham Trust Company CFBO "account registration"
- 9) Please mail all checks to:

**Dunham Trust Company
c/o Dunham & Associates
P.O. Box 910309
San Diego, CA 92191**

Designation of Beneficiary

The space provided allows you to name primary and contingent beneficiaries. If more space is needed, you may attach a supplementary sheet. If you require a more complicated type of designation of beneficiary, you should consult your attorney. Some state's laws require married individuals to name their spouse as beneficiary. Married individuals should consult with their tax or financial professionals prior to designating someone other than their spouse. You may change your beneficiary at any time by contacting Dunham Trust Company in writing or submitting a Dunham Change of Beneficiary form.

Revocation Information

You have the right to revoke this Individual Retirement Account within seven (7) days of receiving your disclosure statement. To revoke your IRA account, simply notify Dunham Trust Company in writing. Written notice must be sent by first-class mail at the address listed below and will be accepted as of the date your notice is postmarked:

Dunham Trust Company
c/o Dunham & Associates
P.O. Box 910309
San Diego, CA 92191
800-442-4358

Additional Information

Some account types require additional information. Read the *New Accounts Guide* supplement to the N (Asset Allocation) & C-share program application to find what other documents you are required to submit.

* You should use Form 5305-SEP along with a Traditional IRA application to open a SEP IRA.

Dunham & Associates ("Dunham") is the marketing designation for Dunham & Associates Investment Counsel, Inc., and its affiliates, including Dunham Trust Company. Securities and investment advisory services offered through Dunham & Associates Investment Counsel, Inc., member FINRA/SIPC and a Registered Investment Advisor. Trust Services offered through Dunham Trust Company, a privately held trust company licensed and regulated by the state of Nevada, Department of Business and Industry, Financial Institutions Division.

ADDITIONAL INFORMATION

Purpose. This Organizer contains the forms necessary to establish a traditional beneficiary individual retirement account (IRA).

How to use this Beneficiary IRA Organizer. The individual or entity establishing this Beneficiary IRA must complete the Application page. The Beneficiary IRA accountholder must sign the document. An original signed copy of the Application should be kept by the custodian for its records. The Beneficiary IRA accountholder should receive a copy of the Application and keep the remaining contents of the Beneficiary IRA Organizer. Community or marital property state laws may require spousal consent for nonspouse successor beneficiary designations.

Additional Documents. Applicable law or policies of the IRA custodian may require additional documentation such as IRS Form W-9, *Request for Taxpayer Identification Number and Certification*.

For Additional Guidance. It is in your best interest to seek the guidance of a tax or legal professional before completing this document. For more information, refer to Internal Revenue Service (IRS) Publication 590, *Individual Retirement Arrangements (IRAs)*, instructions to your federal income tax return, your local IRS office, or the IRS's web site at www.irs.gov.

Relationship to Original Deceased IRA Owner/Plan Participant. Check the spouse option on the Traditional Beneficiary IRA Application if either of the following applies: (1) you are the original deceased IRA owner's/plan participant's surviving spouse, and you are the only beneficiary or (2) you are such surviving spouse, and one of multiple beneficiaries, and separate accounting applies.

FINANCIAL DISCLOSURE

The IRS requires us to provide you with a financial disclosure regarding the value of your Beneficiary IRA. Because the value of your Beneficiary IRA will be affected by any required minimum distributions you must take from the account, the value of your Beneficiary IRA cannot be reasonably projected.

Projection Method—The Value of Your Beneficiary IRA Cannot be Reasonably Projected.

The value of your Beneficiary IRA cannot be reasonably projected because the value will be affected by any required minimum distributions you must take from the account. The fees and loss of earnings penalties previously listed are provided to help you understand the impact they could have on the future value of your Beneficiary IRA. In addition, we are required to provide the following information as part of this financial disclosure:

- Earnings.** The method for computing and allocating the earnings on your Beneficiary IRA investments may be found in the investments. The method may vary depending on the provider and type of the investments.
- Investments.** The investments contained in your Beneficiary IRA will be provided directly by us, through us, or by an entity registered as a broker-dealer.
- Investment Fees.** Various fees may be applied to your Beneficiary IRA investments. The investment fees may include termination or surrender fees, loss of earnings penalties, sales commissions, management fees, trustee fees, and other assessments.
- IRA Fees.** Beneficiary IRA Fees were previously disclosed. If necessary, the specified fees are computed as follows: _____

BENEFICIARY IRA FEES AND LOSS OF EARNINGS PENALTIES

Fees:

- None
- IRA Establishment Fee \$ _____
- Annual Service/Administration Fee of \$ _____
or _____ % of assets will be charged at end beginning
of each year for purposes of this projection.
- Transfer Fee \$ _____
- IRA Termination Fee \$ _____
- Other: _____ \$ _____ or _____ % of Assets
- Other: _____ \$ _____ or _____ % of Assets
- Other: _____
- Other: _____

Loss of Earnings Penalty (Check one):

- None 1-Month 3-Month 6-Month
- Other: _____
- Other: _____
- Other: _____

Traditional Beneficiary IRA Application



DUNHAM TRUST COMPANY

241 Ridge Street, Suite 100
Reno, Nevada 89501
(888) 438-6426

1 BENEFICIARY IRA ACCOUNTHOLDER INFORMATION

(Custodian's name, address, and phone number above)

