



College Savings Bank IRA and ESA Program

Traditional IRA, Roth IRA and Coverdell ESA
Disclosure Statement

To be read in conjunction with a
College Savings Bank Product Disclosure Statement.

Dated as of June 1, 2009



College
Savings Bank®

Member FDIC

You work hard to plan for the future, and College Savings Bank® works hard to protect it.

The IRA and ESA Plans from College Savings Bank are a safe way to save for your family's future, whether it be college, retirement or both. Our innovative FDIC insured certificates of deposit are now all available through both a Traditional IRA and Roth IRA, as well as a Coverdell ESA account.

Retirement / College

IRAs are established by individual taxpayers who may contribute 100% of compensation up to a set maximum dollar amount. Contributions to a Traditional IRA may be tax deductible depending on the taxpayer's income, tax filing status and coverage by an employer-sponsored retirement plan. Interest earned within the account is tax-deferred. Roth IRA contributions are not tax-deductible, however qualified withdrawals, including accumulated interest are tax-free.

Education

Coverdell ESAs are established by individual taxpayers with children under the age of 18 seeking to save for education expenses, including elementary, secondary or postsecondary education. Contributions are not tax-deductible, however qualified withdrawals, including accumulated interest are tax-free.



Traditional IRA

A College Savings Bank Traditional IRA is appropriate for investors seeking:

- tax deductible contributions;
- tax-deferred accumulation of interest;
- penalty-free withdrawals for college;
- shelter from financial aid considerations; and
- asset control.

Roth IRA

A College Savings Bank Roth IRA is appropriate for investors seeking:

- tax-free distributions;
- tax-deferred accumulation of interest;
- tax-free withdrawals for college;
- shelter from financial aid considerations; and
- asset control.

Coverdell ESA

A College Savings Bank Coverdell ESA is appropriate for investors seeking:

- tax-free distributions;
- tax-deferred accumulation of interest;
- tax-free withdrawals for education expenses;
- shelter from financial aid considerations; and
- asset control.

In addition to tax benefits, College Savings Bank's IRA and ESA Plans are available without fees, and feature FDIC Insurance along with Principal Protection.

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Traditional IRA Custodial Agreement
and
Traditional IRA Disclosure Statement

Traditional IRA Custodial Agreement

Read and retain for your records

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

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

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

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

The Depositor and the Custodian make the following agreement:

Article I

Except in the case of a rollover contribution described in section 402(c), 403(a)(4), 403(b)(8), 408(d)(3) or 457(e)(16), a recharacterized contribution described in section 408(A)(d)(6), or an IRA Conversion Contribution, or a rollover from an eligible retirement plan, the Custodian will accept only cash contributions up to \$5,000 per year, unless a specific provision of tax law allows for a larger contribution. For individuals who have reached the age of 50 before the close of the tax year, the contribution limit is increased to \$6,000 per year. For tax years after 2009, the above limits will be increased to reflect a cost-of-living adjustment, if any. The Custodian may accept additional contributions or special rollovers of certain types of income or distributions to the extent such contributions or rollovers are permitted by the Code.

Article II

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

Article III

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

Article IV

1. Notwithstanding any provision of this Agreement to the contrary, the distribution of the Depositor's interest in the custodial account shall be made in accordance with the following requirements and shall otherwise comply with section 408(a)(6) and the regulations thereunder, the provisions of which are herein incorporated by reference.
2. The Depositor's entire interest in the custodial account must be, or begin to be, distributed not later than the Depositor's required beginning date, April 1 following the calendar year in which the Depositor reaches age 70 ½. By that date, the Depositor may elect, in a manner acceptable to the Custodian, to have the balance in the custodial account distributed in: (a) A single sum or (b) Payments over a period not longer than the life expectancy of the Depositor or the joint lives of the Depositor and his or her designated beneficiary.
3. If the Depositor dies before his or her entire interest is distributed to him or her the remaining interest will be distributed as follows:
 - a. If the Depositor dies on or after the required beginning date and:
 - (i) the designated beneficiary is the Depositor's surviving spouse, the remaining interest will be distributed over the surviving spouse's life expectancy as determined each year until such spouse's death, or over the period in paragraph (a)(iii) below if longer. Any interest remaining after the spouse's death will be distributed over such spouse's remaining life expectancy as determined in the year of the spouse's death and reduced by 1 for

each subsequent year, or, if distributions are being made over the period in paragraph (a)(iii) below, over such period.

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

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

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

- (i) the remaining interest will be distributed in accordance with paragraphs (a)(i) and (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), starting by the end of the calendar year following the year of the Depositor's death. If, however, the designated beneficiary is the Depositor's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the Depositor would have reached age 70 ½. But, in such case, if the Depositor's surviving spouse dies before distributions are required to begin, then the remaining interest will be distributed in accordance with (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), over such spouse's designated beneficiary's life expectancy, or in accordance with (ii) below if there is no such designated beneficiary.

- (ii) the remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the Depositor's death.

4. If the Depositor dies before his or her entire interest has been distributed and if the designated beneficiary is not the Depositor's surviving spouse, no additional contributions may be accepted in the account.

5. The minimum amount that must be distributed each year, beginning with the year containing the Depositor's required beginning date, is known as the "required minimum distribution" and is determined as follows:

- a. the required minimum distribution under paragraph 2(b) for any year, beginning with the year the Depositor reaches age 70 ½, is the Depositor's account value at the close of business on December 31 of the preceding year divided by the distribution period in the uniform lifetime table in Regulations section 1.401(a)(9)-9. However, if the Depositor's designated beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the Depositor's account value at the close of business on December 31 of the preceding year divided by the number in the joint and last survivor table in Regulations section 1.401(a)(9)-9. The required minimum distribution for a year under this paragraph (a) is determined using the Depositor's (or, if applicable, the Depositor and spouse's) attained age (or ages) in the year.

- b. the required minimum distribution under paragraphs 3(a) and 3(b)
 - (i) for a year, beginning with the year following the year of the Depositor's death (or the year the Depositor would have reached age 70 ½, if applicable under paragraph 3(b)(i)) is the account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table in Regulations section 1.401(a)(9)-9) of the individual specified in such paragraphs 3(a) and 3(b)(i).

- c. the required minimum distribution for the year the Depositor reaches age 70 ½ can be made as late as April 1 of the following year. The required minimum distribution for any other year must be made by the end of such year.

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

Article V

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

Article VI

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

Article VII

This Agreement will be amended as necessary to comply with the provisions of the Code and related Regulations. Other amendments may be made as provided in section 8.10 of this Agreement.

Article VIII

8.01 Definitions: In this part of this agreement (Article VIII), the words “you” and “your” mean the Depositor and the words “we,” “us” and “our” mean the Custodian.

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

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

such documents, statements, other information or the transactions described therein.

By performing services under this Agreement we are acting as your agent. You acknowledge and agree that nothing in this Agreement shall be construed as conferring fiduciary status upon us. We shall not be required to perform any additional services unless specifically agreed to under the terms and conditions of this Agreement, or as required under the Code and the Regulations promulgated thereunder with respect to IRAs. 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.

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

8.04 Service Fees: We have the right to charge an annual service fee or other designated fees (e.g. a transfer, rollover or termination fee) for maintaining your IRA. In addition, we have the right to be reimbursed for all reasonable expenses, including legal expenses, we incur in connection with the administration of your IRA. We may charge you separately for any fees or expenses or we may deduct the amount of the fees or expenses from the assets in your IRA at our discretion. We reserve the right to charge any additional fee upon 30 days notice to you that the fee will be effective. Fees such as subtransfer agent fees or commissions may be paid to us by third parties for assistance in performing certain transactions with respect to this IRA.

Any brokerage commissions attributable to the assets in your IRA will be charged to your IRA. You cannot reimburse your IRA for those commissions.

Our financial institution may impose certain fees in connection with your IRA. Such fees are separate and distinct from any fees that we may charge you.

8.05 Investment of Amounts in the IRA: You have exclusive responsibility for and control over the investment of the assets of your IRA. All transactions shall be subject to any and all restrictions or limitations, direct or indirect, which are imposed by our charter, articles of incorporation, or bylaws; any and all applicable federal and state laws and regulations; the rules, regulations, customs and usages of any exchange, market or clearing house where the transaction is executed, our policies and practices; and this Agreement. After your death, your beneficiary(ies) shall have the right to direct the investment of your IRA assets, subject to the same conditions that applied to you during your lifetime under this Agreement (including, without limitation, Section 8.03 of this article). We shall have no discretion to direct any investment in your IRA. We assume no responsibility for rendering investment advice with respect to your IRA, nor will we offer any opinion or judgment to you on matters concerning the value or suitability of any investment or proposed investment for your IRA. In the absence of instructions from you, or if your instructions are not in a form acceptable to us, we shall have the right to hold any uninvested amounts in cash, and we shall have no responsibility to invest uninvested cash unless and until directed by you. We will not exercise the voting rights and other shareholder rights with respect to investments in your IRA unless you provide timely written directions acceptable to us.

You will select the type of investment for your IRA assets, provided, however, that your selection of investments shall be limited to those types of investments that we are authorized by our charter, articles of incorporation, or bylaws to offer and do in fact offer for investment in IRAs. We may, in our sole discretion, make available to you, additional investment offerings, which shall be limited to publicly traded securities, mutual funds, money market instruments and other investments that are obtainable by us and that we are capable of holding in the ordinary course of our business.

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

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

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

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

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

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

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

We will not be liable for any penalties or taxes related to your failure to take a required minimum distribution.

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

If this Agreement is terminated, we may charge your IRA a reasonable amount of money that we believe is necessary to cover any associated

costs, including but not limited to, one or more of the following:

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

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

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

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

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

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

8.12 Transfers from Other Plans: We can receive amounts transferred to this IRA from the custodian or trustee of another IRA. In addition, we can accept direct rollovers of eligible rollover distributions from employer-sponsored retirement plans as permitted by the Code. All rollover and transfer contributions must be made in cash. We generally will not accept in-kind contributions. We reserve the right not to accept any transfer or direct rollover.

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

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

The assets in your IRA are generally not available to satisfy the debts or contract or tort liabilities of any person entitled to distributions under this Agreement.

8.15 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 our domicile (New Jersey) shall govern.

