

# COVERDELL ESA APPLICATION

P.O. Box 3587, Albuquerque, NM 87190 • Toll Free: 1-800-529-3951 • Local: 505-514-0539 • Fax: 505-792-6096 • help@IRASTC.com

## PART 1. DESIGNATED BENEFICIARY

Name (First/MI/Last) \_\_\_\_\_  
 Address Line 1 \_\_\_\_\_  
 Address Line 2 \_\_\_\_\_  
 City/State/ZIP \_\_\_\_\_  
 Social Security Number \_\_\_\_\_  
 Date of Birth \_\_\_\_\_  
 Account Number \_\_\_\_\_

## PART 3. DEPOSITOR *The individual establishing this account*

Name (First/MI/Last) \_\_\_\_\_  
 Address Line 1 \_\_\_\_\_  
 Address Line 2 \_\_\_\_\_  
 City/State/ZIP \_\_\_\_\_  
 Social Security Number \_\_\_\_\_  
 Date of Birth \_\_\_\_\_ Phone \_\_\_\_\_

## PART 5. SUCCESSOR RESPONSIBLE INDIVIDUAL

*In the event of the death or legal incapacity of the responsible individual while the designated beneficiary is a minor under state law, the individual named below is designated as the successor responsible individual.*

☐ No successor responsible individual will be named at this time. The responsible individual may designate a successor responsible individual at a later date.

Name (First/MI/Last) \_\_\_\_\_  
 Address Line 1 \_\_\_\_\_  
 Address Line 2 \_\_\_\_\_  
 City/State/ZIP \_\_\_\_\_  
 Social Security Number \_\_\_\_\_  
 Phone \_\_\_\_\_  
 Relationship to Designated Beneficiary \_\_\_\_\_  
 Email \_\_\_\_\_

## PART 2. COVERDELL ESA CUSTODIAN AND CLIENT INITIALS

Name: SPECIALIZED TRUST COMPANY  
 Address: P.O. Box 3587, Albuquerque, NM 87190  
 Physical Address: 6100 Indian School NE, Suite 215  
 Albuquerque, NM 87110

ANNUAL FEE ☐ Standard ☐ Concierge Activation (recommended)  
☐ Specialized Black ☐ Standard Activation  
 \_\_\_\_\_ I have reviewed the STC Fee Schedule  
 Initial \_\_\_\_\_

\* Standard Activation is the default if no election is made.  
 \* Standard Fee Schedule is the default if no election is made.

Total Fees Due Today \$ \_\_\_\_\_

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

## PART 4. RESPONSIBLE INDIVIDUAL

*The individual responsible for managing this account*

Name (First/MI/Last) \_\_\_\_\_  
 Address Line 1 \_\_\_\_\_  
 Address Line 2 \_\_\_\_\_  
 Mailing Line 1 \_\_\_\_\_  
 Mailing Line 2 \_\_\_\_\_  
 City/State/ZIP \_\_\_\_\_  
 Social Security Number \_\_\_\_\_  
 Phone \_\_\_\_\_

Relationship to Designated Beneficiary \_\_\_\_\_  
 Email \_\_\_\_\_

**ELECTIONS** (Select an answer to each of the following questions. If a box is not checked for a question, "No" will apply.)

☐ Yes ☐ No Will the responsible individual continue to serve as the responsible individual for the custodial account after the designated beneficiary attains the age of majority under state law and until such time as all assets have been distributed from the custodial account and the custodial account terminates? (See Article V of the agreement for additional information.)

If the responsible individual becomes incapacitated or dies after the designated beneficiary reaches the age of majority under state law, the responsible individual shall be the designated beneficiary.

☐ Yes ☐ No May the responsible individual change the beneficiary designated under this agreement to another member of the designated beneficiary's family described in Code section 529(e)(2) in accordance with the custodian's procedures?

## PART 6: CONTRIBUTION INFORMATION

Contribution Amount \_\_\_\_\_ Contribution Date \_\_\_\_\_ Rollover Amount \_\_\_\_\_ Transfer Amount \_\_\_\_\_

### CONTRIBUTION TYPE (Select one)

- ☐ 1. Regular  
 Contribution for Tax Year \_\_\_\_\_ Contribution Method ☐ Check ☐ Credit Card  
 We will charge the credit card listed below for this contribution.
- ☐ 2. Rollover (Distribution from a Coverdell ESA that is being deposited into this Coverdell ESA)  
 By selecting this transaction, I irrevocably designate this contribution as a rollover.
- ☐ 3. Transfer (Direct movement of assets from a Coverdell ESA into this Coverdell ESA)

**PART 7. DEATH BENEFICIARY DESIGNATION**

*Upon the designated beneficiary's death, the assets in this account will be paid to the death beneficiaries named below. The interest of any death beneficiary that predeceases the designated beneficiary terminates completely. If all primary death beneficiaries predecease the designated beneficiary, the balance in the account will be payable to the contingent death beneficiaries. If no death beneficiaries are named, the designated beneficiary's estate will be the death beneficiary.*

☐ No death beneficiaries are designated at this time. The responsible individual may designate death beneficiaries at a later date.

**PRIMARY DEATH BENEFICIARIES**

Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 City/State/ZIP \_\_\_\_\_  
 Date of Birth \_\_\_\_\_  
 Relationship to Designated Beneficiary \_\_\_\_\_  
 Tax ID (SSN/TIN) \_\_\_\_\_ Percent Designated \_\_\_\_\_  
*(The total percentage designated must equal 100%.)*

Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 City/State/ZIP \_\_\_\_\_  
 Date of Birth \_\_\_\_\_  
 Relationship to Designated Beneficiary \_\_\_\_\_  
 Tax ID (SSN/TIN) \_\_\_\_\_ Percent Designated \_\_\_\_\_  
*(The total percentage designated must equal 100%.)*

**CONTINGENT DEATH BENEFICIARIES**

Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 City/State/ZIP \_\_\_\_\_  
 Date of Birth \_\_\_\_\_  
 Relationship to Designated Beneficiary \_\_\_\_\_  
 Tax ID (SSN/TIN) \_\_\_\_\_ Percent Designated \_\_\_\_\_  
*(The total percentage designated must equal 100%.)*

Name \_\_\_\_\_  
 Address \_\_\_\_\_  
 City/State/ZIP \_\_\_\_\_  
 Date of Birth \_\_\_\_\_  
 Relationship to Designated Beneficiary \_\_\_\_\_  
 Tax ID (SSN/TIN) \_\_\_\_\_ Percent Designated \_\_\_\_\_  
*(The total percentage designated must equal 100%.)*

☐ Check here if additional death beneficiaries are listed on an attached addendum. Total number of addendums attached to this Coverdell ESA \_\_\_\_\_

**PART 8. HOW WOULD YOU LIKE TO PAY YOUR FEES?**

Please select how you would like to pay your activation and first annual fee: ☐ Deduct From My Account ☐ Charge My Credit Card

*I have read and understand the Self-Directed Account Agreement regarding the credit card charge and I authorize the credit card payment by Specialized Trust Company (STC) for fees to establish the IRA account. Not limited to but including Activation Fee, Annual Fee and any special service fee.*

Card Type: ☐ Master Card ☐ Visa ☐ Discover ☐ American Express

Name on Card \_\_\_\_\_ Card Number \_\_\_\_\_

Billing Address For Card \_\_\_\_\_ Expiration Date \_\_\_\_\_

City/State/Zip \_\_\_\_\_ Card Security Code (CSC) \_\_\_\_\_

Please select how you would like to pay for all subsequent fees: ☐ Deduct From My Account ☐ Charge the Credit Card on File

**PART 9. ACCOUNT SECURITY CODE****4-DIGIT SECURITY CODE**

\_\_\_\_\_

THE UNDERSIGNED AGREES TO BE BOUND BY THE TERMS AND CONDITIONS OF THE SPECIALIZED TRUST COMPANY SELF-DIRECTED ACCOUNT AGREEMENT. THE UNDERSIGNED AGREES TO KEEP THE REQUESTED SECURITY CODE CONFIDENTIAL.

**OPTIONAL: HOW DID YOU HEAR ABOUT US?**

☐ Investor Event \_\_\_\_\_  
☐ Referral \_\_\_\_\_  
☐ Internet Search or Ad \_\_\_\_\_  
☐ Other \_\_\_\_\_

**PART 10. SIGNATURES**

*Important: Please read before signing.*

The depositor and responsible individual have received a copy of the Coverdell ESA Application, the 5305- EA Coverdell ESA Custodial Account Agreement, and the Disclosure Statement. The depositor and responsible individual understand that the terms and conditions that apply to this Coverdell ESA are contained in this Application and the Coverdell ESA Custodial Account Agreement, and agree to be bound by those terms and conditions. The depositor assumes responsibility for determining that he or she is eligible to make this contribution and that the contribution is within the limits set forth by the tax laws.

The responsible individual assumes responsibility for:

- ensuring that all future contributions are within the limits set forth by the tax laws,
- certifying that he or she is qualified to assume the responsibilities of the responsible individual as set forth in the Coverdell ESA Custodial Account Agreement, and
- managing and administering the Coverdell ESA and authorizing transactions involving contributions (including rollover contributions) and distributions.