NAME, ADDRESS, CITY, STATE, AND ZIP		IRA ACCOUNT (PLAN) NUMBER	
		DAYTIME PHONE NUMBER	
SSN/TIN	E-MAIL (OPTIONAL)	DATE OF BIRTH	GENDER: <input type="checkbox"/> Male <input type="checkbox"/> Female
RELATIONSHIP TO ORIGINAL DECEASED IRA OWNER/PLAN PARTICIPANT: <input type="checkbox"/> Spouse <input type="checkbox"/> Nonspouse			

2 ACCOUNT INFORMATION

A. GENERAL TRANSACTION INFORMATION:	INVESTMENT NUMBER	AMOUNT	CONTRIBUTION DATE	
		\$		
B. ORIGINAL DECEASED IRA OWNER/PLAN PARTICIPANT INFORMATION:	NAME	SSN	DATE OF BIRTH	DATE OF DEATH
C. CONTRIBUTION TYPE (SELECT ONE): <input type="checkbox"/> Transfer from an IRA <input type="checkbox"/> Direct Rollover from an Eligible Retirement Plan				

3 DESIGNATION OF SUCCESSOR BENEFICIARY

(To be completed by financial organization. If prohibited by state law, check the "do not" option.)

We do do not allow designation of successor beneficiaries. If no box is checked, we will allow designation of successor beneficiaries.

At the time of my death, the primary successor beneficiaries named below will receive my Beneficiary IRA assets. If all of my primary successor beneficiaries die before me, the contingent successor beneficiaries named below will receive my Beneficiary IRA assets. In the event a successor beneficiary dies before me, such beneficiary's share will be reallocated on a pro-rata basis to the other successor beneficiaries that share the deceased beneficiary's classification as a primary or contingent successor beneficiary. If all of the successor beneficiaries die before me, my Beneficiary IRA assets will be paid to my estate. If no percentages are assigned to beneficiaries, the beneficiaries will share equally. If the percentage total for each beneficiary classification does not equal 100 percent, any remaining percentage will be divided equally among the beneficiaries within such class. This designation revokes and supercedes all earlier successor beneficiary designations which may apply to this Beneficiary IRA.

A. Primary Successor Beneficiary

PERCENTAGE	NAME OF SUCCESSOR BENEFICIARY	SSN OR TIN	RELATIONSHIP TO BENEFICIARY IRA ACCOUNTHOLDER	BENEFICIARY DATE OF BIRTH
%				
%				
%				
Total 100%				

B. Contingent Successor Beneficiary

PERCENTAGE	NAME OF SUCCESSOR BENEFICIARY	SSN OR TIN	RELATIONSHIP TO BENEFICIARY IRA ACCOUNTHOLDER	BENEFICIARY DATE OF BIRTH
%				
%				
%				
Total 100%				

4 SPOUSAL CONSENT

Community or marital property state laws may require spousal consent for a nonspouse beneficiary designation. The laws of the state in which the financial organization is domiciled, the Beneficiary IRA owner resides, the trust is located, the spouse resides, or this transaction is consummated should be reviewed to determine if such a requirement exists. Spousal consent for the successor beneficiary designation may also be required by financial organization policy.

I Am Married. I understand that if I designate a primary successor beneficiary other than my spouse and I live in a community or marital property state, I may need to obtain my spouse's consent to the beneficiary designation by signing below.

I Am Not Married. I understand that if I marry in the future, and reside in a community or marital property state, I may need to complete a new Designation of Beneficiary form, which includes the spousal consent documentation.

I am the spouse of the Beneficiary IRA accountholder. Because of the significant consequences associated with giving up my interest in the IRA, the custodian has not provided me with legal or tax advice, but has advised me to seek tax or legal advice. I acknowledge that I have received a fair and reasonable disclosure of the Beneficiary IRA accountholder's assets or property and any financial obligations for a community property state. In the event I have a legal interest in the IRA assets, I hereby give to the Beneficiary IRA accountholder such interest in the assets held in this IRA and consent to the successor beneficiary designation set forth in this Application.

Signature of Spouse _____ Date _____
 Signature of Witness (if required) _____ Date _____
 (Witness cannot be a successor beneficiary of this IRA)

5 SIGNATURES

I certify that I am the traditional beneficiary IRA accountholder or individual legally authorized to complete this form. I certify the accuracy of the information set forth in this form and I authorize this transaction. I acknowledge that I have received a copy of IRS Form 5305-A, *Traditional Individual Retirement Custodial Account*, a Disclosure Statement, and a Financial Disclosure. I agree to be bound by the terms and conditions found in the Agreement, including the Disclosure Statement, Financial Disclosure, and amendments thereto. I understand that I may revoke this IRA on or before seven (7) days after the date of establishment. I assume full responsibility for any consequences associated with my actions concerning this IRA. I indemnify and hold the IRA custodian harmless from any resulting liabilities arising from my actions. I acknowledge that the IRA custodian cannot provide, and has not provided, me with any tax or legal advice. I agree to consult with a tax or legal professional for guidance.

Signature of Beneficiary IRA Accountholder _____ Date _____
 Signature of Custodian _____ Date _____

TRADITIONAL INDIVIDUAL RETIREMENT CUSTODIAL ACCOUNT

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

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

Do Not File with
Internal Revenue Service

Amendment

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

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

Article III.

1. No part of the custodial account funds may be invested in life insurance contracts, nor may the assets of the custodial account be commingled with other property except in a common trust fund or common investment fund (within the meaning of section 408(a)(5)).

2. No part of the custodial account funds may be invested in collectibles (within the meaning of section 408(m)) except as otherwise permitted by section 408(m)(3), which provides an exception for certain gold, silver, and platinum coins, coins issued under the laws of any state, and certain bullion.

Article IV.