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

8.16 Excess Contributions: You are responsible for any taxes, penalties, fees or any other charges associated with excess contributions to your IRA.

8.17 Payroll Deductions: Subject to our approval, you may choose to have contributions to your custodial account made through payroll deduction if the custodial account is maintained as part of a program sponsored by your employer. In order to establish payroll deduction, you must authorize your employer to deduct a fixed amount from each pay period's salary up to the total amount allowable per year, unless such contributions are being made pursuant to a Simplified Employee Pension Plan described under section 408(k) of the Code, in which case, annual contributions up to the limit prescribed by the IRS can be made (generally, 25% of the employee's compensation income determined without regard to the employer's contribution to the SEP, up to \$49,000 a year for 2009 (and indexed for inflation). Contributions to the custodial account of your spouse may be made through payroll deduction if the employer authorizes the use of payroll deductions for such contributions, but such contributions must be made to a separate custodial account maintained for the benefit of your spouse. The payroll deduction authorization shall continue in force until such time as you provide us and your employer with written amendment or revocation with reasonable advance notice.

Traditional IRA Disclosure Statement

This Traditional IRA Disclosure Statement provides a summary of rules applicable to Traditional IRAs, including contributions and distributions and tax consequences of contributions and distributions, and acts that can result in penalties or additional taxes. For additional information on rules applicable to Traditional IRAs, please consult Internal Revenue Service (IRS) Publication 590, which is available at www.irs.gov.

Right to Revoke Your IRA

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

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

If you have any questions about the procedure for revoking your IRA, please call the Custodian at 1-800-888-2723.

Requirements of an IRA

A. Cash Contributions:

Your contribution must be in cash, unless it is a rollover contribution.

B. Maximum Contribution:

The total amount you may contribute to Traditional IRAs for your benefit for any taxable year cannot exceed the lesser of 100% of your compensation or \$5,000, with possible cost-of-living adjustments in years 2010 and beyond. If you also maintain a Roth IRA, the maximum contribution to your Traditional IRAs is reduced by any contributions you make to your Roth IRAs. Your total annual contribution to all Traditional IRAs and Roth IRAs cannot exceed the lesser of the dollar amounts described above or 100% of your compensation. This general limit is increased by \$1,000 if you are at least 50 years old by the end of the taxable year for which the contribution is made.

The compensation limit described above does not apply to contributions to your Traditional IRA if you file a joint return and your taxable compensation is less than that of your spouse. In such case, the most that can be contributed to your Traditional IRA is the lesser of:

- (i) \$5,000 (\$6,000 if you are age 50 or older), or
- (ii) the total compensation includible in the gross income of you and your spouse for the year reduced by your spouse's IRA contribution for the year to a Traditional IRA and any contribution for the year to a Roth IRA on behalf of your spouse.

An individual who was a qualified participant in a qualified cash or deferred section 401(k) arrangement of an employer that matched at least 50% of the employee's contribution may have a larger contribution limit for 2009 if the employer (or any controlling corporation of the employer) was a debtor in a bankruptcy case and a person was indicted or convicted as a result of business transactions relating to such case.

C. Contribution Eligibility:

You are eligible to make a regular contribution to your IRA if you have compensation and have not attained age 70 ½ by the end of the taxable year for which the contribution is made.

D. Catch-up Contributions:

If you are age 50 or older by the close of the taxable year, you may make an additional contribution to your IRA. The maximum additional contribution is \$1,000.

E. Nonforfeiture:

Your interest in your IRA is nonforfeitable.

F. Eligible Custodians:

The Custodian of your IRA must be a bank, savings and loan association, credit union, or a person or entity approved by the Secretary of the Treasury.

G. Commingling Assets:

The assets of your IRA cannot be commingled with other property except in a common trust fund or common investment fund.

H. Life Insurance:

No portion of your IRA may be invested in life insurance contracts.

I. Collectibles:

You may not invest the assets of your IRA in collectibles (within the meaning of Code section 408(m)). A collectible is defined as any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or other tangible personal property specified by the IRS. However, specially minted United States gold and silver coins and certain state-issued coins are permissible investments. Platinum coins and certain gold, silver, platinum or palladium bullion (as described in Code section 408(m)(3)) are also permitted as IRA investments.

J. Required Minimum Distributions:

You are required to take minimum distributions from your IRA at certain times in accordance with IRS Regulations. Under a temporary waiver of the required minimum distribution rules, you are not required to take a minimum distribution from your IRA for 2009 even if a distribution would otherwise be required by the rules described below. Below is a summary of the IRA distribution rules.

1. You are required to take a minimum distribution from your IRA for the year in which you reach age 70 ½ and for each year thereafter. You must take your first distribution by your required beginning date, which is April 1 of the year following the year you attain age 70 ½. The minimum distribution for any taxable year is equal to the amount obtained by dividing the account balance at the end of the prior year by the applicable divisor.
2. The applicable divisor is generally determined using the uniform lifetime table provided by the IRS. The table assumes a designated beneficiary exactly 10 years younger than you, regardless of who is named as your beneficiary(ies), if any. If your spouse is your sole designated beneficiary, and is more than 10 years younger than you, the required minimum distribution is determined annually using the actual joint life expectancy of you and your spouse obtained from the joint and last survivor table provided by the IRS, rather than the life expectancy divisor from the uniform lifetime table.

We reserve the right to do any one of the following by April 1 of the year following the year in which you turn age 70 ½:

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

(b) before your required beginning date, the entire amount remaining in your account will, at the election of your designated beneficiary(ies), either:

- (i) be distributed by December 31 of the year containing the fifth anniversary of your death, or
- (ii) be distributed over the remaining life expectancy of your designated beneficiary(ies).

Your designated beneficiary(ies) must elect either option (i) or (ii) by December 31 of the year following the year of your death. If no election is made, distributions will be calculated in accordance with option (ii). In the case of distributions under option (ii), distributions must commence by December 31 of the year following the year of your death. If your spouse is the designated beneficiary, distributions need not commence until December 31 of the year you would have attained age 70 ½, if later. If a beneficiary(ies) other than an individual or qualified trust as defined in the Regulations is named, you will be treated as having no designated beneficiary(ies) of your IRA for purposes of determining the distribution period. If there is no designated beneficiary of your IRA, the entire IRA must be distributed by December 31 of the year containing the fifth anniversary of your death.

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

4. For detailed rules on how to calculate minimum distributions and for rules relating to special situations, such as accounts with multiple beneficiaries or accounts with trusts designated as beneficiaries, see IRS Publication 590. If you have any questions regarding required minimum distributions, please see a tax adviser.

Income Tax Consequences of Establishing an IRA

A. IRA Deductibility:

If you are eligible to contribute to your IRA, the amount of the contribution for which you may take a tax deduction will depend upon whether you (or, in some cases, your spouse) are covered by an employer-maintained retirement plan. If you (and your spouse, if married) are not covered by an employer retirement plan, your entire IRA contribution will be deductible. If you are covered by an employer retirement plan (or are married to a person who is covered), the deductibility of your contribution will depend on your modified adjusted gross income (MAGI) and your tax filing status for the tax year for which the contribution was made.

MAGI generally is your adjusted gross income reported on your tax return but determined without taking into account (i.e. by adding back) the IRA deduction, student loan interest deduction, tuition and fees deduction, domestic production activities deduction, foreign earned income exclusion, foreign housing exclusion or deduction, exclusion for qualified savings bond interest and the exclusion for employer provided adoption benefits.

Covered by an Employer Plan - Generally, you will be treated as covered by an employer plan if you are covered by one or more of the following employer-maintained retirement plans:

1. a qualified pension, profit sharing, 401(k), or stock bonus plan;
2. a qualified annuity plan of an employer;
3. a simplified employee pension (SEP) plan;
4. a retirement plan established by the federal government, a state or a political subdivision (except certain unfunded deferred compensation plans under Code section 457);
5. a tax-sheltered annuity for employees of certain tax-exempt organizations or public schools;
6. a plan meeting the requirements of Code section 501(c)(18);

7. a qualified plan for self-employed individuals (H.R. 10 or Keogh Plan); and
8. a savings incentive match plan for employees of small employers (SIMPLE) IRA plan or a SIMPLE 401(k) plan.

If you do not know whether your employer maintains one of these plans or whether you are an active participant in it, check with your employer or your tax adviser. Also, the IRS Form W-2 (Wage and Tax Statement) that you receive at the end of the year from your employer will indicate whether you are an active participant.

You may be covered by a defined contribution plan even if you declined to participate in the plan, did not make a required contribution, or did not perform the minimum service required to accrue a benefit. Generally, you are covered by a defined contribution plan for a tax year if amounts are contributed or allocated to your account for the plan year that ends with or within your tax year even if you have no vested right to the account.

If you or your spouse is covered by an employer plan, and

1. Your MAGI is less than or equal to the phase-out range minimum for your filing status in the table below for the applicable year, your contribution is fully deductible,
2. Your MAGI is greater than or equal to the phase-out range maximum for your filing status for the applicable year, your contribution is not deductible, and
3. Your MAGI is between the phase-out range minimum and maximum for your filing status for the applicable year, the deductible amount of your contribution is determined as follows: (i) subtract your MAGI from the phase-out range maximum for your filing status for the applicable year ; (ii) divide this total by the difference between the phase-out maximum and minimum; (iii) multiply this number by the maximum allowable contribution for the applicable year, including catch-up contributions if you are age 50 or older and any additional contribution for 2009 allowed because you participated in a 401(k) plan maintained by a employer who went into bankruptcy (as described above). The resulting figure will be the maximum IRA deduction you may take. For example, if you are single and age 30 with MAGI of \$59,000 in 2009, your maximum deductible contribution is \$3,000 (the 2009 phase-out range maximum of \$65,000 minus your MAGI of \$59,000, divided by the difference between the maximum and minimum phase-out range limits of \$10,000 and multiplied by the contribution limit of \$5,000.)

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

Table X-1 – You Are Covered By An Employer Plan

Tax Year	Joint & Qualifying Widow(ers)		Single & Head of Household	
	Phase-Out Range		Phase-Out Range	
	Min	Max	Min	Max
2009	89,000	109,000	55,000	65,000

Table X-2 - You Are Not Covered; Your Spouse Is Covered

Tax Year	Joint Filers	
	Phase-Out Range	
	Min	Max
2009	166,000	176,000

The phase out range minimums are indexed for inflation. The spread between the minimums and maximums remains as shown on the tables.