\_\_\_\_\_  
Signature of Coverdell ESA Depositor (must be physical/wet Signature)

\_\_\_\_\_  
Date (mm/dd/yyyy)

\_\_\_\_\_  
Signature of Witness (optional)

\_\_\_\_\_  
Date (mm/dd/yyyy)

\_\_\_\_\_  
Printed Name of Coverdell ESA Responsible Individual

\_\_\_\_\_  
Date (mm/dd/yyyy)

\_\_\_\_\_  
Signature of Custodian

\_\_\_\_\_  
Date (mm/dd/yyyy)

\_\_\_\_\_  
Signature of Coverdell ESA Responsible Individual (must be physical/wet Signature)

\_\_\_\_\_  
Date (mm/dd/yyyy)

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# COVERDELL ESA CUSTODIAL ACCOUNT AGREEMENT

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Form 5305-EA under section 530 of the Internal Revenue Code.

FORM (Rev. October 2016)

The depositor whose name appears on the application is establishing a Coverdell Education Savings Account under section 530 for the benefit of the designated beneficiary whose name appears on the application exclusively to pay for the qualified elementary, secondary, and higher education expenses, within the meaning of section 530(b)(2), of such designated beneficiary.

The depositor has assigned the custodial account the sum indicated on the application.

The depositor and the custodian make the following agreement:

## ARTICLE I

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

## ARTICLE II

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

## ARTICLE III

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

## ARTICLE IV

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

## ARTICLE V

The "responsible individual" named by the depositor shall be a parent or guardian of the designated beneficiary. The custodial account shall have only one responsible individual at any time. If the responsible individual becomes incapacitated or dies while the designated beneficiary is a minor under state law, the successor responsible individual shall be the person named to succeed in that capacity by the preceding responsible individual in a witnessed writing or, if no successor is so named, the successor responsible individual shall be the designated beneficiary's other parent or successor guardian. Unless otherwise directed by checking the option on the application, at the time that the designated beneficiary attains the age of majority under state law, the designated beneficiary becomes the responsible individual. If a family member under the age of majority under state law becomes the designated beneficiary by reason of being a named death beneficiary, the responsible individual shall be such designated beneficiary's parent or guardian.

## ARTICLE VI

*(See the application and section 10.06 of this agreement for information regarding the responsible individual's ability to change the designated beneficiary named by the depositor.)*

## ARTICLE VII

1. The depositor agrees to provide the custodian with all information necessary to prepare any reports required by section 530(h).
2. The custodian agrees to submit to the Internal Revenue Service (IRS) and responsible individual the reports prescribed by the IRS.

## ARTICLE VIII

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

## ARTICLE IX

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

## SELF-DIRECTED ACCOUNT AGREEMENT

### 9.00 Appointment

I appoint the institution ("Specialized Trust Company") as the Custodian of my account and understand and acknowledge that the Custodial / Plan Agreement and my Application are my agreement with the Custodian shown in this application.

Specialized Trust Company Corporation referred to as (STC). The account is established for the exclusive benefit of the account holder or his / her beneficiaries. These terms and conditions will be governed by New Mexico laws, and the Courts of New Mexico shall alone have jurisdiction. Any lawsuit filed against or by the Custodian shall only be instituted in the district or county courts of Bernalillo County, New Mexico, where the Custodian maintains its principal office, and Depositor agrees to accede to such jurisdiction, both in connection with any such lawsuit which Depositor may file and in connection with any lawsuit which the Custodian or Administrator may file against Depositor.

### 9.01 Representations and Responsibilities

By entering into this Self-Directed Account Agreement ("Agreement"), the undersigned ("Depositor" or "you") agrees to be bound by the terms and conditions contained herein with Specialized Trust Company ("STC," "we," "us," or the "Custodian"), a New Mexico Corporation. All transactions shall be subject to any and all restrictions or limitation, direct or indirect, which are imposed by our charter, articles of incorporation, or bylaws, operating agreement; 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 transactions are executed; or policies, procedures, and practices; and this Agreement. After the Depositor's death, the named beneficiary(ies) has the right to direct the investments, the decedent's Account assets, subject to the same conditions that applied to the original account holder during his/her lifetime under this Agreement. STC shall invest and reinvest all contributions to the account and earnings thereon as directed by the Depositor (or at the direction of the beneficiary (ies) upon the Depositor's death) in investments that the Custodian determines it can operably administer control over.

The Depositor represents and warrants to us that any information the Depositor gives us or will give us with respect to this Agreement is complete and accurate. Further, the Depositor agrees that any directions given to us or action the Depositor takes will be proper under this Agreement and STC is authorized to rely upon such information and/or directions. If STC fails to receive direction from the Depositor 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 the Depositor, or the appropriate government or judicial authority.

STC shall not be responsible for losses of any kind that may result from a Depositor's directions to us or actions or failure to act and the Depositor agrees to reimburse us for any loss we may incur as a result of such directions, actions, or failures to act. STC shall not be responsible for any penalties, taxes, judgments or expenses the Depositor may incur in connection with any account created hereunder this Agreement. STC has no duty to determine, whether contributions or distributions comply with the Code, Regulations, Rulings, or this Agreement. By performing services under this Agreement, STC is acting as an agent for the Depositor. The Depositor acknowledges and agrees that nothing in this Agreement shall be construed as conferring fiduciary status upon STC. STC shall not be required to perform any additional services unless specifically agreed to under the terms and provisions of this Agreement or as required under the Code and Regulations promulgated thereunder with respect to retirement accounts. We may employ third-party agents and others, whether affiliates or not, for the purpose of performing administrative or other custodial-related services with respect to your account for which we should otherwise have responsibility hereunder this Agreement, and the limitations imposed upon our duties to you under this Agreement or otherwise shall continue to apply to any third-party agent or other so employed by us.

You agree to indemnify and hold us harmless for any and all claims, actions, proceedings, damages, judgments, liabilities, costs, and expenses, including attorney's fees, arising from, or in connection with this Agreement. Furthermore, to the extent not prohibited by federal or state law, the Depositor agrees to indemnify, defend and agree to hold harmless STC, its respective subsidiaries and affiliates, officers, directors, managers, members, representatives, agents, employees, successors and assigns from and against any and all claims, demands, liabilities, damages costs, expenses, attorney fees, payments and assessments arising in connection with the Depositor or the Account or which may result from any good faith actions, errors or omissions and from following or attempting to follow any directions of the Depositor or the beneficiary(ies), or an account designated representative. STC shall not be responsible or liable in any way for the sufficiency, correctness, genuineness, validity, of the form or execution of any documents not prepared by STC.

The Depositor further agrees that the Custodian shall not be subject to margin calls or have any other obligation to extend credit or otherwise disburse payment beyond the cash balance of the Depositor's account for any reason whatsoever.

You agree to reimburse or advance to us, on demand, any and all legal fees, 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 action you or your investment advisor directed through the Custodian, including, without limitation, claims asserted by you, and any state or federal regulatory authority or self-regulatory organization.

To the extent written instructions or notices are required under this Agreement; STC may accept or provide such information in any other form permitted by the Code or applicable Regulations. Furthermore, you represent to STC that any loss sustained in your Account 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.

STC has the right to charge service fees or other designated fees (e.g., a transfer, rollover or termination fee) for the services it provides pursuant to this Agreement. In addition, STC has the right to be reimbursed for all reasonable expenses, including legal expenses, it incurs in connection with administration of Depositor's IRA. STC is authorized to charge Depositor separately for any fees or expenses or, at STC's sole discretion, STC may deduct the amount of such fees or expenses from the assets held in Depositor's IRA.

#### **9.02 Passive Custodian**

STC is a passive Custodian and we do not provide investment advice. STC does not provide legal or tax services or advice with respect to your account investments or the sale of such investments.

#### **9.03 Investment Conformity and Legal Proceedings**

The Depositor has exclusive responsibility for and control over the investment of the assets of the Account and acknowledges, understands, and agrees that all investments shall conform to all applicable securities laws, rules, and regulations. The Depositor represents to STC that if any investment by his/her Account shall be deemed to be a "security" under applicable federal or state securities laws, such investment has been appropriately registered or is exempt from registration under applicable securities laws. The Depositor releases STC and expressly waives any and all claims against STC for STC's role in carrying out Depositor's instructions with respect to such investments. Furthermore, the Depositor acknowledges that the foregoing representation is being relied upon by STC in accepting Depositor's investment directions and Depositor agrees to indemnify STC with respect to all costs, expenses, including, without limitation, attorney fees, fines, penalties, liabilities, damages, actions, judgments and claims arising out of such investment and/or breach of the foregoing representation, including without limitation, claims asserted by you, the Depositor.

The Depositor agree that Depositor is solely responsible for the prosecution or defense, including the retention of legal counsel, of all legal actions ("Legal Proceedings") involving Depositor's IRA, which arise or become necessary for the protection of the investments in Depositor's IRA, including any actions where STC is named as a result of being Custodian of Depositor's IRA. If STC is named as a defendant in any Legal Proceedings, which includes state, federal and local court, or arbitration, as a result of the assets in Depositor's IRA being the subject of the litigation, Depositor, at your own cost, agree to indemnify and hold STC, its officers, directors and employees harmless from any and all damages, costs, or expenses of whatsoever kind, and to retain legal counsel acceptable to STC to defend STC, in STC's Custodial capacity, or however named in the Legal Proceedings. If Depositor fails to fulfill Depositor's responsibilities in this regard, STC reserves the right to retain counsel of its own choosing to defend STC, and STC shall have the right to reimburse itself from Depositor's account for all costs, attorney fees or other expenses of whatsoever kind as set forth below. If Depositor initiates Legal Proceedings against a third party regarding the assets in Depositor's IRA, and Depositor's IRA is plaintiff, Depositor agrees to initiate suit by titling the plaintiff as "Specialized IRA Services FBO (Your Name), Account Type, or Specialized Trust Company Custodian FBO (Your Name), Account Type." Depositor agrees to provide STC with copies of all pleadings, motions, discovery, orders, and final resolution documents upon request.