1. Notwithstanding any provision of this agreement to the contrary, the distribution of the depositor's interest in the custodial account shall be made in accordance with the following requirements and shall otherwise comply with section 408(a)(6) and the regulations thereunder, the provisions of which are herein incorporated by reference.

2. The depositor's entire interest in the custodial account must be, or begin to be, distributed not later than the depositor's required beginning date, April 1 following the calendar year in which the depositor reaches age 70 1/2. By that date, the depositor may elect, in a manner acceptable to the custodian, to have the balance in the custodial account distributed in:

(a) A single sum; or

(b) Payments over a period not longer than the life of the depositor or the joint lives of the depositor and his or her designated beneficiary.

3. If the depositor dies before his or her entire interest is distributed to him or her, the remaining interest will be distributed as follows:

(a) If the depositor dies on or after the required beginning date and:

(i) the designated beneficiary is the depositor's surviving spouse, the remaining interest will be distributed over the surviving spouse's life expectancy as determined each year until such spouse's death, or over the period in paragraph (a)(iii) below if longer. Any interest remaining after the spouse's death will be distributed over such spouse's remaining life expectancy as determined in the year of the spouse's death and reduced by 1 for each subsequent year, or, if distributions are being made over the period in paragraph (a)(iii) below, over such period.

(ii) the designated beneficiary is not the depositor's surviving spouse, the remaining interest will be distributed over the beneficiary's remaining life expectancy as determined in the year following the death of the depositor and reduced by 1 for each subsequent year, or over the period in paragraph (a)(iii) below if longer.

(iii) there is no designated beneficiary, the remaining interest will be distributed over the remaining life expectancy of the depositor as determined in the year of the depositor's death and reduced by 1 for each subsequent year.

(b) If the depositor dies before the required beginning date, the remaining interest will be distributed in accordance with (i) below or, if elected or there is no designated beneficiary, in accordance with (ii) below:

(i) The remaining interest will be distributed in accordance with paragraphs (a)(i) and (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), starting by the end of the calendar year following the year of the depositor's death. If, however, the designated beneficiary is the depositor's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the depositor would have reached age 70 1/2. But, in such case, if the depositor's surviving spouse dies before distributions are required to begin, then the remaining interest will be distributed in accordance with (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), over such spouse's designated beneficiary's life expectancy, or in accordance with (ii) below if there is no such designated beneficiary.

(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 70 1/2, is the depositor's account value at the close of business on December 31 of the preceding year divided by the distribution period in the uniform lifetime table in Regulations section 1.401(a)(9)-9. However, if the depositor's designated beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the depositor's account value at the close of business on December 31 of the preceding year divided by the number in the joint and last survivor table in Regulations section 1.401(a)(9)-9. The required minimum distribution for a year under this paragraph (a) is determined using the depositor's (or, if applicable, the depositor and spouse's) attained age (or ages) in the year.

(b) The required minimum distribution under paragraphs 3(a) and 3(b)(i) for a year, beginning with the year following the year of the depositor's death (or the year the depositor would have reached age 70 1/2, if applicable under paragraph 3(b)(i)) is the account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table in Regulations section 1.401(a)(9)-9) of the individual specified in such paragraphs 3(a) and 3(b)(i).

(c) The required minimum distribution for the year the depositor reaches age 70 1/2 can be made as late as April 1 of the following year. The required minimum distribution for any other year must be made by the end of such year.

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

Article V.

1. The depositor agrees to provide the custodian with all information necessary to prepare any reports required by section 408(i) and Regulations sections 1.408-5 and 1.408-6.

2. The custodian agrees to submit to the Internal Revenue Service (IRS) and depositor the reports prescribed by the IRS.

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

Article VII. This agreement will be amended as necessary to comply with the provisions of the Code and the related regulations. Other amendments may be made with the consent of the persons whose signatures appear on the Application that accompanies this Agreement.

Article VIII.

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

8.02 Use of These Beneficiary IRA Documents. IRS Form 5305 was initially designed by the IRS for use by a depositor to establish his/her own IRA. Beneficiary IRAs are specifically permitted by the IRS; however, they are subject to certain special rules, which are described below and in the disclosure statement. The IRS has not created a form 5305 series agreement specifically designed for a beneficiary IRA. Therefore, the standard IRS Form 5305-A is used as the basis for our agreement with you. However, certain provision of Articles I through VII and the instructions of this IRS Form 5305-A do not apply to you, as beneficiary of the depositor, or to your Beneficiary IRA. On the other hand, Articles II, III, V, and VII generally apply to you in the same manner as provided for the depositor.

8.03 Definitions.

- (a) "**Application**" means the Traditional Beneficiary IRA Application, as signed by the beneficiary.
- (b) "**Beneficiary**" means the individual or entity named by the depositor or a subsequent beneficiary as beneficiary of all or a portion of the depositor's traditional IRA (or nonspouse beneficiary of an eligible retirement plan benefit) and who is named as Beneficiary IRA Accountholder on the Application.
- (c) "**Eligible Retirement Plan**" means employer-sponsored retirement plans such as qualified plans, tax-sheltered annuities, and certain IRC Section 457 plans of state and local governments.
- (d) "**Depositor**" means the original IRA accountholder who established the traditional IRA (or plan participant in the eligible retirement plan) and who has died.
- (e) "**IRA**" means the custodial account established by the beneficiary by signing the Application, pursuant to the terms of the Agreement and Application.
- (f) "**Custodian**" means the entity named as Custodian on the Traditional Beneficiary IRA Application, and any successor.