You must round the resulting deduction to the next highest \$10 if the number is not a multiple of 10. If your resulting deduction is between

\$0 and \$200 you may round up to \$200.

Special rules apply for determining your allowable deduction if you received social security benefits, received taxable compensation, contributions were made to your Traditional IRA and you or your spouse was covered by an employer retirement plan. See IRS Publication 590.

B. Contribution Deadline:

The deadline for making an IRA contribution for a year is your tax return due date (not including extensions) for the year. You may designate a contribution as a contribution for the preceding taxable year in a manner acceptable to us. For example, if you are a calendar year taxpayer, and you make your IRA contribution on or before April 15, your contribution is considered to have been made for the previous tax year if you designate it as such.

C. Tax Credit for Contributions:

You may be able to claim a tax credit if you make eligible contributions to your Traditional IRA. This credit will be allowed in addition to any tax deduction that may apply, and may not exceed \$1,000 (\$2,000 if filing jointly) in a given year. You may be eligible for this tax credit if you are:

- age 18 or older as of the close of the taxable year,
- not a dependent of another taxpayer, and
- not a full-time student.

The credit is based upon your adjusted gross income (as determined from your tax return with certain exclusions added back) and will range from 0 to 50% of eligible contributions. In order to determine the amount of your contributions, add all of the contributions made to your Traditional IRAs and Roth IRAs and your salary reduction contributions (such as those to a section 401(k) plan) and reduce these contributions by any distributions that you have taken during the testing period from any such plans. The testing period begins two years prior to the year for which the credit is sought and ends on the tax return due date (including extensions) for the year for which the credit is sought. For 2009, you may be able to claim the retirement savings contribution credit if your adjusted gross income as modified is not more than:

- \$55,500 if your filing status is married filing jointly,
- \$41,625 if your filing status is head of household, or
- \$27,750 if your filing status is single, married filing separately or qualifying widow(er).

D. Tax-Deferred Earnings:

The investment earnings of your IRA are not subject to federal income tax until distributions are made (or, in certain instances, when distributions are deemed to be made).

E. Nondeductible Contributions:

You may make nondeductible contributions to your IRA to the extent that deductible contributions are not allowed. The sum of your deductible and non-deductible IRA contributions cannot exceed your contribution limit (the lesser of the allowable contribution limit described previously, or 100% of compensation). You may elect to treat deductible IRA contributions as nondeductible contributions.

If you make nondeductible contributions for a particular tax year, you must report the amount of the nondeductible contribution along with your income tax return using IRS Form 8606 (or by filing a signed Form 8606 if you do not file an income tax return). Failure to file IRS Form 8606 will result in a \$50 per failure penalty. If you overstate the amount of designated nondeductible contributions for any taxable year, you are subject to a \$100 penalty unless reasonable cause for the overstatement can be shown.

F. Taxation of Distributions:

The taxation of IRA distributions depends on whether or not you have ever made nondeductible IRA contributions. If you have only made deductible contributions, any IRA distribution will be fully included in income. If you have ever made nondeductible contribu-

tions to any IRA, the following formula must be used to determine the amount of any IRA distribution excluded from income:

Aggregate Nondeductible Contributions X Amount Withdrawn / Aggregate IRA Balance = Amount Excluded from Income.

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

You must complete IRS Form 8606 and attach it to your income tax return (or sign it and send it to the IRS if you are not required to file an income tax return) if you receive a distribution from a Traditional IRA and have ever made nondeductible contributions or rolled over after-tax amounts to any of your Traditional IRAs. You can use the form to calculate your nontaxable distributions.

The following exceptions apply to the general rule that distributions from Traditional IRAs are taxable in the year that you receive them:

1. Rollovers,
2. Qualified charitable distributions,
3. Tax-free withdrawals of contributions,
4. The return of nondeductible contributions (discussed above),
5. Qualified HSA funding distributions,
6. Transfers due to a divorce.

G. Rollovers and Conversions:

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

1. General Rules for Rollovers.

- a. **No Deduction.** You cannot deduct a rollover contribution.
- b. **Reporting.** You must report a rollover distribution on your tax return.
- c. **Time Limit.** You generally must make the rollover contribution by the 60th day after the date that you receive the distribution from your Traditional IRA or other source. The IRS may waive the 60-day requirement. The rollover period is extended in the case of certain "frozen deposits" (generally deposits that cannot be withdrawn from a financial institution because of insolvency). In the absence of a waiver, amounts not rolled over within the 60-day period must be treated as taxable distributions.

2. Traditional IRA to Traditional IRA Rollovers - Funds distributed from your IRA may be rolled over to an IRA of yours if the requirements of Code section 408(d)(3) are met. If you make a tax-free rollover from a Traditional IRA, you generally cannot within a 1-year period make a tax-free rollover from the same IRA. You also generally cannot make a tax-free rollover within the same 1-year period from the IRA into which you made a rollover. There are a few exceptions these general rules. If property (e.g., stocks) is distributed to you from an IRA, your rollover is tax free only if the property you contribute is the same property that was distributed to you. As noted above, the Custodian accepts only contributions of cash. Accordingly, if you are planning to roll over amounts from another Traditional IRA into your Traditional IRA with the Custodian, you should have the custodian of the other Traditional IRA make a cash distribution to you. If you withdraw assets from a Traditional IRA, you can roll over part of the withdrawal tax free and keep the rest as a distribution. Amounts that are required to be distributed from a Traditional IRA (see above)

are not eligible for rollover treatment. A transfer of funds in your Traditional IRA from one trustee or custodian directly to another, either at your request or at the request of the trustee or custodian, is not a rollover. Because there is no distribution to you, the transfer is tax free. The 1-year waiting period does not apply to trustee (custodian) to trustee (custodian transfers).

3. Simple IRA to Traditional IRA Rollovers - Funds may be distributed from your SIMPLE IRA and rolled over to your IRA without IRS penalty provided two years have passed since you first participated in a SIMPLE IRA plan sponsored by your employer. As with Traditional IRA to Traditional IRA rollovers, the requirements of Code section 408(d)(3) must be met. A proper SIMPLE IRA to IRA rollover is completed if all or part of the distribution is rolled over not later than 60 days after the distribution is received. You may not have completed another SIMPLE IRA to IRA or SIMPLE IRA to SIMPLE IRA rollover from the distributing SIMPLE IRA during the 12 months preceding the date you receive the distribution. Further, you may roll over the same dollars or assets only once every 12 months.
4. Employer-Sponsored Retirement Plan to Traditional IRA Rollovers - You may roll over, directly or indirectly, any eligible rollover distribution from an eligible employer-sponsored retirement plan. An eligible rollover distribution is defined generally as any distribution from a qualified retirement plan, 403(a) annuity, 403(b) tax-sheltered annuity, or 457(b) eligible governmental deferred compensation plan (other than distributions to nonspouse beneficiaries), unless it is part of a certain series of substantially equal periodic payments, a required minimum distribution, a hardship distribution, a corrective distribution, a loan treated as a distribution because it does not satisfy certain requirements either when made or later, dividends on employer securities, or the cost of life insurance coverage. If you elect to receive your rollover distribution prior to placing it in an IRA, thereby conducting an indirect rollover, your plan administrator will generally be required to withhold 20% of your distribution as a payment of income taxes. When completing the rollover, you may make up the amount withheld, out of pocket, and roll over the full amount distributed from your employer-sponsored retirement plan. To qualify as a rollover, your eligible rollover distribution must be rolled over to your IRA not later than 60 days after you receive it. Alternatively, you may claim the withheld amount as income, and pay the applicable income tax and, if you are under age 59 ½, the 10% early distribution penalty (unless an exception to the penalty applies). As an alternative to the indirect rollover, your employer generally must give you the option to directly roll over your employer-sponsored retirement plan balance to an IRA. If you elect the direct rollover option, your eligible rollover distribution will be paid directly to the IRA (or other eligible employer-sponsored retirement plan) that you designate. The 20% withholding requirements do not apply to direct rollovers.
5. Traditional IRA to Employer-Sponsored Retirement Plans - You may roll over, directly or indirectly, any eligible rollover distribution from an IRA to an employer's qualified retirement plan, 403(a) annuity, 403(b) tax-sheltered annuity, or 457(b) eligible governmental deferred compensation plan so long as the employer-sponsored retirement plan accepts such rollover contributions. An eligible rollover distribution is defined as any taxable distribution from an IRA that is not a part of a required minimum distribution.
6. Traditional IRA to Roth IRA Conversions - If your modified adjusted gross income is not more than \$100,000, and you are not married filing a separate income tax return, you are eligible to convert all or any portion of your existing Traditional IRA(s) into your Roth IRA(s) in 2009. However, if you are age 70 ½ or older you must remove your required minimum distribution prior to converting your Traditional IRA. The amount of the conversion from your Traditional IRA to your Roth IRA is treated as a distribution for income tax purposes, and is includible in your gross

income (except for any nondeductible contributions). Although the conversion amount is generally included in income, the 10% early distribution penalty (discussed below) does not apply to conversions from a Traditional IRA to a Roth IRA. The income limits on conversions do not apply after 2009.

7. Exxon Valdez Settlement – If you are a qualified taxpayer and you receive qualified settlement income from the Exxon Valdez settlement, you may be able to roll the income into your Traditional IRA and defer recognition of the income. Please consult your tax adviser or IRS Publication 590 for additional details.

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

H. Transfer Due to Divorce:

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

I. Recharacterizations:

You may be able to treat a contribution made to one type of IRA as having been made to a different type of IRA. This is called recharacterizing the contribution. To recharacterize, you generally must have the contribution (and any income allocable to the contribution) transferred from the first IRA to the second IRA by the due date (including extensions) of your tax return. You can then elect to treat the contribution as made to the second IRA. You must report the recharacterization on your tax return for the year during which the contribution was made. You must notify the trustees (custodians) of each account of the recharacterization by the date of the transfer.