Depositor also agrees that any such legal action will be conducted in a manner that does not cause STC as the Custodian to incur any costs or legal exposure. As Depositor is the owner of the IRA held by STC, Depositor understands that STC will not initiate Legal Proceedings on behalf of Depositor or Depositor's IRA and will not participate in such Legal Proceedings without direction from Depositor.

Depositor understands that Depositor has sole authority to direct and make all decisions related to the Legal Proceedings and Depositor shall defend, indemnify, and hold STC, its officers, directors, and employees harmless from any loss, legal expense and liability that arises out of such Legal Proceedings, including STC's legal costs, if Depositor fails to provide legal representation for STC or STC deems separate counsel necessary. Should STC incur costs or expenses associated with such Legal Proceedings, STC has the right to charge Depositor separately for any fees or expenses, or STC may deduct the amount of the fees or expenses from the assets held in Depositor's IRA.

STC, as a passive Custodian, will not bear or assume any responsibility to notify Depositor, secure or maintain fire, casualty, liability, or such other insurance coverage on any personal or real property asset(s) held by the Account, or which serves as collateral under any mortgage or other security instrument held by the Depositor's account with respect to any promissory note or other evidence of indebtedness. It is incumbent upon the Depositor to arrange for such insurance as Depositor may determine to be necessary or appropriate to protect Depositor's investment. Furthermore, STC shall not be responsible for notifying the Depositor regarding Depositor's obligation to make payment of any insurance premiums, real estate taxes, utilities, or other charges or fees with respect to any investment held in the IRA or Saving Account. Depositor must specifically direct STC to pay any expense related to an asset from the Account in writing or another manner directed by STC and on a form deemed acceptable to STC. STC, in its sole discretion, may (but is not required) to pay insurance premiums, real estate taxes, utilities or other charges or fees with respect to investment(s) or assets held in Depositor's account and, in such instances, STC may deduct the amount of such charges from the assets held in Depositor's account.

## 9.04 Investments

In conformity with directions given to STC, the Depositor directs STC to deposit all cash, for which the Depositor has not elected to invest, into a pooled custodial deposit account or accounts with one or more third-party FDIC-insured financial institutions selected by STC qualifying under IRC 408(b)(5) or into any investment vehicle which is either FDIC-insured or guaranteed or backed by the full faith and credit of the United States government.

The Depositor also authorizes entering into a sub-accounting agreement between the selected financial institution and STC under which, we will keep records of the Depositor's share of the pooled custodial accounts. Until such time as the Depositor gives instructions to STC as to how such funds should be invested, Depositor hereby acknowledges that any interest accruing or monies not currently invested shall be disbursed to Depositor's account at predetermined annual percentage rate however, not required and at the discretion of the firm (SIS or STC). Depositor acknowledges that such rate is not fixed and may be subject to fluctuation. All accrued interest in excess of the money distributed to the Depositor's Account shall be recognized by STC as income. STC shall be entitled to retain this income net of related service fees. STC can change this relationship of interest income or payment at any time. Current payout since 2015 is 0.0%. This could change at any future moment without notification.

In accordance with instructions given to STC by the Depositor, STC shall invest and reinvest all contributions to the Account and earnings thereon as directed by the Depositor (or the direction of the beneficiary (ies) upon the Depositor's death) in investments that STC determines it can operably administer, to include, without limitation, marketable securities traded on a recognized exchange or "over the counter" (excluding any securities issued by the Custodian), common trust funds or other common investment funds that qualify under Section 408(b)(5) of the Code including options & mutual funds (including, without limitation, qualifying pooled custodial accounts and pooled custodial funds), mortgage notes, debentures, individually negotiated debt instruments, promissory notes, private equity investments in closely held businesses, certificates of deposit, real estate, real estate contracts, mortgages, leases, tax liens and tax anticipation warrants, deeds of trust, and other public, private or alternative investments that the Custodian determines it can operably administer, in such amounts as are specifically selected and specified by the Depositor in orders to the Custodian in such form as may be acceptable to STC without any duty to diversify and without regard to whether such property is authorized by the laws of any jurisdiction as a trust investment or IRA investment or even if such investment will result in a prohibited transaction, unrelated business income tax ("UBIT") or a reportable transaction.

STC may, but need not, establish programs under which cash deposits in excess of a minimum set by it will be periodically and automatically invested in interest-bearing investment funds.

Any outside brokerage account held in connection with the Depositor's self-directed IRA or Saving Account, shall be in the name of the Custodian for the benefit of the Depositor. Investment direction may be given to the designated Broker Dealer by the Depositor that is acceptable to said Broker Dealer including without limitation via the Broker Dealer's account web-portal or other electronic submission.

The Custodian shall not be responsible for the execution of such verbal, written or electronic orders. The Custodian shall be authorized to honor these transactions made by the Depositor within the Brokerage account without obligation to verify prior authorization from the Depositor for the completions of the investment direction given to the Broker Dealer or the associated Brokerage Company. The Depositor does hereby agree to indemnify, defend and hold harmless the Custodian from and against any and all claims, losses, causes of action, expenses (including reasonable attorneys' fees costs and liabilities suffered or incurred by Custodian arising from or relating to any direction or order given, or alleged to have been given, by the Depositor to a Representative or Employee to any Broker Dealer or Brokerage Company, any errors or misconduct on the part of the Broker Dealer or Brokerage Company in processing, executing, safekeeping or reporting any such direction or order, or alleged direction or order, or the securities or proceeds resulting thereof. Any cash received by the Broker Dealer or Brokerage Company for the Depositor's account(s) held in connection with the Depositor's self-directed IRA or Saving Account, whether it be from income or proceeds of the held brokerage account transactions, shall be held by the brokerage account pending directions, and the Custodian shall have no obligation to direct the Broker Dealer or Brokerage Company to remit such cash until directed to do so by the Depositor. It is the Depositor's sole responsibility to supply the Custodian with at least (or better) an annual account statement from said Broker Dealer or Brokerage Company for said account associated with the Depositor's self-directed IRA or Saving Account. The Custodian is not responsible to notify or inform the Depositor of any increase or decrease changes in the value of the Depositor's outside brokerage account that is held by said Broker Dealer or Brokerage Company at any given time.

STC shall have no duty other than to follow the written investment directions of the Depositor, which duty shall be subject to the other terms and conditions of this Agreement. STC shall be under no duty to question said instructions and shall not be liable for any investment losses or adverse tax consequences of any kind whatsoever sustained by the Depositor. In addition, STC reserves the right to not follow a direction, or process any investment for administrative or cost-related reasons. Execution of Depositor's instructions or refusal to execute the same does not constitute investment advice or an opinion by STC as to the investment's prudence or viability. Depositor agrees that STC shall have no discretionary power, authority, or control with respect to the management, investment or disposition of the Depositor's assets or any discretionary authority with regard to the management of the Depositor's account. Depositor agrees and acknowledges that STC is not a fiduciary with respect to the Depositor, the Account or any investment chosen by the Depositor.

## 9.05 Designated Representatives

STC may, in its sole and absolute discretion, permit the Depositor to appoint an account designated representative or authorized investment advisor/agent to act on behalf of Depositor with respect to this Agreement (e.g., attorney-in-fact, executor, administrator, investment manager, investment advisor, etc.) who may, but is not required to be an investment advisor qualified under Section 3(38) of the Employee Retirement Income Security Act of 1974, to direct his/her retirement account. The Depositor shall notify STC through written notice acceptable to us of any such account designated representatives to be appointed by the Depositor.

If the account designated representative is an investment advisor under Section 3(38) of the Employee Retirement Income Security Act of 1974, STC may require the following: (I) Depositor to provide us a copy of the instruments appointing the investment advisor and evidencing the investment advisors acceptance of such appointment; (II) certificate evidencing the investment advisor's current registration under the Investment Advisor's Act of 1940; and, (III) an acknowledgement by the investment advisor that he/she is a fiduciary of the Account. STC has no duty to determine the validity of any account designated representative authorized by the Depositor. The account designated representative may give STC directions to have us buy, sell, or reinvest public securities and investments that are traded on a recognized exchange or "over the counter," excluding any securities which may be issued by STC. The account designated representative may also direct STC with respect to alternative and/or private investments.

STC shall be responsible only for the execution of such orders and for maintaining adequate records thereof. However, if any such orders are not received as required, or, if received, are unclear in the sole opinion of the Custodian, all or a portion of the account may be held in its current investments or remain un-invested without liability for loss of income or appreciation, and without liability for interest pending receipt of such orders or clarification as are acceptable to STC in its sole discretion, the contribution may be returned. STC will follow the written instructions from the account designated representative until notification from the Depositor that he/she is terminating the representative's appointment. STC shall not be held responsible for losses of any kind that may result from directions, actions, or failure to act by the account designated representative, and the Depositor agrees to reimburse STC for any loss we may incur as a result of such directions, actions, or failures to act by the account designated representative elected and authorized by the Depositor.