References to "you," "your," and "Beneficiary IRA accountholder" will mean the beneficiary, and "we," "us," and "our" will mean the custodian. The terms "you" and "your" will apply to you. In the event you appoint a third party, or have a third party appointed on your behalf, to handle certain transactions affecting your IRA, such agent will be considered "you" for purposes of this Agreement. Unless it would be inconsistent to do so, words and phrases used in this document should be construed so the singular includes the plural and the plural includes the singular.

8.04 Contributions. Notwithstanding the provisions of Article I, the only contributions permitted to this Beneficiary IRA are transfers from the original deceased owner's traditional IRA, transfers from an existing traditional beneficiary IRA to establish this Beneficiary IRA, or direct rollovers by a nonspouse beneficiary from the original deceased owner's eligible retirement plan. If this Beneficiary IRA holds amounts previously in the depositor's traditional IRA (and not from an eligible retirement plan), you may be able to make a trustee-to-trustee transfer from a traditional IRA inherited from the same depositor. No other contributions of any kind may be made to this Beneficiary IRA. Also, any other type of contribution by a surviving spouse is deemed to be an election to treat this Beneficiary IRA as his/her own.

8.05 Successor Beneficiary Designations. If we allow successor beneficiary designations, the beneficiary of your Beneficiary IRA will be the person or persons listed on the Application as successor beneficiaries (or other beneficiary designation form approved by us) and received by us prior to your death. If no successor beneficiary survives you (or if no valid successor beneficiary designation is on file with us), your successor beneficiary will be your estate.

Article IX.

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

9.02 Our Fees and Expenses. We may charge reasonable fees and are entitled to reimbursement for any expenses we incur in establishing and maintaining your Beneficiary IRA. We may change the fees at any time by providing you with notice of such changes. We will provide you with fee disclosures and policies. Fees may be deducted directly from your Beneficiary IRA assets, and/or billed separately to you. Additionally, we have the right to liquidate your Beneficiary IRA assets to pay such fees and expenses. If you do not direct us on the liquidation, we will liquidate the assets of our choice and will not be responsible for any losses or claims that may arise out of the liquidation.

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

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

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

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

9.06 Disqualifying Provisions. Any provision of this Agreement that would disqualify the Beneficiary IRA will be disregarded to the extent necessary to maintain the account as a beneficiary IRA.

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

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

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

9.09 Investment of IRA Assets.

(a) **IRA Investment Options.** In our capacity as your Beneficiary IRA custodian, we provide various options concerning types of investments and investment direction. At the time you established or amended your Beneficiary IRA we provided you with either of the following investment options: deposit investments only or self-directed investments. This section describes each of the options. We will provide you with any required disclosures concerning your specific investments.

(1) **Deposit Investments Only.** If your Beneficiary IRA allows for deposit investments only, the deposit investments provided by us will be limited to savings, share, and/or money market accounts, and various certificates of deposit (CDs).

(2) **Self-Directed IRA Investments.** If your Beneficiary IRA is self-directed, you may invest your IRA assets in deposit investments as well as in various non-deposit investments. Non-deposit investments may include investments in property, annuities, mutual funds, stocks, bonds, and government, municipal and U.S. Treasury securities, and other similar investments. Most, if not all, of the non-deposit investments we offer are subject to investment risks, including possible loss of the principal amount invested.

(b) **Investment of Inherited IRA Amounts.** We will invest your inherited Beneficiary IRA amounts and reinvest your IRA assets as directed by you based on our then-current investment policies and procedures. If you fail to provide us with investment direction for a directly rolled or transferred amount, we will return or hold all or part of such direct rollover or transfer based on our policies and procedures. We will not be responsible for any loss of IRA income associated with your failure to provide appropriate investment direction.

(c) **Directing Investments.** All investment directions must be in a format or manner acceptable to us. You may invest in any IRA investments that you are qualified to purchase, and that we are authorized to offer and do offer at the time of the investment selection, and that are acceptable under the applicable laws governing retirement plans. Your Beneficiary IRA investments will generally be registered in our name or our nominee's name (if applicable) for the benefit of your Beneficiary IRA. Specific investment information may be provided at the time of the investment.

Based on our policies, we may allow you to delegate the investment responsibility of your Beneficiary IRA to an agent by providing us with written notice of delegation in a format acceptable to us. We will not review or guide your agent's decisions, and you are responsible for the agent's actions or failure to act. We are not responsible for directing your investments, or providing investment advice, including guidance on the suitability or potential market value of various investments. For investments in securities, we will exercise voting rights and other similar rights only at your direction, and according to our then-current policies and procedures.

(d) **Investment Fees and Asset Liquidation.** Certain investment-related fees, which apply to your Beneficiary IRA, must be charged to your Beneficiary IRA and cannot be paid by you. We have the right to liquidate your Beneficiary IRA assets to pay fees and expenses, federal tax levies, or other assessments on your Beneficiary IRA. If you do not direct us on the liquidation, we will liquidate the assets of our choice and will not be responsible for any losses or claims that may arise out of the liquidation.

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

Required minimum distributions (RMDs) from this account, regardless of asset source, will be based on Internal Revenue Code Section 401(a)(9)(B), Treasury Regulation Sections 1.401(a)(9)(B) and 1.408-8, additional IRS guidance, and our then-current policies and procedures. The RMD regulations are described within the Disclosure Statement. In the event you, or your successor beneficiary after your death, fail to take a RMD we may do nothing, distribute your entire Beneficiary IRA balance, or distribute an amount based on our own calculation.