J. Qualified Charitable Distribution:

A qualified charitable distribution (QCD) is not a taxable distribution. A QCD is a distribution made directly by the custodian of your Traditional IRA (but not a SEP or SIMPLE IRA) when you are at least age 70½ to an organization described in section 170(b)(1)(A) of the Code (e.g., a public charity, church or educational institution), other than a supporting organization or donor advised fund. You must have the same type of acknowledgement of your contribution that you would need to claim a deduction for a charitable contribution. See IRS Publication 526, Charitable Contributions. Your total QCDs for the year cannot be more than \$100,000. If you file a joint return, your spouse can also have a QCD of up to \$100,000. However, the amount of the QCD is limited to the amount of the distribution that would otherwise be included in income. If your Traditional IRA includes nondeductible contributions, the distribution is first considered to be paid out of otherwise taxable income. You cannot claim a charitable contribution deduction for any QCD not included in your income. A QCD may not be made after 2009 unless the Code is amended.

K. Qualified HSA Funding Distribution:

A qualified HSA funding distribution is a once-in-a-lifetime transfer from your Traditional IRA (but not a SEP or SIMPLE IRA) to an HSA (a health savings account under section 223 of the Code) owned by you. You may not deduct the amount contributed to the HSA through a qualified HSA funding distribution. A qualified HSA funding distribution must be less than or equal to your maximum annual HSA contribution and it counts against your maximum annual HSA contribution for the year. The distribution must be a direct transfer from your Traditional IRA to an HSA trustee or custodian (e.g., by a check written by the custodian to the HSA trustee or custodian and delivered by you to the HSA trustee or custodian). If a qualified HSA funding distribution is made from your Traditional IRA to your HSA and you remain an eligible individual (as defined for purposes

of HSAs) during the entire testing period, the amount of the qualified HSA funding distribution is excluded from your gross income and the 10% penalty tax described below does not apply. The testing period begins with the month in which the qualified HSA funding distribution is contributed to the HSA and ends on the last day of the 12 month following that month.

Special IRAs

A. SEP Plans:

Under a simplified employee pension (SEP) plan that meets the requirements of Code section 408(k), your employer may make contributions to your Traditional IRA set up for you to receive such contributions. Your employer is required to provide you with information which describes the terms of your employer's SEP plan. Generally, distributions from SEP IRAs are subject to withdrawal and tax rules that apply to Traditional IRAs.

Additional Tax Rules and Restrictions

A. Gift Tax:

Transfers of your IRA assets to a beneficiary made during your life and at your request may be subject to federal gift tax under Code section 2501.

B. Special Tax Treatment:

Capital gains treatment and 10-year forward income averaging authorized by Code section 402 do not apply to IRA distributions.

C. Withholding:

Any withdrawal from your IRA is subject to federal income tax withholding. You may, however, elect not to have withholding apply to your IRA withdrawal unless your home address is outside the United States or its possessions. If withholding is applied to your withdrawal, generally, tax will be withheld at a 10% rate on nonperiodic distributions.

D. Prohibited Transactions:

If you or your beneficiary engages in a prohibited transaction with your IRA, as described in Code section 4975, your IRA generally will lose its tax-deferred status as of the first day of the year of the prohibited transaction and the balance of the account will be treated as distributed to you and you will have taxable gain to the extent that the amount distributed exceeds your basis (generally undistributed nondeductible contributions) in the account. The distribution may also be subject to additional taxes or penalties.

If your fiduciary or a member of your family (i.e., your spouse, ancestor, lineal descendant, or spouse of a lineal descendant) engages in a prohibited transaction, that person may be liable for certain penalty taxes. In general, there is a 15% tax on the amount of the prohibited transaction and a 100% additional tax if the transaction is not corrected.

The following transactions are examples of prohibited transactions with your IRA: (1) taking a loan from your IRA; (2) buying property for personal use (present or future) with IRA funds; (3) receiving certain bonuses or premiums because of your IRA.

E. Pledging:

If you pledge any portion of your IRA as collateral for a loan, the amount so pledged will be treated as a distribution, and will be included in your gross income for the taxable year in which you pledge the assets. You may have to pay the 10% tax on early distributions, discussed below.

Federal Tax Penalties

A. Early Distribution Penalty:

If you are under age 59½ and receive an IRA distribution that you do not roll over in a permitted rollover, you may have to pay an additional 10% tax on the amount of the early distribution that you must include in your income.

You may not have to pay the additional tax if you are in one of the

following situations:

1. The distributions are not more than your unreimbursed medical expenses in excess 7.5% of your adjusted gross income.
2. The distributions are not more than the cost that you paid for medical insurance for yourself, your spouse, and your dependents if you lost your job, received unemployment compensation for at least 12 consecutive weeks, received the distributions during the year you received the unemployment insurance compensation or the following year, and you receive the distributions no later than 60 days after you have been reemployed.
3. You are disabled.
4. You are the beneficiary of the deceased owner of the IRA.
5. The distributions are not more than qualified higher education expenses that you paid for yourself, your spouse, or the children or grandchildren of you or your spouse. Qualified higher education expenses do not include expenses paid with tax-free distributions from a Coverdell education savings account, tax-free scholarships or fellowships, Pell grants, employer provided educational assistance, veterans' educational assistance or any other tax-free payment (other than a gift or inheritance) received as educational assistance.
6. You use the distribution to buy, build or rebuild a first home for yourself, your spouse, your or your spouse's child or grandchild, or your or your spouse's parent or other ancestor. There is a lifetime limit of \$10,000 on the amount of qualifying distributions that are exempt from the 10% tax as a first-time homebuyer distribution. The distribution must be used to pay qualified acquisition costs within 120 days after the date of the distribution.
7. The distribution is due to an IRS levy of the qualified plan.
8. The distribution is a qualified reservist distribution. A qualified reservist distribution is a distribution made to you because you were ordered or called to active duty for period of more than 179 days or for an indefinite period because you are a member of a reserve component and the distribution is made no earlier than the date of the order or call and no later than the close of the active duty period.
9. The distribution is qualified HSA funding distribution (described previously).

Occasionally, Congress provides relief for distributions made in connection with disasters. Please consult the IRS web site, www.irs.gov to check if relief is available.

If one of the exceptions applies and it is not properly reflected in the distribution code shown in box 7 of the Form 1099-R that you receive in connection with the early distribution, you may be required to file Form 5329 with the IRS.

B. Excess Contribution Penalty:

An additional tax of 6% is imposed upon any excess contribution you make to your IRA. This additional tax will apply each year in which an excess remains in your IRA. An excess contribution is any amount that is contributed to your IRA that exceeds the amount that you are eligible to contribute.

C. Excess Accumulation Penalty:

As previously described, you must take a required minimum distribution by your required beginning date for the year you attain age 70 ½ and by the end of each year thereafter. Your beneficiary(ies) is required to take certain minimum distributions after your death. An additional tax of 50% is imposed on the amount of the required minimum distribution which should have been taken but was not. No minimum distribution is required for 2009.

D. Penalty Reporting:

You must file IRS Form 5329 along with your income tax return to report and remit any additional taxes. However, you do not have to file Form 5329 to report additional tax on an early distribution from a Traditional IRA if distribution code 1 is shown in box 7 of the Form 1099-R that you receive in connection with the early distribution. In that case, you can report the additional tax directly on your Form 1040 income tax return.

Other

A. IRS Plan Approval:

The Agreement used to establish this IRA has been modeled on an agreement approved by the IRS, but this agreement has not been approved by the IRS. An 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:

You may obtain further information on IRAs from your District Office of the IRS. Substantial additional information about IRA can be found in IRS Publication 590, Individual Retirement Arrangements, which you can obtain by calling 1-800-TAX-FORM, or by downloading the publication from www.irs.gov on the Internet. The IRS web site also provides other information about IRAs.

Tax Advice

The description of tax considerations contained in this Traditional IRA Disclosure Statement is intended to be a summary of the federal tax provisions that are most pertinent to most individuals who are considering investing in Traditional IRAs with College Savings Bank as custodian. It does not cover all federal tax issues and does not cover state tax consequences or other matters that may be relevant to you. The summary may not contain all of the details necessary for you to determine the specific tax consequences of a conversion, rollover, distribution, failure to take a distribution, or other transaction or action relating to your Traditional IRA.

Be advised that state tax consequences vary from state to state and may not be consistent with federal income tax consequences. Consult your tax adviser about state and federal income tax consequences and planning opportunities before opening an Account.

Investment Performance and Financial Disclosure

You may direct the investment of your funds within this IRA into any investment instrument offered by or through the Custodian. The Custodian will not exercise any investment direction regarding your IRA, as this is solely your responsibility.

The Custodian will provide you with a Disclosure Statement describing the investment instrument in which your IRA is invested. That Disclosure Statement is part of the disclosure required by IRS Regulations for IRA investments.

The value of your IRA will be solely dependent upon the performance of any investment instrument chosen by you to fund your IRA. Recent and historical rates of return may not be indicative of future rates of return and cannot be used to predict rates of return for future interest periods.

The method for computing and allocating annual interest earnings on your investments will vary with the nature of the investment chosen. Please refer to the Disclosure Statement for your investment for the methods used for computing and allocating annual earnings and a disclosure of specific fees and charges, if any.

Read the Terms and Conditions carefully before you invest or send money.

Please note that some of the investments offered by the Custodian are not fully liquid and that there may be penalties or charges for early redemption of investments.

**Roth IRA Custodial Agreement
and
Roth IRA Disclosure Statement**

Roth IRA Custodial Agreement

Read and retain for your records

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

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

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

The Depositor and the Custodian make the following agreement:

Article I

Except in the case of a rollover contribution described in section 408A(e), a recharacterized contribution described in section 408(A)(d)(6), or an IRA Conversion Contribution, or a rollover from an eligible retirement plan, the Custodian will accept only cash contributions up to \$5,000 for 2009 and thereafter unless a specific provision of tax law allows for a larger contribution. For individuals who have reached the age of 50 before the close of the tax year, the contribution limit is increased to \$6,000 for 2009. For tax years after 2009, the above limits will be increased to reflect a cost-of-living adjustment, if any. The Custodian may accept additional contributions or special rollovers of certain types of income or distributions to the extent such contributions or rollovers are permitted by the Code.