## 9.06 Prohibited Transactions

The Depositor agrees that certain transactions are prohibited in IRAs and Savings Plans under IRC Section 4975 of the Internal Revenue Code. The Depositor understands that the determination of a prohibited transaction depends on the facts and circumstances that surround any particular transaction. STC shall make no determination as to whether any investment is prohibited. The Depositor further understands that should the Depositor's account engage in a prohibited transaction, you will incur a taxable distribution and possible penalties may be assessed. The Depositor represents to STC that you have or will consult with your own tax or legal professional to ensure that all investments within the Depositor's account do not constitute a prohibited transaction and that all investments comply with all applicable federal and state laws, regulations, and requirements. Furthermore, the Depositor shall not direct STC to engage in or make any investment that Depositor knows or otherwise should know involves or facilitates any criminal activity, nor shall the Depositor direct STC to lend any part of the corpus or income of the account to: pay any compensation for personal services rendered to the Account; to make any part of its services available on a preferential basis; to acquire for the account any property, other than cash; or, to sell any property to the Depositor, any member of Depositor's family deemed prohibited, or any entity controlled by Depositor through the ownership, directly or indirectly, of fifty percent (50%) or more of the total combined voting power of all classes of ownership entitled to vote, or of 50% or more of the total value of all ownership interests of such entity. Generally, if a Depositor engages in or directs the engagement in a prohibited transaction as described in Section 4975 of the Code, the Depositor's account stops being an IRA as of the first day of that year, and the account is treated as distributing all its assets to the Depositor or beneficiary at their fair market values on the first day of the year which may result in taxes and penalties. Depositor hereby agrees to be solely responsible for determining and avoiding prohibited transactions and reportable events.

## 9.07 Reportable Transactions

The Depositor understands that certain transactions are or may be identified by the Internal Revenue Service as abusive tax shelter schemes or transactions. The Depositor further understands that the determination of a listed or reportable transaction may depend upon the facts and circumstances that surround the particular transaction. STC will make no determination as to whether any Account investment constitutes a listed or reportable transaction. The Depositor agrees to consult with his/her own tax or legal professional to ensure that listed or reportable transactions engaged in by the Account are identified.

The Depositor further represents and acknowledges to STC that with respect to any listed or reportable transaction, you are considered the entity manager which approved or caused the Account to be a party to the transaction and that you are responsible for (I) reporting each transaction to the IRS using Forms 8886-T and 8886, (II) paying any applicable excise taxes using Form 5330, (III) disclosing to STC that such transaction was a prohibited tax shelter transaction, and, (IV) directing STC of any necessary corrective action to be taken by the Account.



#### 9.08 Unrelated Business Income Tax (UBIT)

Certain investments may generate taxable income within the Account, referred to as Unrelated Business Income Tax (UBIT). Such income must be considered in conjunction with all such income from all IRA accounts and may be taxable to the Account to the extent that all UBIT for a given taxable year exceeds the threshold amount set by the IRS. Since the IRA is a tax-exempt organization under federal tax law, if the IRA earns income from an investment which utilizes debt-financing or which derived from a business regarded as not related to the exempt purpose of the IRA, it may be subject to UBIT, if it is excess of permitted deductions.

Therefore, the Depositor must monitor for UBIT and in the event that your direction of IRA assets results in taxable income (unrelated or debt financing) pursuant to sections 511- 514 of the Internal Revenue Code in excess of the \$1,000.00 exclusion (as that amount may be adjusted) for any taxable year, it shall be the responsibility of the Depositor to prepare, or have prepared at their sole expense, the proper 990-T tax form and forward it to STC for execution on behalf of the Account, filing with the IRS and the payment of any applicable UBIT tax due from the IRA account. The authorization must be in written form acceptable to STC. Furthermore, by signing this Agreement, the Depositor understands that STC (I) does not make any determination as to what structures create UBIT; (II) does not monitor whether the Account has UBIT in the Account; and (III) does not prepare Form 990-T. Depositors required to complete a Form 990-T will need to contact STC and request an Employer Identification Number (EIN) or the Depositor can acquire an EIN on its own by using Form SS-4 and providing a copy of the EIN confirmation to STC.

#### 9.09 Fair Market Valuations

STC shall use reasonable, good faith efforts to ascertain the fair market value of each asset in valuing the assets of the custodial account for recordkeeping and reporting purposes. Valuations will be obtained through utilization of various outside sources available to us and consideration of various relevant factors generally recognize as appropriate to the application of customary valuation methods. In certain cases where fair market value is not readily available and we do not have a recent qualified independent appraisal, we may assign value based on our internal policies and procedures on the value of the asset or we may require a current independent appraisal obtained by you, the Depositor. However, where assets are liquid or tier value cannot be readily determined on either an established exchange or generally recognized market, the valuation is, by necessity, not a true market value and is merely an estimation of value in a broad range of values and its accuracy should not be relied upon by the Depositor for any other purposes because 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. STC does not assume responsibility for the accuracy in the valuation presented regarding the assets. We do not guarantee the results of the appraisal methods applied in developing value nor can we be held liable for valuations that STC cannot determine on a recognized exchange or a generally standard market. Fair Market Valuations for conversions must be obtained from an independent authorized individual acceptable by STC for conversions conducted either internally or via transfer from a contra firm. Supporting documentation must be dated within 30 days of the distribution. Statements and prior market values are not acceptable.

#### 9.10 Disclosures and Voting

STC shall supply to Depositor, all notices, prospectuses, financial statements, proxies, and proxy soliciting materials received relating to assets held within the account. STC shall not make decisions related to shares of stock or proceed with any other actions related to the asset without written instructions from Depositor.

#### 9.11 Establishment, Annual and General Fee Provision

Individual Retirement Account Custodians charge fees to maintain IRAs and/or to offset expenses. The Depositor agrees to pay any and all fees specified in the fee schedule published by STC. This includes, without limitation, any Custodian fees, and fees for distributions from, transfers to or from, terminations, and administrative expenses charged of this IRA. STC reserves the right to assess additional fees on any account with excessive activity or special services not covered by the current fee schedule.

Fees are required to be paid at the time the account is established. Thereafter, the Depositor will be assessed for the annual fees, which is calculated using the market value of the account on the anniversary date the account was established. Subsequent annual assessed fees permit these fees to be paid out of pocket by the Depositor, via credit card on file with STC (see relevant information below) or via automatic withdrawal from cash assets within the account. Should the Depositor desire to pay annual fees other than via credit card or automatic withdrawal, the Depositor should notify STC of this desire a minimum of 30-days prior to the anniversary date of the account. STC will automatically assess, charge, or direct debit all annual fees starting the fifth day of the account's anniversary month or thereafter. Should payment not be received by this date, STC reserves the right to charge the applicable annual fee to a credit card on file or withdrawal the fee amount from cash assets within the account or any account the Depositor holds with STC. After 30 days should the fees go unpaid, STC reserves the right to liquidate any asset, without notice, for the outstanding balance and the Depositor shall be responsible for any deficiency.

STC relies on the ability to pay out-of-pocket guidance from Private Letter Rulings. IRS Revenue Ruling 84-146 and IRS Regulation 1.404(a)-3(d) provide the best guidance, indicating that an IRA owner can pay expenses out of pocket that is ordinary and necessary. These expenses include Annual Fee; Mutual fund sub accounting fee; Establishment fee; Record-keeping fee; IRA termination fee; Investment adviser fee; Transaction fee; Transfer fee; Form preparation fee; Investment manager fee; Accounting services fee; and Service charge for additional investment types. In addition, STC relies upon the IRS ruling in PLR200507021 and will allow the Depositor to choose to pay any wrap fees, as applicable, from non-IRA funds without such fee payments being considered to be additional contributions. The Depositor can elect to pay the account set up fees when establishing an Account by providing STC with a valid credit card number and related information. Depositor shall complete the credit card section of the "Application" form attached. Additionally, by providing a credit card, the Depositor hereby authorizes STC to charge subsequent outstanding fees against the credit card account number should the Depositor fail to pay the applicable fees, expenses or other obligations when requested by STC to do so and there are insufficient Custodial Funds which are liquid and/or which can be readily liquidated to pay any outstanding fee, expense or other obligation owed to STC.

STC reserves the right to require a valid credit card on file for successive outstanding annual fees. If the credit card account expires, becomes invalid or exceeds its maximum credit limit, the Depositor agrees to immediately inform the Custodian and simultaneously provide another valid credit card account number to STC by completing a new "Custodial Account Information" form that allows STC to charge outstanding fees against the new credit card account.

Institutional Account fees are set based on a specific company investment and any additional investments outside of the intended asset account will revert to a regular fee schedule assessed in the anniversary month. Special fees or Optional Fees are deducted from the Account otherwise indicated on the form acceptable to STC when submitted.

The account must maintain a liquid minimum account balance of \$1000. Failure to maintain the minimum balance may result in the distribution of the account to the IRA which taxes and/or penalties could occur.

STC may change the fee schedule at any time by giving the depositor 30 days prior written or electronic notice. STC may, but shall not be required, to calculate fees by utilizing a basis point calculation. A basis point, also referred to as a "bip" is a unit of calculation equal to 1/100 of a percentage point or one part per ten thousand and is commonly used in interest rates, equity indexes and the yield of fixed-income investments.