You are ultimately responsible for determining your beneficiary RMD as well as for the consequences of taking more or less than the required amount. We may choose to estimate your beneficiary RMD; however, we are not required to provide you with such an estimate. If we provide you with an estimated RMD, we will do so

based on factors we assume to be correct. Because the ultimate responsibility for calculating the RMD is yours, we recommend you seek guidance from your tax or legal professional regarding your RMD calculation and the taxation of distributions.

9.11 Transfer or Direct Rollover Contributions. We may accept transfer and direct rollover contributions in cash or in kind from other beneficiary IRAs and eligible retirement plans. Prior to completing such transactions we may require that you provide certain information in a format acceptable to us. In-kind contributions will be valued according to our policies and procedures at the time of the contribution.

9.12 Reports and Records. We will maintain the records necessary for IRS reporting on this Beneficiary IRA. Required reports will be provided to you, or your successor beneficiary after your death, and the IRS. If you believe that your report is inaccurate or incomplete you must notify us in writing within 30 days following the receipt date. Your investments may require additional state and federal reporting.

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

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

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

Beneficiary IRAs are specifically permitted by the IRS; however, they are subject to certain special rules, which are described above and in the disclosure statement. The IRS has not created a form 5305 series agreement specifically designed for a beneficiary IRA. Therefore, the standard IRS Form 5305-A is used as the basis for our agreement with you. However, certain provisions of Articles I through VII and the instructions of this IRS Form 5305-A do not apply to you, as beneficiary of the depositor, or to your Beneficiary IRA.

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

General Instructions

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

Purpose of Form

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

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

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

Definitions

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

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

Identifying Number

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

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

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

Specific Instructions

Article IV. Distributions made under this article may be made in a single sum, periodic payment, or a combination of both. The distribution option should be reviewed in the year the depositor reaches age 70 1/2 to ensure that the requirements of section 408(a)(6) have been met.

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

TRADITIONAL BENEFICIARY IRA DISCLOSURE STATEMENT

Right to Revoke Your Beneficiary IRA. You have the right to revoke this individual retirement account (IRA) within seven days of receiving this Disclosure Statement. If you revoke your Beneficiary IRA, we will return to you the entire amount transferred or directly rolled over to the IRA without any adjustment for items such as sales commissions, administrative expenses, or fluctuation in market value. You do not have the right to revoke upon amendment of this Agreement.

You may revoke your Beneficiary IRA by providing us with written notice. The revocation notice may be mailed by first-class mail, or hand delivered to us. If your notice is mailed by first-class, postage pre-paid mail, the revocation will be deemed mailed on the date of the postmark. (Note that the amounts you receive from us in cash upon revocation of this Beneficiary IRA will not be eligible to be rolled over or deposited into any other beneficiary IRA, but instead will be reported as a distribution to you and will be subject to taxation.)

If you have any questions or concerns regarding the revocation of your Beneficiary IRA, please call or write to us. Our telephone number, address, and contact name, to be used for communications, can be found on the application that accompanies this Disclosure Statement and Internal Revenue Service (IRS) Forms 5305 series agreement.

Right to Disclaim. You may disclaim your interest in this Beneficiary IRA subject to the following requirements. To be eligible to disclaim, you must be a natural person of legal age and under no other legal disability and must not have received a distribution of any part of the Beneficiary IRA at the time the disclaimer is received by us (except for the required minimum distribution for the year of the decedent's death).

Alternatively, a disclaimer may be executed by (i) your duly-appointed legal guardian or conservator if you are a minor or under other legal disability or (ii) your duly-appointed personal representative.

The disclaimer must be made in writing and must be executed personally by you (or a duly-appointed legal guardian, conservator or personal representative acting on your behalf) and acknowledged before a notary public. The disclaimer must state that your entire interest in the Beneficiary IRA is disclaimed or must specify what portion thereof is disclaimed.

To be effective, the disclaimer must be irrevocable and both executed by you and received by us after the date of the depositor's death but not later than nine (9) months after the depositor's death. If you have any questions regarding disclaiming this Beneficiary IRA, please call or write us. You may also wish to consult with your tax or legal professional regarding the consequences of a disclaimer.

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

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

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

IRA Restrictions and Approval.

- 1. IRS Form 5305 or 5305-A Agreement.** This Disclosure Statement and the IRS Forms 5305 series agreement, amendments, and additional provisions, set forth the terms and conditions governing your Beneficiary IRA. Such documents are the "Agreement."
- 2. Individual Benefit.** This Beneficiary IRA must be for the exclusive benefit of you, and upon your death, your successor beneficiaries. The Beneficiary IRA must be established in the name of the depositor, for your benefit as beneficiary.
- 3. Successor Beneficiary Designation.** If we allow you to name successor beneficiaries, you may complete the appropriate section on the corresponding Beneficiary IRA application and designate any person as your successor beneficiary to receive your Beneficiary IRA assets upon your death. You may also change or revoke an existing designation in such manner and in accordance with such rules as your Beneficiary IRA custodian prescribes for this purpose. If there is no successor beneficiary designation on file at the time of your death, or if none of the beneficiaries on file are alive at the time of your death, your Beneficiary IRA assets will be paid to your estate. Your Beneficiary IRA custodian may rely on the latest

successor beneficiary designation on file at the time of your death, will be fully protected in doing so, and will have no liability whatsoever to any person making a claim to the Beneficiary IRA assets under a subsequently filed designation or for any other reason.