Article II

1. The annual contribution limit described in Article I is gradually reduced to \$0 for higher income levels. In 2009, for a single Depositor, the annual contribution is phased out between modified adjusted gross income (MAGI) of \$105,000 and \$120,000; for a married Depositor filing jointly, between MAGI of \$166,000 and \$176,000; and for a married Depositor filing separately, between MAGI of \$0 and \$10,000. The above limits will be increased to reflect cost-of-living adjustments, if any. In the case of a rollover from an eligible retirement plan or a conversion before 2010, the Custodian will not accept the conversion or rollover if the Depositor's MAGI for the tax year the funds were distributed from the other IRA exceeds \$100,000 or if the Depositor is married and files a separate return. Adjusted gross income is defined in section 408A(c)(3).
2. In the case of a joint return, the MAGI limits in the preceding paragraph apply to the combined MAGI of the Depositor and his or her spouse.

Article III

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

Article IV

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

Article V

1. If the Depositor dies before his or her entire interest is distributed to him or her and the Depositor's surviving spouse is not the designated beneficiary, the remaining interest will be distributed in accordance with (a) below or, if elected or there is no designated beneficiary, in accordance with (b) below:
 - (a) The remaining interest will be distributed, starting by the end of the calendar year following the year of the Depositor's death,

over the designated beneficiary's remaining life expectancy as determined in the year following the death of the Depositor.

- (b) The remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the Depositor's death.
2. The minimum amount that must be distributed each year under paragraph 1(a) above is the account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table in Regulations section 1.401(a)(9)-9) of the designated beneficiary using the attained age of the beneficiary in the year following the year of the Depositor's death and subtracting 1 from the divisor for each subsequent year.
 3. If the Depositor's surviving spouse is the designated beneficiary, such spouse will then be treated as the Depositor.

Article VI

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

Article VII

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

Article VIII

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

Article IX

9.01 Definitions: In this part of this Agreement (Article IX), the words "you" and "your" mean the Depositor and the words "we," "us" and "our" mean the Custodian.

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

9.03 Representations And Responsibilities: You represent and warrant to us that any information you have given or will give us with respect to this Agreement is complete and accurate. Further, you agree that any directions you give us, or action you take will be proper under this Agreement and that we are entitled to rely upon any such information or directions. If we fail to receive directions from you regarding any transaction, or if we receive ambiguous directions regarding any transaction, or we, in good faith, believe that any transaction requested is in dispute, we reserve the right to take no action until further clarification acceptable to us is received from you or the appropriate government or judicial authority. We shall not be responsible for losses of any kind that may result from your directions to us or your actions or failures to act, and you agree to reimburse us for any loss we may incur as a result of such directions, actions or failures to act. We shall not be responsible for any penalties, taxes, judgments or expenses you incur in connection with your Roth IRA. We have no duty to determine whether your contributions or distributions comply with the Code, Regulations, rulings or this Agreement. We may permit you to appoint, through written notice acceptable to us, an authorized agent to act on your behalf with

respect to this Agreement (e.g., attorney-in-fact, executor, administrator, investment manager), however, we have no duty to determine the validity of such appointment or any instrument appointing such authorized agent. We shall not be responsible for losses of any kind that may result from directions, actions or failures to act by your authorized agent, and you agree to reimburse us for any loss we may incur as a result of such directions, actions or failures to act by your authorized agent. You will have sixty (60) days after you receive any documents, statements or other information from us to notify us in writing of any errors or inaccuracies reflected in these documents, statements or other information. If you do not notify us within 60 days, the documents, statements or other information shall be deemed correct and accurate, and we shall have no further liability or obligation for such documents, statements, other information or the transactions described therein.

By performing services under this Agreement we are acting as your agent. You acknowledge and agree that nothing in this Agreement shall be construed as conferring fiduciary status upon us. We shall not be required to perform any additional services unless specifically agreed to under the terms and conditions of this Agreement, or as required under the Code and the Regulations promulgated thereunder with respect to Roth IRAs. 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.

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

9.04 Service Fees: We have the right to charge an annual service fee or other designated fees (e.g. a transfer, rollover or termination fee) for maintaining your Roth IRA. In addition, we have the right to be reimbursed for all reasonable expenses, including legal expenses we incur in connection with the administration of your Roth IRA. We may charge you separately for any fees or expenses or we may deduct the amount of the fees or expenses from the assets in your Roth IRA at our discretion. We reserve the right to charge any additional fee upon 30 days notice to you that the fee will be effective. Fees such as subtransfer agent fees or commissions may be paid to us by third parties for assistance in performing certain transactions with respect to this Roth IRA.

Any brokerage commissions attributable to the assets in your Roth IRA will be charged to your Roth IRA. You cannot reimburse your Roth IRA for those commissions.

Our financial institution may impose certain fees in connection with your Roth IRA. Such fees are separate and distinct from any fees that we may charge you.

9.05 Investment of Amounts in the Roth IRA: You have exclusive responsibility for and control over the investment of the assets of your Roth IRA. All transactions shall be subject to any and all restrictions or limitations, direct or indirect, which are imposed by our charter, articles of incorporation, or bylaws; any and all applicable federal and state laws and regulations; the rules, regulations, customs and usages of any exchange, market or clearing house where the transaction is executed; our policies and practices; and this Agreement. After your death, your beneficiary(ies) shall have the right to direct the investment of your Roth IRA assets, subject to the same conditions that applied to you during your lifetime under this Agreement (including without limitation, Section 9.03 of this article). We shall have no discretion to direct any investment in your Roth IRA. We assume no responsibility for rendering investment advice with respect to your Roth IRA, nor will we offer any opinion or judgment to you on matters concerning the value or suitability of any investment or proposed investment for your Roth IRA. In the absence of instructions from you, or if your instructions are not in a form acceptable to us, we shall have the right to hold any uninvested amounts in cash, and we shall have no responsibility to invest uninvested cash unless

and until directed by you. We will not exercise the voting rights and other shareholder rights with respect to investments in your Roth IRA unless you provide timely written directions acceptable to us.

You will select the type of investment for your Roth IRA assets, provided, however, that your selection of investments shall be limited to those types of investments that we are authorized by our charter, articles of incorporation, or bylaws to offer and do in fact offer for investment in Roth IRAs. We may, in our sole discretion, make available to you, additional investment offerings, which shall be limited to publicly traded securities, mutual funds, money market instruments and other investments that are obtainable by us and that we are capable of holding in the ordinary course of our business.

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

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

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

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

9.07 Termination of Agreement, Resignation or Removal of Custodian:

Either party may terminate this Agreement at any time by giving written notice to the other. We can resign as Custodian at any time effective 30 days after we mail written notice of our resignation to you. Upon receipt of that notice, you must make arrangements to transfer your Roth IRA to another financial organization. If you do not complete a transfer of your Roth IRA within 30 days from the date we mail the notice to you, we have the right to transfer your Roth IRA assets to a successor Roth IRA custodian or trustee that we choose in our sole discretion, or we may pay your Roth IRA to you in a single sum. We shall not be liable for any actions or failures to act on the part of any successor custodian or trustee nor for any tax consequences you may incur that result from the transfer or distribution of your assets pursuant to this section.

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

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

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

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

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

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

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

You are not required to take a distribution from your Roth IRA at age 70 ½. At your death, however, your beneficiary(ies) must begin taking distributions in accordance with Article V and Section 9.06 of this Agreement. We will make no distributions to you from your Roth IRA until you provide us with a written request for a distribution on a form provided by or acceptable to us.

9.11 Transfers from Other Plans: We can receive amounts transferred or rolled over to this Roth IRA from the custodian or trustee of another Roth IRA, a traditional IRA or an eligible retirement plan as permitted by Code. All rollover and transfer contributions from other Custodians must be made in cash. We generally will not accept in-kind contributions. We reserve the right not to accept any transfer or rollover.

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

9.13 Restrictions on Use of Your Account: Neither you nor any beneficiary may sell, transfer or pledge any interest in your Roth IRA in any manner whatsoever, except as provided by law or this Agreement. The assets in your Roth IRA's are generally not available to satisfy shall not be responsible for the debts or contract or tort liabilities of any person entitled to distributions under this Agreement.

9.14 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 our domicile (New Jersey) shall govern.

If any part of this Agreement is held to be illegal or invalid, the re-

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

9.15 Excess Contributions: You are responsible for any taxes, penalties, fees or any other charges associated with excess contributions to your Roth IRA.

9.16 Payroll Deductions: Subject to our approval, you may choose to have contributions to your custodial account made through payroll deduction if the custodial account is maintained as part of a program sponsored by your employer. In order to establish payroll deduction, you must authorize your employer to deduct a fixed amount from each pay period's salary up to the total amount allowable per year. Contributions to the custodial account of your spouse may be made through payroll deduction if the employer authorizes the use of payroll deductions for such contributions, but such contributions must be made to a separate custodial account maintained for the benefit of your spouse. The payroll deduction authorization shall continue in force until such time as you provide us and your employer with a written amendment or revocation with reasonable advance notice.

Definitions

Regulations: Treasury Regulations

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

Code: The Internal Revenue Code, as amended.

Custodian: The Custodian is College Savings Bank or any successor in interest to College Savings Bank that is a bank or savings and loan association, as defined in section 408(n), or any person who has the approval of the IRS to act as custodian.

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

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

Roth IRA Disclosure Statement

This Roth IRA Disclosure Statement provides a summary of rules applicable to Roth IRAs, including contributions and distributions, tax consequences of contributions and distributions, and acts that can result in penalties or additional taxes. For additional information on rules applicable to Roth IRAs, please consult Internal Revenue Service (IRS) Publication 590, which is available at www.irs.gov.

Right to Revoke Your Roth IRA

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

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

If you have any questions about the procedure for revoking your Roth IRA, please call the Custodian at 1-800-888-2723.

Requirements of a Roth IRA

A. Cash Contributions:

Your contribution must be in cash, unless it is a rollover or conversion contribution.

B. Maximum Contribution:

The total amount you may contribute to a Roth IRA for your benefit for any taxable year cannot exceed the lesser of 100% of your compensation or \$5,000 for 2009, with possible cost-of-living adjustments in years 2010 and beyond. If you also maintain a Traditional IRA (i.e. an IRA subject to the limits of Internal Revenue Code (Code) sections 408(a) or 408(b)), the maximum contribution to your Roth IRAs is reduced by any contributions you make to your Traditional IRA. Your total annual contribution to all Traditional IRAs and Roth IRAs cannot exceed the lesser of the dollar amounts described above or 100% of your compensation. The general limit is increased by \$1,000 if you are at least 50 years old by the end of the taxable year for which a contribution is made.