#### **9.12 Statements**

STC shall provide to the Depositor an annual statement. The Depositor will have sixty (60) days after receipt of any documents, statements, or other information from STC to notify us in writing of any errors or inaccuracies reflected in these documents, statements, or other information. If the Depositor does 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.

#### **9.13 Resignation or Appointment of Successor Custodian**

STC reserves the right to resign and appoint a successor Custodian, Trustee or Administrator in the event STC reorganizes, changes its name, merges with another organization, or comes under the control of any federal or state agency. If STC or any portion which includes the Depositor's Account is bought by another firm/organization, the purchaser shall automatically become the Custodian, Trustee or Administrator of the Depositor's Account, but only if it is the type of organization authorized to provide trust services.

STC may resign and/or appoint a successor Custodian, Trustee or Administrator to serve under this Agreement or under another governing agreement selected by the successor Custodian, Trustee or Administrator by giving the Depositor written notice at least 30 days prior to the effective date of such resignation and appointment, which notice shall also include, or be provided under separate cover, a copy of such other governing instrument, if applicable, and the related disclosure statement. The Depositor shall then have 30 days from the date of such notice to either request a distribution of the entire account balance or designate a different successor Custodian, Trustee or Administrator and notify STC of such designation. If the Depositor does not request distribution of the account balance or notify STC of the designation of a different successor Custodian, Trustee or Administrator within such 30-day period, the Depositor shall be deemed to have consented to the appointment of the successor Custodian, Trustee or Administrator and the terms of any new governing instrument, and neither the Depositor nor the successor Custodian, Trustee or Administrator shall be required to execute any written document to complete the transfer of the account to the successor Custodian, Trustee or Administrator. The successor Custodian, Trustee or Administrator may rely on any information, including beneficiary designations, previously provided by the Depositor to STC. The Depositor may, at any time, remove STC and name a successor Custodian, Trustee or Administrator of the Depositor's choice by giving a 30-day notice of such removal and replacement. STC and/or successor Custodian, Trustee or Administrator shall then deliver the assets of the account as directed by the Depositor subject to applicable terms discussed in more detail below.

Notwithstanding any other provision of this Agreement, STC may resign as custodian of Depositor's IRA account and demand that the Depositor appoint a successor Custodian, Trustee or Administrator by giving the Depositor written notice at least 30 days prior to the effective date of such resignation. The Depositor shall then have 30 days from the date of such notice to designate a successor Custodian, Trustee or Administrator, notify STC of the name and address of the successor Custodian, Trustee or Administrator, and provide the STC with appropriate evidence that such successor Custodian, Trustee or Administrator has accepted the appointment and is qualified to serve. If the Depositor designates a successor Custodian, Trustee or Administrator and provides STC evidence of said successor's acceptance of appointment and qualification within such 30-day period, STC shall then deliver all of the assets and necessary records to the successor Custodian, Trustee or Administrator. However, if the Depositor does not notify STC of the appointment of a successor Custodian, Trustee or Administrator within such 30-day period, then STC may distribute all of the assets and necessary records to the Depositor outright from the Account, and the Depositor shall be wholly responsible for the tax consequences of such distribution.

In the event of STC's resignation or the appointment of a successor Custodian, Trustee or Administrator, STC may expend any assets in the account to pay expenses of valuation and transfer (including but not limited to re-registering the assets and preparation of deeds, assignments, and other instruments of transfer or conveyance) to STC, the successor Custodian, Trustee or Administrator, or the Depositor, as the case may be. In addition, STC may retain a portion of the assets as a reserve for payment of any anticipated remaining fees and expenses. Upon satisfaction of such fees and expenses, as determined by STC, STC shall pay over any remainder of the reserve to the successor Custodian, Trustee, or Administrator or to the Depositor, as the case may be.

#### **9.14 STC Security or Pin Code Terms and Conditions**

By signing this form, the Depositor expressly agrees to have read and understood the following terms and conditions related to PIN issuance by STC and PIN usage by the Depositor:

1. All details on the Personal Identification Number (PIN) Request Form are mandatory. The PIN issuance request may be rejected in case of any invalid / incomplete / ambiguous information / details provided in the form.
2. STC undertakes to offer, at the request of the Depositor, services through telephone-based inquiry, which will enable the Depositor to request information on the Depositor's account over the telephone.
3. The Depositor will choose a PIN for this purpose; the PIN is required to identify you.
4. The PIN shall under no circumstances be revealed to any third party.
5. In the event of loss of PIN by the Depositor or due to the Depositor having forgotten the PIN, a request for issue of a duplicate PIN shall be considered only on receipt of a written request from the Depositor, subject to signature verification/validation or a new PIN may be issued as per the process set up by STC from time to time.
6. The Depositor may be asked for PIN verification before information is discussed. In the interest of the Depositor, about the account of the Depositor.
7. In the event of loss of or forgotten PIN by the Account Owner, a request to change/update the PIN shall be considered only on receipt of a written request from the Account Owner, subject to signature verification/validation per the process set up by STC from time to time.
8. Fraud or dishonesty relating to any using of the PIN; Non-compliance of terms and conditions relating to using the PIN.
9. Any information provided over the telephone given to unauthorized persons by gaining access to PIN.
10. It shall be the sole responsibility of the Depositor to ensure adequate protection and confidentiality of the PIN and any disclosure thereof to any other person shall be entirely at the risk of the Depositor. The Depositor should report the loss of the PIN immediately upon discovery of such an event.
11. STC may, at its absolute discretion, issue a new PIN to the Depositor on these terms and conditions or such terms and conditions as they may deem fit. STC may also discontinue this service at any time in the future or make changes in terms and conditions for PIN requests without assigning any reasons thereof and such conditions shall be binding on the Depositor.

#### **9.15 Affiliates, Sponsorships, and Third Parties**

From time-to-time Specialized Trust Company (STC) may collaborate with outside vendors or referral sources. At times STC may receive payment for services rendered or sold at events, online, podcasts, etc. and not limited to. This considers notification that we may have entered into an agreement to receive or give potential compensation for items related to servicing or education on products and services we offer. We do not advise or endorse third parties or investment sponsors and you should always consult with your financial team as we do not provide legal advice or investment guidance. We may offer and have third parties educate on general topics we feel our clients may have an interest in. We do not endorse the actual or any investment from any or one individual. We make every attempt to clarify this with every education product or service we offer. We are a passive custodian and not a fiduciary of your account. We encourage each and every client to work with an educated member of their financial team when completing or deciding to complete an investment. We are under no obligation to warn, deter or notify the client of information regarding to who or in what they are investing. These accounts are self-directed and any gains, losses are at the direction and responsibility of the account owner. Any legal matters will be handled in manners discussed prior in this account custodial agreements. In addition, these custodial agreements apply to products or service rendered that do not at the time include or an account has not yet been opened or activated. Use and purchase of these products, education and services constitutes agreement with these custodial agreements and terms.