- 4. IRA Custodian.** An IRA custodian must be a bank, federally insured credit union, savings and loan association, trust company, or other entity, which is approved by the Secretary of the Treasury to act as an IRA custodian.
- 5. Prohibition Against Life Insurance and Commingling.** None of your Beneficiary IRA assets may be invested in life insurance contracts, or commingled with other property, except in a common trust fund or common investment fund.
- 6. Nonforfeitable.** The assets in your Beneficiary IRA are not forfeitable.
- 7. Collectibles.** Generally, none of your Beneficiary IRA assets may be invested in collectibles, including any work of art, rug, or antique, metal or gem, stamp or coin, alcoholic beverage, or any other tangible personal property. If we allow, you may invest your Beneficiary IRA assets in the following coins and bullion: certain gold, silver, and platinum coins minted by the United States; a coin issued under the laws of any state; and any gold, silver, platinum, and palladium bullion of a certain fineness, and only if such bullion is held by us. For additional guidance on collectibles, see Section 408(m) of the Internal Revenue Code (IRC).
- 8. Required Minimum Distribution Rules.** Your Beneficiary IRA is subject to the required minimum distribution rules. Different rules apply in different situations and you are responsible for determining which rules apply to your Beneficiary IRA. A summary of the required minimum distribution rules are described later in this Disclosure Statement.
- 9. No Prohibited Transactions.** If you engage in a prohibited transaction, the Beneficiary IRA loses its tax exempt status as of the first day of the year. You must include the fair market value of your Beneficiary IRA as of that first day in your gross income for the year during which the prohibited transaction occurred, and pay all applicable taxes and penalties.
- 10. No Pledging.** If you pledge all or a portion of your Beneficiary IRA as security for a loan, the portion pledged will be treated as a distribution to you, and the taxable portion will be included in gross income.
- 11. IRS Approval of Form.** This Agreement includes an IRS Forms 5305 series agreement. This IRS document has been approved by the IRS. This approval is not a determination of its merits, and not an endorsement of the investments provided by us, or the operation of the Beneficiary IRA.
- 12. State Laws.** State laws may affect your Beneficiary IRA in certain situations, including successor beneficiary designations, agency relationships, consent, taxes, tax withholding, and reporting.

Eligibility to Establish a Beneficiary IRA. You may establish a beneficiary IRA with this Agreement to hold amounts received as a direct or successor beneficiary from the traditional IRA of a depositor. You may also establish a beneficiary IRA to hold amounts received as a non-spouse beneficiary of a participant in an eligible retirement plan.

Separate Beneficiary IRA Accounts. You are required to maintain this Beneficiary IRA separate from your own individual IRAs and from any other beneficiary IRAs that you may inherit from other decedents. If you are the surviving spouse of the depositor and the sole beneficiary of the IRA with unlimited rights to withdraw amounts from the IRA, you may elect to treat this IRA as your own IRA or to maintain it as a beneficiary IRA. If you elect to treat it as your own IRA, the rules described in this Disclosure Statement generally will not apply to you and you will be treated as the IRA owner. A surviving spouse will be deemed to have treated the Beneficiary IRA as his/her own if any contributions (including rollover contributions) are made to the Beneficiary IRA or if any required minimum distribution as a beneficiary for a year is not taken. If you are the surviving spouse of the depositor and you have elected to treat or have been deemed to have treated this Beneficiary IRA as your own, you agree to notify us of such circumstance and we recommend that you execute a new IRA agreement with us. If no such agreement is executed, the provisions of Articles I through VII of this Agreement, the relevant provisions of Articles VIII and IX of this Agreement, and the provisions of IRS Publication 590 shall govern your Beneficiary IRA.

Beneficiary IRA Contributions. The only contributions permitted to this Beneficiary IRA are transfers from the original deceased owner's traditional IRA, transfers from an existing traditional beneficiary IRA to establish this Beneficiary IRA, or direct rollovers by a nonspouse beneficiary from the original deceased owner's eligible retirement plan. If this Beneficiary IRA holds amounts previously in the depositor's traditional IRA (and not from an eligible retirement plan), you may be

able to make a trustee-to-trustee transfer from a traditional IRA inherited from the same depositor. No other contributions of any kind may be made to this Beneficiary IRA. Also, any other type of contribution by a surviving spouse is deemed to be an election to treat this Beneficiary IRA as his/her own.

Trustee-to-Trustee Transfers. A trustee-to-trustee transfer is a transfer of assets from one IRA custodian/trustee to another IRA custodian/trustee, without the assets being distributed to you. A trustee-to-trustee transfer means that the IRA assets move from one IRA to another IRA in a manner that prevents you from cashing or liquidating the IRA assets, or even depositing the assets anywhere except in the receiving IRA. Transfers are not taxable or reportable, and the IRS does not impose timing or frequency restrictions on these transfers. You may be required (by us or the other financial organization involved) to complete a transfer authorization form or other documentation prior to transferring your Beneficiary IRA assets. Any trustee-to-trustee transfer will be subject to our policies. We have sole discretion on whether we will accept, and how we will process, movements of assets to and from IRAs.

Direct Rollovers from Employer-Sponsored Eligible Retirement Plans. If certain requirements are met, you may transfer to a beneficiary IRA the assets that you inherit as a nonspouse beneficiary of a deceased plan participant under an eligible retirement plan. A spouse beneficiary may not generally roll over assets from a deceased plan participant's eligible retirement plan to a beneficiary IRA. However, a spouse beneficiary is generally eligible to roll such amounts to his/her own IRA or employer retirement plan.

IRC Section 402(c)(8)(B) defines eligible retirement plans and includes employer-sponsored retirement plans such as qualified plans, tax-sheltered annuities, and certain IRC Section 457 plans of state and local governments.