If you file a joint return and your taxable compensation, if any, is less than that of your spouse, the maximum contribution amount may be greater than your compensation. The maximum amount that can be contributed to your spousal IRA is the lesser of:

- (i) \$5,000 (\$6,000 if you are age 50 or older), or
- (ii) the total compensation includible in the gross income of you and your spouse for the year reduced by contributions to your and your spouse's Traditional IRAs for the year and any contribution for the year to a Roth IRA on behalf of your spouse.

An individual who was a qualified participant in a qualified cash or deferred section 401(k) arrangement of an employer that matched at least 50% of the employee's contribution may have a larger contribution limit than described above for 2009 if the employer (or any controlling corporation of the employer) was a debtor in a bankruptcy case and a person was indicted or convicted as a result of business transactions relating to such case. Consult your tax adviser.

Your Roth IRA contribution is further limited in 2009 if your MAGI equals or exceeds \$166,000 if you are a married individual filing a joint income tax return, or equals or exceeds \$105,000 if you are a single individual. Married individuals filing a joint income tax return with MAGI equaling or exceeding \$176,000 in 2009 may not fund a Roth IRA. Single individuals with MAGI equaling or exceeding \$120,000 in 2009 may not fund a Roth IRA. Married individuals filing a separate income tax return with MAGI equaling or exceeding \$10,000 may not fund a Roth IRA.

If you are married filing a joint income tax return and your MAGI is between \$166,000 and \$176,000, your maximum Roth IRA contribution and maximum spousal Roth IRA contribution is determined as follows: (1) Subtract your MAGI from \$176,000; (2) divide the difference by \$10,000; and (3) multiply the result in step (2) by the maximum allowable contribution for the year, including catch-up contributions if you are age 50 or older, but excluding any reductions for Traditional IRA contributions. For example, if you are age 30 and your MAGI is \$170,000, your maximum Roth IRA contribution for 2009 is \$3,000 (or, if less, \$5,000 reduced by the amount of your Traditional IRA contribution). This amount is determined as follows: $[(\$176,000 \text{ minus } \$170,000) \text{ divided by } \$10,000] \text{ multiplied by } \$5,000$.

If you are single (or married filing separately and you did not live with your spouse at any time during the year) and your MAGI is between \$105,000 and \$120,000, your maximum Roth IRA contribution is determined as follows: (1) Subtract your MAGI from \$120,000; (2) divide the difference by \$15,000; and (3) multiply the result in step (2) by the maximum allowable contribution for the year, including catch-up contributions if you are age 50 or older. For example, if you are age 62 and your MAGI is \$110,000, your maximum Roth IRA contribution for 2009 is \$4,000 (or, if less \$6,000 reduced by the amount of your Traditional IRA contribution). This amount is determined as follows: $[(\$120,000 \text{ minus } \$110,000) \text{ divided by } \$15,000] \text{ multiplied by } \$6,000$.

The MAGI levels described above at which the ability to make a contribution begin to phase out are for 2009; they are indexed for inflation. The level at which a contribution cannot be made is \$10,000 (\$15,000 in the case of a single taxpayer) higher than level at which the phase-out begins.

MAGI generally is your (or your spouse's and your) adjusted gross income reported on your tax return but determined without taking into account (i.e. by adding back) the IRA deduction, student loan interest deduction, tuition and fees deduction, domestic production activities deduction, foreign earned income exclusion, foreign housing exclusion or deduction, exclusion for qualified savings bond interest and the exclusion for employer provided adoption benefits and subtracting certain income attributable to Roth IRA conversions and rollovers and certain minimum required distributions from IRAs.

Contribution limits are rounded up to nearest multiple of \$10. If your reduced contribution limit is more than \$0, but less than \$200, your limit is \$200.

C. Recontributions:

If you received qualified reservist, qualified hurricane, qualified disaster recovery assistance or qualified recovery assistance distributions, you may repay the distributions without regard to the general contribution rules.

D. Contribution Eligibility:

You are eligible to make a regular contribution to your Roth IRA, regardless of your age and regardless of whether you are a participant in a qualified retirement plan, if you have compensation and your MAGI is below the maximum threshold. Your Roth IRA contribution is not limited by your participation in a retirement plan, other than a Traditional IRA.

E. Nonforfeatability:

Your interest in your Roth IRA is nonforfeitable.

F. Eligible Custodians:

The Custodian of your Roth IRA must be a bank, savings and loan association, credit union, or a person or entity approved by the Secretary of the Treasury.

G. Commingling Assets:

The assets of your Roth IRA cannot be commingled with other property except in a common trust fund or common investment fund.

H. Life Insurance:

No portion of your Roth IRA may be invested in life insurance contracts.

I. Collectibles:

You may not invest the assets of your Roth IRA in collectibles (within the meaning of Code section 408(m)). A collectible is defined as any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or other tangible personal property specified by the IRS. However, specially minted United States gold and silver coins, and certain state-issued coins are permissible investments. Platinum coins and certain gold, silver, platinum or palladium bullion (as described in Code section 408(m)(3)) are also permitted as Roth IRA investments.

J. Beneficiary Payouts:

Your designated beneficiary is determined based on the beneficiary(ies) designated as of the date of your death who remains your beneficiary(ies) as of September 30 of the year following the year of your death. The entire amount remaining in your account will, at the election of your beneficiary(ies), either:

1. be distributed by December 31 of the year containing the fifth anniversary of your death, or
2. be distributed over the remaining life expectancy of your designated beneficiary(ies).

Your designated beneficiary(ies) must elect either option (1) or (2) by December 31 of the year following the year of your death. If no election is made, distribution will be calculated in accordance with option (2). In the case of distributions under option (2), distributions must commence by December 31 of the year following the year of your death. If your spouse is the designated beneficiary, distributions need not commence until December 31 of the year you would have attained age 70 ½, if later. If a beneficiary(ies) other than an individual or qualified trust as defined in the Regulations is named, you will be treated as having no designated beneficiary(ies) of your Roth IRA for purposes of determining the distribution period. If there is no designated beneficiary of your Roth IRA, the entire Roth IRA must be distributed by December 31 of the year containing the fifth anniversary of your death.

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

No minimum distributions are required for 2009.

Income Tax Consequences of Establishing a Roth IRA

A. Contributions Not Deducted:

No deduction is allowed for Roth IRA contributions, including transfers, rollovers and conversion contributions.

B. Contribution Deadline:

The deadline for making a Roth IRA contribution is your tax return due date (not including extensions). You may designate a contribution as a contribution for the preceding taxable year in a manner acceptable to us. For example, if you are a calendar year taxpayer, and you make your Roth IRA contribution on or before April 15, your contribution is considered to have been made for the previous tax year if you designate it as such.

C. Tax Credit for Contributions:

You may be able to claim a tax credit if you make eligible contributions to your Roth IRA. This credit may not exceed \$1,000 (\$2,000 if

filing jointly) in a given year. You may be eligible for this tax credit if you are:

- age 18 or older as of the close of the taxable year,
- not a dependent of another taxpayer, and
- not a full-time student.

The credit is based upon your adjusted gross income (as determined from your tax return with certain exclusions added back) and will range from 0 to 50% of eligible contributions. In order to determine the amount of your contributions, add all of the contributions made to your Traditional IRAs and Roth IRAs and your salary reduction contributions (such as those to a section 401(k) plan) and reduce these contributions by any distributions that you have taken during the testing period from any such plans. The testing period begins two years prior to the year for which the credit is sought and ends on the tax return due date (including extensions) for the year for which the credit is sought. For 2009, you may be able to claim the retirement savings contribution credit if your adjusted gross income as modified is not more than:

- \$55,500 if your filing status is married filing jointly,
- \$41,625 if your filing status is head of household, or
- \$27,750 if your filing status is single, married filing separately or qualifying widow(er).

Figure the credit on IRS Form 8880.

D. Tax-Deferred Earnings:

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

E. Taxation of Distributions:

The taxation of Roth IRA distributions depends on whether the distribution is a qualified distribution or a nonqualified distribution.

1. **Qualified Distributions:** Qualified distributions from your Roth IRA (both the contributions and earnings) are not included in your income. A qualified distribution is a distribution which is made after the expiration of the five-year period beginning January 1 of the first year for which you made a contribution to any Roth IRA (including a conversion from a Traditional IRA), and is made following your attainment of age 59 ½, on account of your disability or death, or if you qualify for a first-time homebuyer distribution. For example, if you opened a Roth IRA and made a contribution in 2008, the five-year period for determining whether a distribution is a qualified distribution is satisfied as of January 1, 2013. (A separate 5-year holding period applies when a Roth IRA has received a rollover contribution from a “designated Roth account.”) You can qualify for a first-time homebuyer distribution if you use the distribution to buy, build or rebuild a first home for yourself, your spouse, your or your spouse’s child or grandchild, or your or your spouse’s parent or other ancestor. There is a lifetime limit of \$10,000 on the amount of qualifying distributions that are exempt as a first-time homebuyer distribution. The distribution must be used to pay qualified acquisition costs within 120 days after the date of the distribution.

2. **Nonqualified Distributions:** If you receive a distribution that is not a qualified distribution, any earnings included in your distribution will be included in your gross income and, if you are under age 59 ½, may be subject to an early distribution penalty. When you take a distribution, the amounts you contributed annually to any Roth IRA account will be deemed to be removed first, followed by conversion and rollover contributions made to any Roth IRA on a first-in, first-out basis with contributions made in the same year aggregated. Take the taxable portion of a conversion or rollover (i.e., the portion that was taxed when the rollover or conversion occurred, see below) into account first and then the remaining portion. Take earnings on contributions into account last. Therefore,

you will not be deemed to have been distributed earnings until your withdrawals exceed the amount of your annual contributions and your conversion and rollover contributions. For purposes of these rules, do not treat rollover contributions from other Roth IRA as rollovers. Aggregate all of your Roth IRAs for purposes of these calculations. This is just a summary of the ordering rules; the ordering rules are complex. If you have any questions regarding the taxation of distributions from your Roth IRA, please see a tax adviser.