## ARTICLE X

- 10.01 Notices and Change of Address** – Any required notice regarding this Coverdell ESA will be considered effective when the custodian sends it to the intended recipient at the last address that the custodian has in its records. Any notice to be given to the custodian will be considered effective when the custodian actually receives it. The responsible individual must notify the custodian of any change of address.
- 10.02 Representations and Responsibilities** – The depositor and the responsible individual represent and warrant to the custodian that any information the depositor and responsible individual have given or will give the custodian with respect to this agreement is complete and accurate. Further, the depositor and the responsible individual agree that any directions they give the custodian, or action they take will be proper under this agreement, and that the custodian is entitled to rely upon any such information or directions. If the custodian fails to receive directions regarding any transaction, receives ambiguous directions regarding any transaction, or if the custodian, in good faith, believes that any transaction requested is in dispute, the custodian reserves the right to take no action until further clarification acceptable to the custodian is received from the responsible individual or the appropriate government or judicial authority. The custodian will not be liable for acting upon any instructions given by the responsible individual named on the application prior to the time the custodian receives appropriate written notice that the designated beneficiary has met the requirements for assuming control of the Coverdell ESA, or that a new responsible individual has been appointed. The custodian will not be responsible for losses of any kind that may result from the depositor's and responsible individual's directions to it or the depositor's and responsible individual's actions, or failures to act. The depositor and responsible individual agree to reimburse the custodian for any loss the custodian may incur as a result of such directions, actions or failures to act. The custodian will not be responsible for any penalties, taxes, judgments, or expenses incurred in connection with this Coverdell ESA. The custodian has no duty to determine whether the contributions or distributions comply with the Code, regulations, rulings, or this agreement.
- The responsible individual will have 60 days after receiving any documents, statements, or other information from the custodian to notify the custodian in writing of any errors or inaccuracies reflected in these documents, statements, or other information. If the custodian is not notified within 60 days, the documents, statements, or other information will be deemed correct and accurate, and the custodian will have no further liability or obligation for such documents, statements, other information, or the transactions described therein.
- By performing services under this agreement the custodian is acting as the responsible individual's agent. The depositor, responsible individual, and designated beneficiary acknowledge and agree that nothing in this agreement will be construed as conferring fiduciary status upon the custodian. The custodian will 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 Coverdell ESAs. The designated beneficiary, depositor, and responsible individual agree to indemnify and hold the custodian harmless for any and all claims, actions, proceedings, damages, judgments, liabilities, costs, and expenses, including attorney's fees arising from or in connection with this agreement.
- Notwithstanding anything in this agreement to the contrary, the custodian may establish a policy permitting someone other than the designated beneficiary's parent or legal guardian to serve as responsible individual, provided the individual is not prohibited by law from serving in that capacity and fulfilling his or her obligations under this agreement.
- To the extent written instructions or notices are required under this agreement, the custodian may accept or provide such information in any other form permitted by the Code or applicable regulations including, but not limited to, electronic communication.
- 10.03 Disclosure of Account Information** – The custodian may use agents and/or subcontractors to assist in administering this Coverdell ESA. The custodian may release nonpublic personal information regarding this Coverdell ESA to such providers as necessary to provide the products and services made available under this agreement, and to evaluate its business operations and analyze potential product, service, or process improvements.
- 10.04 Service Fees** – The custodian has the right to charge an annual service fee or other designated fees (e.g., a transfer, rollover, or termination fee) for maintaining this Coverdell ESA. In addition, the custodian has the right to be reimbursed for all reasonable expenses, including legal expenses, incurred in connection with the administration of this Coverdell ESA. The custodian may charge the depositor or responsible individual separately for any fees or expenses, or may deduct the amount of the fees or expenses from the assets in this Coverdell ESA at the custodian's discretion. The custodian reserves the right to charge any additional fee after giving the responsible individual 30 days' notice. Fees such as subtransfer agent fees or commissions may be paid to the custodian by third parties for assistance in performing certain transactions with respect to this Coverdell ESA.
- Any brokerage commissions attributable to the assets in the Coverdell ESA will be charged to the Coverdell ESA. The responsible individual, depositor or designated beneficiary cannot reimburse the Coverdell ESA for those commissions.
- 10.05 Investment of Amounts in the Coverdell ESA** – The responsible individual has exclusive responsibility for and control over the investment of the assets of this Coverdell ESA. All transactions will be subject to any and all restrictions or limitations, direct or indirect, that are imposed by the custodian's charter, articles of incorporation, or bylaws; any and all applicable federal and state laws and regulations; the rules, regulations, customs, and usages of any exchange, market, or clearinghouse where the transaction is executed; the custodian's policies and practices; and this agreement. The custodian will have no discretion to direct any investment in this Coverdell ESA. The custodian assumes no responsibility for rendering investment advice with respect to this Coverdell ESA, nor will the custodian offer any opinion or judgment to the responsible individual or depositor on matters concerning the value or suitability of any investment or proposed investment for this Coverdell ESA. In the absence of instructions from the responsible individual or depositor, or if the instructions are not in a form acceptable to the custodian, the custodian will have the right to hold any uninvested amounts in cash, and the custodian will have no responsibility to invest uninvested cash unless and until directed by the responsible individual. The custodian will not exercise the voting rights and other shareholder rights with respect to investments in this Coverdell ESA unless timely, written directions are provided and are acceptable to the custodian.
- The responsible individual will select the investment for the Coverdell ESA assets from those investments that the custodian is authorized by its charter, articles of incorporation, or bylaws to offer and does in fact offer for Coverdell ESAs (e.g., term share accounts, passbook accounts, certificates of deposit, money market accounts).

- 10.06 Beneficiaries** – Unless indicated otherwise on the application, the responsible individual may not change the designated beneficiary. If the depositor has indicated on the application that the responsible individual may change the beneficiary designated under this agreement and the responsible individual chooses to do so, the responsible individual must designate a member of the family (as defined in IRC Section 529(e)(2)) of the existing designated beneficiary. This designation can only be made on a form prescribed by the custodian.
- The depositor or responsible individual may designate one or more persons or entities as death beneficiaries of this Coverdell ESA. This designation can only be made on a form provided by or acceptable to the custodian, and it will only be effective when it is filed with the custodian during the lifetime of the designated beneficiary. Each beneficiary designation filed with the custodian will cancel all previous designations. The consent of a death beneficiary will not be required in order to revoke a death beneficiary designation. If both primary and contingent death beneficiaries have been named, and no primary death beneficiary survives the designated beneficiary, the contingent death beneficiaries will acquire the designated share of this Coverdell ESA. If a death beneficiary is not designated with respect to this Coverdell ESA, or if all of the primary and contingent death beneficiaries predecease the designated beneficiary, the designated beneficiary's estate will be the death beneficiary.
- If the designated beneficiary dies before receiving all of the amounts in this Coverdell ESA, the custodian will have no obligation to pay to the death beneficiaries until such time the custodian is notified of the designated beneficiary's death by receiving a valid death certificate. Any balance remaining in the Coverdell ESA upon the death of the designated beneficiary will be distributed within 30 days of the designated beneficiary's death, unless a qualified family member under age 30 is named as a death beneficiary. If the death beneficiary is a qualified family member under age 30, that individual will become the designated beneficiary as of the original designated beneficiary's date of death. Qualified family members are defined in IRC Section 529(e)(2).
- The custodian may, for any reason (e.g., due to limitations of its charter or bylaws), require a qualified family member who becomes the designated beneficiary to take a total distribution of the Coverdell ESA by December 31 of the year following the year of the original designated beneficiary's death.
- 10.07 Termination of Agreement, Resignation, or Removal of Custodian** – Either the custodian or the responsible individual may terminate this agreement at any time by giving written notice to the other. The custodian can resign as custodian at any time effective 30 days after sending written notice of its resignation to the responsible individual. Upon receipt of that notice, the responsible individual must make arrangements to transfer the Coverdell ESA to another financial organization. If the responsible individual does not complete a transfer of the Coverdell ESA within 30 days from the date the custodian sends the notice to the responsible individual, the custodian has the right to transfer the Coverdell ESA assets to a successor Coverdell ESA trustee or custodian that the custodian chooses in its sole discretion, or the custodian may pay the Coverdell ESA balance to the designated beneficiary in a single sum. The custodian will not be liable for any actions or failures to act on the part of any successor trustee or custodian, nor for any tax consequences the designated beneficiary may incur that result from the transfer or distribution of the Coverdell ESA assets pursuant to this section.
- If this agreement is terminated, the custodian may charge the Coverdell ESA a reasonable amount of money that it believes 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 the Coverdell ESA
  - Any penalties or surrender charges associated with the early withdrawal of any savings instrument or other investment in the Coverdell ESA
- If the custodian is a nonbank custodian required to comply with Regulations section 1.408-2(e) and fails to do so or the custodian is not keeping the records, making the returns or sending the statements as are required by forms or regulations, the IRS may require the custodian to substitute another trustee or custodian.
- The custodian may establish a policy requiring distribution of the entire balance of this Coverdell ESA to the designated beneficiary in cash or property if the balance of this Coverdell ESA drops below the minimum balance required under the applicable investment or policy established.
- 10.08 Successor Custodian** – If the custodian's organization changes its name, reorganizes, merges with another organization (or comes under the control of any federal or state agency), or if the entire organization (or any portion that includes this Coverdell ESA) is bought by another organization, that organization (or agency) will automatically become the trustee or custodian of this Coverdell ESA, but only if it is the type of organization authorized to serve as a Coverdell ESA trustee or custodian.
- 10.09 Amendments** – The custodian has the right to amend this agreement at any time. Any amendment the custodian makes to comply with the Internal Revenue Code and related regulations does not require the consent of either the responsible individual or the depositor. The responsible individual will be deemed to have consented to any other amendment unless, within 30 days from the date the custodian sends the amendment, the responsible individual notifies the custodian in writing that the responsible individual does not consent.
- 10.10 Withdrawals or Transfers** – All requests for withdrawal or transfer will be in writing on a form provided by or acceptable to the custodian. The method of distribution must be specified in writing or in any other method acceptable to the custodian. The tax identification number of the designated beneficiary or death beneficiary must be provided to the custodian before the custodian is obligated to make a distribution. Withdrawals will be subject to all applicable tax and other laws and regulations, including but not limited to possible early distribution penalty taxes, surrender charges, and withholding requirements.
- 10.11 Transfers From Other Plans** – The custodian can receive amounts transferred to the Coverdell ESA from the trustee or custodian of another Coverdell ESA.
- 10.12 Liquidation of Assets** – The custodian has the right to liquidate assets in the Coverdell ESA if necessary to make distributions or to pay fees, expenses, taxes, penalties, or surrender charges properly chargeable against the Coverdell ESA. If the responsible individual fails to direct the custodian as to which assets to liquidate, the custodian will decide, in its complete and sole discretion, and the responsible individual agrees not to hold the custodian liable for any adverse consequences that result from the custodian's decision.
- 10.13 Restrictions on the Fund** – Neither the responsible individual, the designated beneficiary (nor anyone acting on behalf of the designated beneficiary), the depositor nor any contributor may sell, transfer or pledge any interest in the Coverdell ESA in any manner whatsoever, except as provided by law or this agreement.

The assets in the Coverdell ESA will not be responsible for the debts, contracts, or torts of the responsible individual, the designated beneficiary, the depositor, or any person entitled to distributions under this agreement.

- 10.14 **What Law Applies** – This agreement is subject to all applicable federal and state laws and regulations. If it is necessary to apply any state law to interpret and administer this agreement, the law of the custodian's domicile will govern.