The transfer must be completed as a direct rollover from the eligible retirement plan and must occur on or after January 1, 2007. If the plan assets are distributed to you, you will not be able to roll such amounts to a beneficiary IRA. We have sole discretion on whether we will accept, and how we will process, movements of assets from eligible retirement plans to beneficiary IRAs.

Beneficiary IRAs of this type are generally subject to the beneficiary IRA rules described in this Disclosure Statement, including the required minimum distribution rules described below. However, at the time this Disclosure Statement was prepared, it was unclear exactly how the required minimum distribution rules with respect to this type of beneficiary IRA are to work. If you inherit amounts in an employer-sponsored eligible retirement plan that you wish to have transferred to a beneficiary IRA, you should consult with a tax or legal professional to aid you in the determination and calculation of required minimum distributions.

Tax Deductions. You may not deduct your Beneficiary IRA assets on your tax return.

Traditional IRA to Roth IRA Conversions. If the depositor was someone other than your spouse, you are not eligible to convert any portion of the Traditional Beneficiary IRA assets to Roth IRA assets.

IRA Distributions. You or, after your death, your successor beneficiary may take an IRA distribution, in cash or in kind based on our policies, at any time. However, your distribution may be subject to income taxes, depending on the nature of the contributions previously made to the IRA or eligible retirement plan.

Tax-Free Distributions to Charities. If you have attained age 70 1/2 you may make tax-free IRA distributions directly from your beneficiary IRA to a qualified charitable organization. Tax-free distributions are limited to \$100,000 per year and only apply to distributions made through December 31, 2007.

Distribution of Nondeductible and Nontaxable Contributions. If your Beneficiary IRA contains nondeductible amounts (such as nondeductible contributions or rollovers of nontaxable distributions from employer-sponsored eligible retirement plans as made by the depositor), any distribution you take from your Beneficiary IRA will return to you a proportionate share of the taxable and nontaxable balance in your Beneficiary IRA at the end of the tax year of your distribution. IRS Form 8606, *Nondeductible IRAs*, has been specifically designed to calculate this proportionate return. You must calculate the taxable and nontaxable amount separately for your individual IRAs and for this Beneficiary IRA, as well as any other beneficiary IRAs that you may inherit from other decedents. You must complete IRS Form 8606 each year you take distributions under these circumstances, and attach it to your tax return for that year to validate the nontaxable portion of your Beneficiary IRA distributions reported for that year.

Required Minimum Distributions - Generally. You must take certain required minimum distributions (RMDs) from your Beneficiary IRA. The RMD rules that apply to your Beneficiary IRA depend on a number of facts, including whether you are the surviving spouse of the depositor, whether you are a non-spouse beneficiary of a deceased employer plan

participant, the identity of any other beneficiaries of the depositor's IRA, and the age of the depositor at his/her death. You are responsible for determining which rules apply to your Beneficiary IRA. In addition, if the depositor's death occurs on or after his/her required beginning date (generally April 1 following the year in which the depositor turned age 70 1/2), you must also withdraw your share of any RMD amount that the depositor should have received during the year of his/her death and had not already taken.

- 1. Separate Accounts.** Our policies may permit separate accounting rules to be applied. If there are other beneficiaries of the depositor's IRA, the RMD rules may (if the other requirements are satisfied) be applied using your life expectancy (and not the life expectancy of the oldest designated beneficiary) if you establish your own Beneficiary IRA by December 31 of the year following the year in which the depositor died. If our policy permits separate accounting, the separate account rules must be applied in accordance with Treasury Regulation 1.401(a)(9)-8, Q&A 2 and 3.
- 2. Distributions of Less than the RMD Amount.** Any portion of your RMD that is not distributed to you by its deadline is subject to a 50 percent excess accumulation penalty tax, which is in addition to any federal, state or local taxes. The IRS may waive this penalty upon your proof of reasonable error and that reasonable steps were taken to correct the error, including remedying the shortfall. The federal penalty tax is reported and remitted to the IRS by completing IRS Form 5329, *Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts*, and attaching the form to your federal income tax return.
- 3. Distributions of More than the RMD Amount.** If you take an IRA distribution in a year that is more than the RMD amount, you will not receive any credit toward any RMD due to you in a subsequent year.
- 4. Successor Beneficiary.** A successor beneficiary receives any of your Beneficiary IRA assets that remain after your death. Distribution of any assets that remain after your death is made in accordance with Article IV.3 of the Agreement. Also, any amount over the RMD cannot be rolled back into this or another traditional beneficiary IRA.

RMD Rules for Designated Beneficiaries. If you are a designated beneficiary (as defined below) of the depositor, you will generally have until December 31 of the year following the depositor's year of death to begin RMDs. Exceptions exist for a surviving spouse who is the sole beneficiary of the depositor's IRA.

- 1. Distribution Calculations In General.** Beneficiary IRA accountholders may use a single life expectancy method to satisfy these RMDs unless they elect the five-year rule. The five-year rule requires you to completely withdraw your Beneficiary IRA assets by the end of the fifth year following the year in which the depositor died.

This general rule applies if the depositor's IRA has at least one designated beneficiary, whether the depositor's death occurs before or on or after his/her required beginning date. However, if the depositor died on or after his/her required beginning date, the depositor's remaining life expectancy, determined in his/her death year and reduced by one in each subsequent year, may be used to determine the distribution each year. This is true if the depositor's remaining life expectancy is longer than the applicable beneficiary's life expectancy that same year, determined in the year after the depositor's death and reduced by one in each subsequent year, or if your IRA is treated as having no designated beneficiary.