F. Required Minimum Distribution:

You are not required to take distributions from your Roth IRA at age 70 ½ (as required for Traditional and SIMPLE IRAs). However, your beneficiary(ies) is generally required to take distributions from your Roth IRA after your death. See the section entitled Beneficiary Payouts in this Disclosure Statement.

G. Rollovers and Conversions:

Your Roth IRA may be rolled over to another Roth IRA of yours, may receive rollover contributions or may receive conversion contributions, provided that all of the applicable rollover or conversion rules are followed. Rollover is a term used to describe a tax-favored movement of cash or other property to your Roth IRA from another Roth IRA or an employer plan. Conversion is a term used to describe the movement of Traditional IRA or SIMPLE IRA assets to a Roth IRA. Conversions and rollovers to a Roth IRA (other than rollovers from one Roth IRA to another one) are generally taxable events. The rollover and conversion rules are generally summarized below. These transactions are often complex. If you have any questions regarding a rollover or conversion, please see a tax adviser. Some of the rules relating to rollovers and conversions will change beginning in 2010.

1. **Roth IRA to Roth IRA Rollovers:** Funds distributed from your Roth IRA may be rolled over to a Roth IRA of yours if the requirements of Code section 408(d)(3) are met. A proper Roth IRA to Roth IRA rollover is completed if all or part of the distribution is rolled over not later than 60 days after the distribution is received. You may not have completed another Roth IRA to Roth IRA rollover from the distributing Roth IRA during the 12 months before the date you receive the distribution. Further, you may roll over the same dollars or assets only once every 12 months.
2. **No Other Rollovers from IRAs:** Amounts may not be rolled over from a Roth IRA into a Traditional IRA or a retirement plan.
3. **Traditional IRA to Roth IRA Conversions:** You may convert all or any portion of your existing Traditional IRA(s) (including a SEP IRA) into your Roth IRA(s). Income limitations (described below) apply to conversions in 2009. If you are age 70 ½ or older you must remove your required minimum distribution (or leave it in the Traditional IRA for timely distribution) before converting your Traditional IRA. The amount of the conversion from your Traditional IRA to your Roth IRA is treated as a distribution for income tax purposes and is includible in your gross income. (except for any nondeductible contributions that are transferred). Although the conversion amount is generally included in income, the 10% early distribution penalty does not apply to conversions from a Traditional IRA to a Roth IRA, regardless of whether you qualify for any exceptions to the 10% penalty. You can convert amounts from a Traditional IRA to a Roth IRA in three ways. First, you can receive a distribution from the Traditional IRA and roll it over (contribute it) to a Roth IRA within 60 days of the distribution. Second, you can direct the custodian or trustee of the Traditional IRA to transfer an amount from the Traditional IRA to the trustee or custodian of the Roth IRA. Third, if the trustee or custodian of the Traditional IRA also maintains the Roth IRA, you can direct the trustee or custodian to transfer an amount from the Traditional IRA to the Roth IRA.
4. **SIMPLE IRA to Roth IRA Conversions:** You may convert all or any portion of your existing savings incentive match plan for

employees of small employers (SIMPLE) IRA(s) into your Roth IRA(s) under the same rules that apply to Traditional IRA conversions provided two years have passed since you first participated in a SIMPLE IRA plan sponsored by your employer.

5. **Rollover from Employer's Plan:** You can roll over into a Roth IRA all or part of an eligible rollover distribution that you receive from your (or your deceased spouse's) employer's qualified pension, profit-sharing or stock bonus plan (including a 401(k) plan), annuity plan, tax-sheltered annuity plan or governmental deferred compensation plan. Any amount rolled over is subject to the rules that apply for converting a Traditional IRA into a Roth IRA (including the income limitations described below and the waiver of the 10% penalty on early withdrawals) and the rules applicable to rollovers from the plan from which the rollover is made. When you make a rollover, you must include in income the amount that you would have had to include in income if the amount rolled over had been distributed to you. You may make a rollover contribution by receiving a distribution and contributing it to a Roth IRA within 60 days of the distribution. In such case, the payer generally must withhold taxes. Your employer's qualified plan must give you the option to have any part of an eligible rollover distribution paid directly to the Roth IRA, in which case no tax is withheld.
6. **Special Rollover Rules:** The Code includes rules for certain special "rollovers."

Military Death Gratuity or SGLI Payment: If you received a military death gratuity or Servicemembers' Group Life Insurance payment with respect to a death from injury that occurred after October 6, 2001, you may be able to roll over some or all of that amount to your Roth IRA. The rollover must be completed before (i) the end of the 1-year period beginning on the date you received the payment, or, (ii) if later, June 17, 2009. The amount contributed is treated as part of your cost basis in the account.

ExxonValdez Settlement: If you received qualified settlement income in connection with the Exxon Valdez litigation, you may be able to roll over part or all of the amount received into your Roth IRA. The qualified settlement income is included in your income in the year received.

Airline Payments: If you are a qualified airline employee, you may contribute a portion of an airline payment paid to you by a commercial passenger airline carrier under a Federal bankruptcy court order to your Roth IRA. The contribution must be made within 180 days of receipt or before June 23, 2009, whichever is later. The amount received from the airline is included in income to the same extent that it would be if it were not rolled into a Roth IRA.

For additional information about these special rollovers, see IRS Publication 590 and consult with your tax adviser.

7. **Income Limitations and Income Recognition:** You may not convert a Traditional IRA to a Roth IRA or rollover amounts from a retirement plan to a Roth IRA in 2009 if your MAGI is greater than \$100,000 or if you are married and filing a separate income tax return (unless you have lived apart for the entire year). Consult your tax adviser if you have a rollover or conversion that begins in 2009 and ends in 2010. You generally recognize income that is attributable to a rollover or conversion in the year the rollover or conversion begins. A special rule applies to 2010 rollovers; unless you elect otherwise, you will recognize half of the income associated with the rollover in 2011 and half in 2012. Special rules apply to distributions from Roth IRAs during periods in which deferred income is recognized (e.g., 2010 through 2012 in the case of rollovers in 2010).
8. **Failed Conversion or Rollover:** We are not responsible for determining whether you are eligible to make a rollover or conversion. If when you converted amount from a Traditional IRA or SIMPLE IRA into a Roth IRA or rolled amounts from a qualified retirement

plan into a Roth IRA, you expected to have MAGI of \$100,000 or less and a filing status other than married filed separately, but your expectations did not come through, you have made a failed conversion or rollover. If the contribution is not recharacterized (see below), the contribution will be treated as a regular contribution to the Roth IRA and be subject to the 6% excise tax on excess contributions. The 10% additional tax on early distributions from the Traditional IRA, SIMPLE IRA or retirement plan may apply.

9. Early Distributions of Amounts Attributable to Rollovers and Conversions: If you receive distributions of amounts allocable to certain rollovers or conversions within five years of the rollover or contribution and you are not age 59 ½ and do not qualify for some other exception, you may be subject to a 10% penalty on earnings and taxable amounts (amounts on which tax was paid at the time of the rollover or contribution) withdrawn. This penalty is intended to prevent you from using a Roth IRA to avoid the early distribution penalties applicable to early distributions from Roth IRAs and certain retirement plans.

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

H. Transfer Due to Divorce:

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

I. Recharacterizations:

If you make a contribution to a Traditional IRA and later recharacterize either all or a portion of the original contribution to a Roth IRA along with net income attributable, you may elect to treat the original contribution as having been made to the Roth IRA. The same methodology applies when recharacterizing a contribution from a Roth IRA to a Traditional IRA. If you have converted from a Traditional IRA to a Roth IRA you may recharacterize the conversion along with net income attributable back to the Traditional IRA. The deadline for completing a recharacterization is your tax filing deadline (including any extensions), for the year for which the original contribution was made or conversion completed.

Other Tax Rules

A. Gift Tax:

Transfers of your Roth IRA assets to a beneficiary made during your life and at your request may be subject to federal gift tax under Code section 2501.

B. Special Tax Treatment:

Capital gains treatment and 10-year forward income averaging authorized by Code section 402 do not apply to Roth IRA distributions.

C. Income Tax Withholding:

Any nonqualified withdrawal of earnings from your Roth IRA may be subject to federal income tax withholding. You may, however, elect not to have withholding apply to your Roth IRA withdrawal. If withholding is applied to your withdrawal, not less than 10% of the amount withdrawn must be withheld.

D. Prohibited Transactions:

If you or your beneficiary engages in a prohibited transaction with your Roth IRA, as described in Code section 4975, your IRA generally will lose its tax-deferred status as of the first day of the year of the prohibited transaction and the balance of the account will

be treated as distributed to you and you will have taxable gain to the extent that the amount distributed exceeds your basis (generally undistributed nondeductible contributions) in the account. The distribution may also be subject to additional taxes or penalties.

If your fiduciary or a member of your family (i.e., your spouse, ancestor, lineal descendant, or spouse of a lineal descendant) engages in a prohibited transaction, that person may be liable for certain penalty taxes. In general, there is a 15% tax on the amount of the prohibited transaction and a 100% additional tax if the transaction is not corrected.

The following transactions are examples of prohibited transactions with your Roth IRA: (1) taking a loan from your Roth IRA; (2) buying property for personal use (present or future) with Roth IRA funds; or (3) receiving certain bonuses or premiums because of your Roth IRA.

F. Pledging:

If you pledge any portion of your Roth IRA as collateral for a loan, the amount so pledged will be treated as a distribution, and may be included in your gross income for the taxable year in which you pledge the assets to the extent it represents earnings.

Federal Tax Penalties

A. Early Distribution Penalties:

If you are under age 59 ½ and receive a nonqualified Roth IRA distribution, an additional tax of 10% will generally apply to the amount includible in income in the year of the distribution. If you are over age 59 ½ and receive a distribution of conversion amounts or amounts rolled over from a retirement plan within the five-year period beginning with the year in which the conversion or rollover occurred, an additional tax of 10% will generally apply to the amount of the distribution that was includible in income upon the conversion or rollover. These additional 10% taxes will generally not apply if a distribution is made on account of 1) death, 2) disability, 3) a qualifying rollover, 4) the timely withdrawal of an excess contribution, 5) a series of substantially equal periodic payments (at least annual payments) made over your life expectancy or the joint life expectancy of you and your beneficiary, 6) medical expenses which exceed 7.5% of your adjusted gross income, 7) health insurance payments if you are separated from employment and have received unemployment compensation under a federal or state program for at least 12 weeks, 8) certain qualified education expenses, 9) first-home purchases (up to a lifetime maximum of \$10,000), or 10) a levy issued by the IRS.