If any part of this agreement is held to be illegal or invalid, the remaining parts will not be affected. Neither the responsible individual's nor the custodian's failure to enforce at any time or for any period of time any of the provisions of this agreement will be construed as a waiver of such provisions, or the parties' right thereafter to enforce each and every such provision.

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## GENERAL INSTRUCTIONS

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

### WHAT'S NEW

**Military death gratuity** – Families of soldiers who receive military death benefits may contribute, subject to certain limitations, up to 100 percent of such benefits into an educational savings account. Publication 970, *Tax Benefits for Education*, explains the rules for rolling over the military death gratuity and lists eligible family members.

### PURPOSE OF FORM

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

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

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

### DEFINITIONS

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

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

**Designated Beneficiary** – The designated beneficiary is the individual on whose behalf the custodial account has been established.

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

**Responsible Individual** – The responsible individual, generally, is a parent or guardian of the designated beneficiary. However, under certain circumstances, the responsible individual may be the designated beneficiary.

### IDENTIFICATION NUMBERS

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

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## SPECIFIC INSTRUCTIONS

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

**Article X** – Article X and any that follow may incorporate additional provisions that are agreed to by the depositor and custodian to complete the agreement. They may include, for example, provisions relating to: definitions, investment powers, voting rights, exculpatory provisions, amendment and termination, removal of the custodian, custodian's fees, state law requirements, treatment of excess contributions, and prohibited transactions with the depositor, designated beneficiary, or responsible individual, etc. Attach additional pages as necessary.

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

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# DISCLOSURE STATEMENT

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## REQUIREMENTS OF A COVERDELL ESA

A. **Cash Contributions** – A Coverdell ESA contribution must be in cash.

B. **Maximum Contribution** – The total amount that may be contributed to any and all Coverdell ESAs on behalf of a designated beneficiary is \$2,000 per year, excluding rollover and transfer contributions.

Contributions may not be made to a Coverdell ESA after the designated beneficiary's 18th birthday, except in the case of a special needs beneficiary.

The Coverdell ESA contribution that may be made by a depositor is further limited if the depositor's modified adjusted gross income (MAGI) exceeds \$190,000 and he or she is a married individual filing jointly (\$95,000 for single taxpayers). Married individuals filing jointly with MAGI exceeding \$220,000 may not fund a Coverdell ESA. Single individuals with MAGI exceeding \$110,000 may not fund a Coverdell ESA. The MAGI limits apply only to depositors that are individuals.

If the depositor is married filing jointly with MAGI between \$190,000 and \$220,000, the maximum Coverdell ESA contribution is determined as follows: (1) subtract the depositor's MAGI from \$220,000, (2) divide the difference by \$30,000, and (3) multiply the result in step (2) by \$2,000. For example, if the depositor's MAGI is \$205,000, the maximum Coverdell ESA contribution that may be made by such depositor is \$1,000. This amount is determined as follows: [(\$220,000 minus \$205,000) divided by \$30,000] multiplied by \$2,000.

If the depositor is a single tax filer with MAGI between \$95,000 and \$110,000, the maximum Coverdell ESA contribution is determined as follows: (1) subtract the depositor's MAGI from \$110,000, (2) divide the difference by \$15,000, and (3) multiply the result in step (2) by \$2,000. For example, if the depositor's MAGI is \$98,000, the maximum Coverdell ESA contribution that may be made by such depositor is \$1,600. This amount is determined as follows: [(\$110,000 minus \$98,000) divided by \$15,000] multiplied by \$2,000.

The Coverdell ESA contribution that may be made by a depositor is not limited by contributions made by the depositor to Traditional or Roth IRAs. In addition, there is no earned income requirement to be eligible to contribute to a Coverdell ESA. There is no requirement that the depositor be related to the designated beneficiary in order to make contributions. In addition, the designated beneficiary may contribute to his or her own Coverdell ESA.

C. **Eligible Custodians** – The custodian of the Coverdell ESA must be a bank, savings and loan association, credit union, or person or entity approved by the Secretary of the Treasury.

D. **Commingling Assets** – The assets of the Coverdell ESA cannot be commingled with other property except in a common trust fund or common investment fund.

E. **Life Insurance** – No portion of the Coverdell ESA may be invested in life insurance contracts.

F. **Collectibles** – The assets of the Coverdell ESA may not be invested in collectibles (within the meaning of Internal Revenue Code (IRC) Sec. 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 IRC Sec. 408(m)(3)) are also permitted as Coverdell ESA investments.

G. **Required Distributions** – Except in the case of a special needs beneficiary, the assets of the Coverdell ESA are required to be distributed to the designated beneficiary within 30 days of the designated beneficiary's attainment of age 30. The designated beneficiary will be subject to both income tax and an additional 10 percent penalty tax on the portion of the distribution that represents earnings, if the designated beneficiary does not have any qualified education expenses in that year.

Any balance remaining in the Coverdell ESA upon the death of the designated beneficiary will be distributed within 30 days of the designated beneficiary's death, unless a death beneficiary is named and the death beneficiary is a qualified family member under age 30. If the death beneficiary is a qualified family member under age 30, that individual will become the designated beneficiary as of the date of death. Qualified family members include the designated beneficiary's child, grandchild, or stepchild, brother, sister, stepbrother, or stepsister, nephew or niece, parents, stepparents, or grandparents, uncle or aunt, spouses of all the family members listed above, cousin, and the designated beneficiary's spouse.

If a qualified family member becomes the designated beneficiary, the custodian, if it so chooses for any reason (e.g., due to limitations of its charter or bylaws), may require a total distribution of the Coverdell ESA by December 31 of the year following the year of the original designated beneficiary's death.

H. **Responsible Individual** – The responsible individual is generally the parent or guardian of the designated beneficiary. However, the financial organization may establish a policy that permits someone other than the designated beneficiary's parent or legal guardian to serve as the responsible individual. Unless otherwise indicated on the application, the responsible individual may not change the designated beneficiary. If the depositor has indicated on the application that the responsible individual may change the designated beneficiary, the responsible individual may change the designated beneficiary to another member of the designated beneficiary's family. The responsible individual will perform the following duties.

1. Receive a copy of the plan agreement and disclosure statement,
2. Direct the custodian regarding the investment of contributions, including the ability to redirect the investment of the initial contribution,
3. Direct the custodian regarding the administration, management and distribution of the account, unless the plan agreement indicates otherwise,
4. Name a successor responsible individual if the need arises,
5. Notify the custodian of any address change for the individuals identified on the plan agreement,
6. Remove excess contributions made to the Coverdell ESA.