- 2. Designated Beneficiary.** A designated beneficiary is generally any individual beneficiary who is named as of the date of death and has an interest in the depositor's IRA on the determination date, which is September 30 of the year following the year in which the depositor died. Any beneficiary who completely distributes his/her/its interests in the depositor's IRA or completely disclaims his/her/its interests in the depositor's IRA, under IRC Section 2518, by the determination date will not be considered when designated beneficiaries are determined. Any beneficiary who dies after the depositor's death but before the determination date will still be considered for the sake of determining the distribution period. If any named beneficiary that is not an individual, such as an estate or charity, has an interest in the depositor's IRA on the determination date, and separate accounting does not apply, the depositor's IRA will be treated as having no designated beneficiary, and your Beneficiary IRA may be subject to the rules described below.
- 3. Qualified Trust Beneficiary.** If the depositor named a qualified trust, which is defined in Treasury Regulation 1.401(a)(9)-4, Q&A 5, as his/her IRA beneficiary, the beneficiaries of the qualified trust are treated as the beneficiaries of the depositor's IRA for purposes of determining designated beneficiaries and the appropriate life expectancy period after the depositor's death. We may require documentation of qualified trust status.

RMD Rules If A Named Beneficiary Is Not A Designated Beneficiary. If any beneficiary that has an interest in the depositor's IRA on the determination date is not an individual (such as an estate, charity or nonqualified trust), the following RMD rules will apply to your Beneficiary IRA, even if you are an individual. (However, if there are multiple beneficiaries and separate accounting applies, the application of the RMD rules described under this heading may not apply to you as an individual.)

- 1. Depositor's Death Before His/Her Required Beginning Date With No Designated Beneficiary.** If the depositor died before his/her required beginning date (RBD) and the depositor's IRA is treated as having no designated beneficiary, you will be required to completely withdraw your Beneficiary IRA assets by the end of the fifth year following the year in which the depositor died. Yearly distributions are not required.
- 2. Depositor's Death On or After His/Her Required Beginning Date With No Designated Beneficiary.** If the depositor died on or after his/her required beginning date and the depositor IRA is treated as having no designated beneficiary, you will receive an RMD from your Beneficiary IRA based on the depositor's remaining single expectancy as determined in the depositor's death year. Once determined, this life expectancy factor will be reduced by one for each subsequent year of the distribution period.

RMD Rules for Spouse Beneficiaries. If you are the only beneficiary of the depositor's IRA, or if there are multiple beneficiaries and separate accounting applies, and you are the depositor's surviving spouse, you may use your age each year to determine the life expectancy factor for calculating that year's RMD. If you are the only beneficiary, or if there are multiple beneficiaries and separate accounting applies, and the depositor died before his/her required beginning date, you, as surviving spouse, can postpone commencement of RMDs until the end of the year in which the depositor would have attained age 70 1/2. If the depositor died on or after his/her required beginning date, you, as surviving spouse, or if there are multiple beneficiaries and separate accounting applies, you may use the longer of your single life expectancy, determined each year after the death year using your attained age, or the depositor's remaining single life expectancy determined in his/her year of death and reduced by one each subsequent year.

If you are the only beneficiary of the depositor's IRA, or if there are multiple beneficiaries and separate accounting applies, you can treat your share of the depositor's IRA as your own IRA after the depositor's death. In this case, different RMD rules will apply. However, this option is not available if a qualified trust is named as beneficiary of the depositor's IRA, even if you are the sole beneficiary of the trust.

RMD Rules for Successor Beneficiaries. In general, successor beneficiaries must use the same distribution method as that of the previous beneficiary. For the year of the previous beneficiary's death the successor beneficiary should take the previous beneficiary's death year RMD. A

spouse that is a successor beneficiary does not have the option to treat the account as his/her own, or the option to complete a rollover to his/her own personal IRA.

If the original IRA owner dies before his/her RBD, and his/her spouse is the sole designated beneficiary through the determination date, and if the spouse beneficiary dies before payments were required to begin, the successor beneficiaries of the spouse beneficiary may be treated as non-spouse designated beneficiaries for purposes of determining the method of distribution.

Federal Income Tax Status of Distributions.

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

Estate and Gift Tax. The designation of a successor beneficiary to receive Beneficiary IRA distributions upon your death will not be considered a transfer of property for federal gift tax purposes. Upon your death, the value of all assets remaining in your Beneficiary IRA will usually be included in your gross estate for estate tax purposes, regardless of the named beneficiary or manner of distribution. There is no specific estate tax exclusion for assets held within a beneficiary IRA.

Federal Income Tax Withholding. Beneficiary IRA distributions are subject to federal income tax withholding unless you or, upon your death, your successor beneficiary affirmatively elect not to have withholding apply. The required federal income tax withholding rate is 10 percent of the distribution. Upon your request for a distribution, by providing IRS Form W-4P, *Withholding Certificate for Pension or Annuity Payments*, or an appropriate substitute, we will notify you of your right to waive withholding or elect to have greater than 10 percent withheld.

Annual Statements. Each year we will furnish you and the IRS (to the extent required) with statements reflecting the activity and balance in your Beneficiary IRA. You and the IRS will receive IRS Forms 5498, *IRA Contribution Information*, and 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.* IRS Form 5498 or an appropriate substitute indicates the fair market value of the account at year end. IRS Form 1099-R reflects your IRA distributions for the year.

By January 31 of each year, you will receive a report of your fair market value as of the previous calendar year end.