## INCOME TAX CONSEQUENCES OF ESTABLISHING A COVERDELL ESA

- A. **Contributions Not Deducted** – No deduction is allowed for Coverdell ESA contributions, including transfer and rollover contributions.
- B. **Contribution Deadline** – The deadline for making a Coverdell ESA contribution is the depositor's tax return due date (not including extensions). The depositor may designate a contribution as a contribution for the preceding taxable year in a manner acceptable to the custodian. For example, if the depositor is a calendar-year filer and makes a Coverdell ESA contribution on or before the tax filing deadline, the contribution is considered to have been made for the previous tax year if the depositor designates it as such.
- C. **Excess Contributions** – An excess contribution is any amount that is contributed to the Coverdell ESA that exceeds the eligible contribution limit. If the excess is not corrected timely, an additional penalty tax of six percent will be imposed on the excess amount. The procedure for correcting the excess is determined by the timeliness of the correction as identified below.
1. **Removal Before the Deadline.** The responsible individual should remove the excess contribution along with the earnings attributable to the excess, before June 1 of the year following the year for which the excess was made. An excess withdrawn by this deadline is not taxable upon distribution, but the designated beneficiary must include the earnings attributable to the excess in his or her taxable income for the year in which the excess contribution was made. The six percent excess contribution penalty tax will be avoided.
  2. **Failure to Remove Before the Deadline.** Excess Coverdell ESA contributions that are not removed before June 1 of the year following the year for which the excess was made, are treated as contributions for the next calendar year. If, however, additional contributions are made for that year and the total amount results in an excess, the excess amount will be subject to a six percent penalty tax if not removed timely.
- If additional contributions have been made for the next year, the amount of the excess equals the excess contribution for the current year, plus the excess contributions remaining from the preceding year, reduced by any distributions made during the current year.
- The designated beneficiary must file IRS form 5329 to report and remit any additional penalty taxes to the IRS.
- D. **Tax-Deferred Earnings** – The investment earnings of the Coverdell ESA are not subject to federal income tax as they accumulate in the Coverdell ESA. In addition, distributions of the Coverdell ESA earnings will be free from federal income tax if the distributions are taken to pay for qualified education expenses, as discussed below.
- E. **Taxation of Distributions** – The taxation of distributions from the Coverdell ESA depends on whether or not the distributions are used for qualified education expenses.
1. **Qualified Education Expenses.** The designated beneficiary may take tax-free distributions from a Coverdell ESA to pay for elementary, secondary or post-secondary education expenses at an eligible educational institution. Such expenses include tuition, fees, books, supplies, special needs services, room and board, uniforms, transportation, academic tutoring and supplementary items or services (including extended day programs). Also qualifying are expenses for the purchase of computer technology or equipment, Internet access and related services, if such technology, equipment or services are to be used by the designated beneficiary or designated beneficiary's family during any of the years the designated beneficiary is in school. Qualified expenses may also include amounts contributed to a qualified tuition program.
  2. **Nonqualifying Distributions.** If a designated beneficiary withdraws amounts from a Coverdell ESA that exceed the qualified education expenses for the same year, or the distributions are not used for qualified education expenses, a portion of the distributions will be taxable. The amount in excess of the qualified education expenses is taxable pro rata, based on the earnings and the basis in the account.
- In most cases of a nonqualified distribution, the taxable portion of a Coverdell ESA distribution is also subject to an additional 10 percent penalty tax. There are several exceptions to the 10 percent penalty tax including distributions made payable
- a. to a designated death beneficiary of the Coverdell ESA or to the estate of the designated beneficiary following the death of the designated beneficiary;
  - b. to the designated beneficiary if the designated beneficiary is disabled;
  - c. to the designated beneficiary if the designated beneficiary received a qualified scholarship, an educational assistance allowance or an excludable payment exception, but only to the extent the distribution is not more than the amount of the scholarship, allowance or excludable payment, and
  - d. to the designated beneficiary as a removal of excess along with the net income attributable.
3. **American Opportunity or Lifetime Learning Credits.** A designated beneficiary may claim the American Opportunity Credit (formerly the Hope Credit) or Lifetime Learning Credit on his or her federal income tax return in the same taxable year that a tax-free distribution from a Coverdell ESA is claimed, as long as the distribution(s) does not cover the same expenses claimed for the American Opportunity or Lifetime Learning Credit.
- F. **Income Tax Withholding** – Any withdrawal from the Coverdell ESA is not subject to federal income tax withholding.
- G. **Rollovers** – Coverdell ESA amounts may be rolled over to another Coverdell ESA of the same designated beneficiary or that of a qualified family member, provided that all of the applicable rollover rules are followed. Rollover is a term used to describe a tax-free movement of cash to a Coverdell ESA from another Coverdell ESA. The rollover rules are generally summarized below. These transactions are often complex. For questions regarding a rollover, please see a competent tax advisor.
1. **Coverdell ESA-to-Coverdell ESA Rollovers.** Assets distributed from a Coverdell ESA may be rolled over to another Coverdell ESA of the same designated beneficiary or that of a qualifying family member if the requirements of IRC Sec. 530(d)(5) are met. A proper Coverdell ESA-to-Coverdell ESA rollover is completed if all or part of the distribution is rolled over not later than 60 days after the distribution is received.
- Effective for distributions occurring on or after January 1, 2015,** the responsible individual is permitted to roll over only one distribution from a Coverdell ESA in a 12-month period, regardless of the number of Coverdell ESAs owned by the designated beneficiary. A distribution may be rolled over to the same Coverdell ESA or to another Coverdell ESA that is eligible to receive the rollover. For more information on rollover limitations, you may wish to obtain IRS Publication 970, *Tax Benefits for Education*, from the IRS or refer to the IRS website at [www.irs.gov](http://www.irs.gov).



2. **Qualified Family Member.** A Coverdell ESA may be rolled to another Coverdell ESA of the same designated beneficiary or to a Coverdell ESA maintained for the benefit of a qualified family member of the designated beneficiary, who is under the age of 30. The age 30 limitation does not apply to qualified family members who are special needs beneficiaries. Qualified family members of the designated beneficiary include the designated beneficiary's child, grandchild, or stepchild, brother, sister, stepbrother, or stepsister, nephew or niece, parents, stepparents, or grandparents, uncle or aunt, spouses of all the family members listed above, cousin, and designated beneficiary's spouse.
3. **Rollover of Military Death Benefits.** If a designated beneficiary receives or has received a military death gratuity or a payment from the Servicemembers' Group Life Insurance (SGLI) program, the designated beneficiary may be able to roll over the proceeds to the Coverdell ESA. The rollover contribution amount is limited to the sum of the death benefits or SGLI payment received, less any such amount that was rolled over to a Roth IRA. Proceeds must be rolled over within one year of receipt of the gratuity or SGLI payment for deaths occurring on or after June 17, 2008. Any amount that is rolled over under this provision is considered nontaxable basis in the Coverdell ESA.

## LIMITATIONS AND RESTRICTIONS

- A. **Gift Tax** – Transfers of Coverdell ESA assets to a death designated beneficiary made during the designated beneficiary's life and at his or her request or because of the designated beneficiary's failure to instruct otherwise, may be subject to federal gift tax under IRC Sec. 2501.
- B. **Prohibited Transactions** – If the responsible individual engages in a prohibited transaction with the Coverdell ESA as described in IRC Sec. 4975, the Coverdell ESA will lose its tax-deferred status and the designated beneficiary must include the value of the earnings in his or her account in his or her gross income for the year.
- C. **Pledging** – If the responsible individual pledges any portion of the Coverdell ESA as collateral for a loan, the amount so pledged will be treated as a distribution and may be included in the designated beneficiary's gross income for that year to the extent that it represents earnings.

## OTHER

- A. **IRS Plan Approval** – The agreement used to establish this Coverdell ESA has been approved by the IRS. The IRS approval is a determination only as to form. It is not an endorsement of the plan in operation or of the investments offered.
- B. **Additional Information** – Additional information on Coverdell ESAs may be obtained from the District Office of the IRS. In particular IRS Publication 970, *Tax Benefits for Education*, may be obtained by calling 1-800-TAX-FORM, or by visiting [www.irs.gov](http://www.irs.gov) on the Internet.
- C. **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. Therefore, when the depositor opens an account, he or she is required to provide his or her name, residential address, date of birth, and identification number. The custodian may require other information that will allow them to identify the depositor.



**SPECIALIZED**  
TRUST COMPANY

## **PRIVACY POLICY**

Specialized Trust Company is committed to maintaining the privacy and security of your personal information. During the application and investments processes, we collect personal information, including, but not necessarily limited to, name, address, phone numbers, email addresses, Social Security number, birth date and, at times, credit card information. We will also ask for similar information about beneficiaries to assist us in locating them in the future should the need arise. Please know that this information is collected only for our internal reference and will not be disseminated except as required by law or as discussed below.

## **INFORMATION WE COLLECT**

The information we collect will be used in our processing operations to establish your account and to carry forward your investment directions. It is also used in our statutory reporting obligations, which include responding to requests for information from governmental and quasi-governmental agencies and to insure proper billing of our services to you. We will, from time to time, use the information to provide you with marketing and promotional material and to deliver to you correspondence we have received concerning your account or assets held within your account. It will also be used to answer questions that you may have concerning your account or the assets held within your account.

## **USING INFORMATION**

In addition to the uses described above, we use information for purposes as allowed by law such as: servicing; communicating with you; improving our website, products, or services; legal compliance; risk control; information security; anti-fraud purposes; marketing or personalizing the presentation of our products and services to you; tracking website usage, such as number of hits, pages visited, and the length of user sessions in order to evaluate the usefulness of our sites; and using read-receipt notifications in our email communications.

## **INFORMATION GATHERED ONLINE**

In addition to the above, when you access our website, information concerning you and your computer are collected. Our servers automatically collect this data. We collect and track data that tells us who visits our website, which pages on the site they visit, how long they stay on the site, their geographic location and what equipment, Internet provider and browser were used to access the site.

## **USE OF CLIENT INFORMATION**

Please know that Specialized Trust Company reserves the right to disseminate information derived from the aggregation of the information it collects. An example of this would be to include in a report or marketing piece the total number of accounts held or the average age of our account holders. In these instances, no account holder will be identifiable nor will specific personal information be used. At any time, you may request, in writing, a summary of the personal information Specialized Trust Company maintains about you. You may also request, in writing, that your information be modified, corrected or removed. Your use and continued use of our website constitutes your acceptance of this Privacy Policy and any changes made to it by us.



## USE OF ONLINE COOKIES

The Specialized Trust Company website uses “cookies.” The use of cookies is common on the Web. Cookies, among other things, make web use more efficient by saving user preferences and other information that makes accessing and re-accessing websites easier. While we reserve the right to use cookies on our website and your browser may default to accepting cookies, you can reconfigure the browser to either not accept cookies or to inform you that a cookie is being sent and give you the option to accept or reject it.

This Privacy Policy applies only to Specialized Trust Company and its website. While this site may contain links to other sites, Specialized Trust Company is not responsible for the privacy practices or the content of those sites.

## CLIENT INFORMATION PROTECTION

Specialized Trust Company adheres to all applicable legal standards and utilizes state-of-the-art technology to ensure the security of your personal information. Except as stated in this Policy, Specialized Trust Company will not disseminate your personal information to anyone not affiliated with the company except as authorized by you or as permitted or required by law.

## ADDITIONAL TECHNOLOGIES

We may also use additional technologies such as pixel tags, web beacons, and clear GIFs, and may permit our third party service providers to use these technologies. We use these technologies for purposes such as measuring the effectiveness of our advertisements or other communications, determining viewing and response rates, and determining which offers to present to you on our own or on third party sites.

## SHARING

We may share information with service providers with whom we work, such as data processors and companies that help us market products and services to you. When permitted or required by law, we may share information with additional third parties for purposes including response to legal process.

## POLICY CHANGES

As required by federal law and regulation Specialized Trust Company will notify you of our privacy policy annually. Specialized Trust Company reserves the right to modify its Privacy Policy and related procedures at any time in accordance with applicable federal and state laws. You will be notified of any such changes.