B. Excess Contribution Penalty:

An additional tax of 6% is imposed upon any excess contribution you make to your Roth IRA. This additional tax will apply each year in which an excess remains in your Roth IRA. An excess contribution is any amount that is contributed to your Roth IRA that exceeds the amount that you are eligible to contribute. For purposes of determining excess contributions, any contribution that is withdrawn on or before the date due date (including extensions) for filing your tax return for the year is treated as not contributed, but only if you also withdraw the earnings on such contributions.

C. Excess Accumulation Penalty:

As previously described, your beneficiary(ies) is generally required to take certain required minimum distributions after your death. An additional tax of 50% is imposed on the amount of the required minimum distribution which should have been taken but was not.

D. Penalty Reporting:

You must file IRS Form 5329 along with your income tax return to the IRS to report and remit any additional taxes.

Other

A. IRS Plan Approval:

The Agreement used to establish this Roth IRA was based on a model approved by the IRS, but was modified to reflect changes in

law after the IRS approved the model. The IRS has not approved the agreement used to establish your Roth IRA. An 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:

You may obtain further information on Roth IRAs from your District Office of the IRS. You may wish to obtain IRS Publication 590, Individual Retirement Arrangements by calling 1-800-TAX-FORM or by visiting www.irs.gov on the Internet.

Tax Advice

The description of tax considerations contained in this Roth IRA Disclosure Statement is intended to be a summary of the federal tax provisions that are most pertinent to most individuals who are considering investing in Roth IRAs with College Savings Bank as custodian. It does not cover all federal tax issues and does not cover state tax consequences or other matters that may be relevant to you. The summary may not contain all of the details necessary for you to determine the specific tax consequences of a conversion, rollover, distribution, failure to take a distribution, or other transaction or action relating to your Roth IRA.

Be advised that state tax consequences vary from state to state and may not be consistent with federal income tax consequences. Consult your tax adviser about state and federal income tax consequences and planning opportunities before opening an Account.

Investment Performance and Financial Disclosure

You may direct the investment of your funds within this IRA into any investment instrument offered by or through the Custodian. The Custodian will not exercise any investment direction regarding your IRA, as this is solely your responsibility.

The Custodian will provide you with a Disclosure Statement describing the investment instrument in which your Roth IRA is invested. That Disclosure Statement is part of the disclosure required by Regulations for IRA investments.

The value of your IRA will be solely dependent upon the performance of any investment instrument chosen by you to fund your IRA. Recent and historical rates of return may not be indicative of future rates of return and cannot be used to predict rates of return for future interest periods. The method for computing and allocating annual interest earnings on your investments will vary with the nature of the investment chosen. Please refer to the Disclosure Statement for your investment for the methods used in computing and allocating annual earnings and a disclosure of specific fees and charges, if any.

Please note that some of the investments offered by the Custodian are not fully liquid and that there may be penalties or charges for early redemption of investments.

Read the Terms and Conditions carefully before you invest or send money.

**Coverdell Education Savings Account (ESA) Custodial Agreement
and
Coverdell Education Savings Account Disclosure Statement**

Coverdell Education Savings Account (ESA) Custodial Agreement

Read and retain for your records

The Depositor whose name appears on the Application is establishing a Coverdell Education Savings Account under section 530 of the Internal Revenue Code for the benefit of the Designated Beneficiary whose name appears on the Application exclusively to pay for the qualified elementary and secondary education expenses and qualified higher education expenses, as such terms are defined in 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 if the Designated Beneficiary has not attained the age of 18 as of the date such contributions are made or if the Designated Beneficiary is a Special Needs Beneficiary. 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) or otherwise expressly permitted by the Code 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 (MAGI) of \$95,000 and \$110,000. For married individuals filing jointly, the phase-out occurs between MAGI of \$190,000 and \$220,000. MAGI 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 unless the Designated Beneficiary is a Special Needs Beneficiary.
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 amount, 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 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 Section 10.04 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 the 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 provisions of this agreement that are 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 in accordance with Section 10.06.

Article X

10.01. Notices And Change Of Address: Any required notice regarding this Coverdell ESA will be considered effective when the Custodian mails it to the last address of the intended recipient which 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 represents and warrants to the Custodian that any information the Depositor has given or will give the Custodian with respect to this agreement is complete and accurate. The Custodian shall be permitted to assume and act as if any information that the Responsible Individual provides pursuant to this agreement is complete and accurate and any instructions that the Responsible Individual gives are proper. Further, the Depositor agrees that any directions he or she gives the Custodian or action he or she takes will be proper under this agreement. The Custodian is entitled to rely upon any such information or directions without checking with Designated Beneficiary or any other party. Without limiting the foregoing, the Custodian shall 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 shall not be responsible for losses of any kind that may result from the Depositor's or Responsible Individual's directions to it or the Depositor's or 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 person's directions, actions or failures to act. The Custodian has no

duty to determine whether the contributions or distributions with respect to this Coverdell ESA comply with the Code, regulations, rulings or this agreement and shall not be responsible for any penalties, taxes, judgments or expenses of the Designated Beneficiary or any Depositor to this Coverdell ESA.

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.

10.03. Service Fees: The Custodian has the right to charge an annual service fee or other designated fees (for example, 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 incurred in connection with the administration of this Coverdell ESA from the assets in this Coverdell ESA at the Custodian's discretion. The Custodian reserves the right to charge any additional fee upon 30 days notice to the Responsible Individual that the fee will be effective.

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.

Our financial institution may impose certain fees in connection with your Coverdell ESA. Such fees are separate and distinct from any fees that we may charge you.

10.04. Beneficiary(ies):

1. 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 Family Member of the existing Designated Beneficiary. This designation can only be made on a form prescribed by the Custodian.
2. The Depositor may name one or more person or entity as death beneficiary of this Coverdell ESA. This designation can only be made on a form prescribed by 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 ones unless the beneficiary designation specifies otherwise. The consent of a death beneficiary shall not be required in order to revoke a death beneficiary designation. If a death beneficiary is not designated with respect to this Coverdell ESA, the Designated Beneficiary's estate will be the death beneficiary. If more than one primary death beneficiary is named, the Custodian will assume that distributions to primary death beneficiaries will be in equal shares unless the Depositor notifies us differently.

10.05. Termination: 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 mailing 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 mails 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 shall 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 hold back from the Coverdell ESA a reasonable amount of money that it believes is necessary to cover any one or more of the following:

- any fees, expenses or taxes chargeable against the Coverdell ESA;
- any penalties associated with the early withdrawal of any savings instrument or other investment in the Coverdell ESA.

If the Custodian is merged with another organization (or comes under the control of any Federal or State agency) or if the entire organization (or any portion which includes the Coverdell ESA) is bought by another organization, that organization (or agency) shall automatically become the trustee or custodian of the Coverdell ESA, but only if it is the type of organization authorized to serve as a Coverdell ESA trustee or custodian.

If the Custodian is required to comply with section 1.408-2(e) of the Treasury Regulations 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, after notifying the Responsible Individual or the Designated Beneficiary, require that a substitute trustee or custodian be appointed.

10.06. Amendments: The Custodian shall have the right to amend this agreement at any time. Any amendment the Custodian makes to comply with the Code and related regulations does not require the consent of either the Responsible Individual or the Depositor. Notwithstanding anything in this agreement to the contrary, other amendments may be made with the consent of the Responsible Individual. The Responsible Individual will be deemed to have consented to any other amendment unless, within 30 days from the date the Custodian mails the amendment, the Responsible Individual notifies the Custodian in writing that the Responsible Individual does not consent.

10.07. Transfers From Other Plans: The Custodian can receive amounts transferred or rolled over to the Coverdell ESA from the custodian or trustee of another Coverdell ESA. All rollover and transfer contributions must be made in cash. The custodian will not accept in-kind contributions (other than at the discretion of the Custodian investments held through the Custodian) and reserves the right not to accept a transfer or rollover.

10.08. Special Contribution: The Custodian may accept special contributions (including special contributions labeled as "rollovers") to the extent expressly permitted from time to time by provisions of Federal tax law applicable to Coverdell ESAs.

10.09. 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 or taxes 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.

10.10. Restrictions On The Fund: The Responsible Individual, the Designated Beneficiary (or anyone acting on behalf of the Designated Beneficiary), the Depositor and any contributor may not 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 shall not be available to satisfy the debts, contractual obligations or the liabilities of the Responsible Individual, the Designated Beneficiary, the Depositor or any person entitled to distributions under this agreement.

10.11. 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

New Jersey, the Custodian's domicile, shall govern.

10.12. Excess Contributions: The Designated Beneficiary is responsible for any taxes, penalties, fees or any other charges associated with excess contributions to the Coverdell ESA.

10.13. Payroll Deductions: Subject to approval by the Custodian, the Depositor may choose to have contributions to the Coverdell ESA made through payroll deduction if the Coverdell ESA is maintained as part of a program sponsored by his/her employer. To establish payroll deductions, the Depositor must authorize his/her employer to deduct a fixed amount from each pay period's salary up to a total amount of \$2,000 per year. The payroll deduction authorization shall continue in force until such time as the Depositor provides the Custodian and employer with written amendment or revocation with reasonable advance notice.

10.14. Reports and Statements: The Custodian will send reports and statements to the Depositor (if the Depositor is alive and provides the Custodian with a current address) and the Responsible Individual. If a recipient of a report or statement does not object within sixty (60) days after the report or statement is sent, the report or statement will be considered approved. In such case, the approval shall release the Custodian from all responsibility for matters covered by the report or statement and the report or statement shall be as binding as if though it had been settled by a court's decree,

10.15. Our Responsibilities as Custodian: The Custodian will exercise reasonable care and prudence as custodian of this Coverdell ESA. However, the Custodian will not be liable for any losses sustained by this Coverdell ESA unless they are caused by gross negligence, bad faith or willful misconduct on the part of the Custodian. The Custodian may not engage in any transaction prohibited by section 4975. The Custodian has no responsibility for determining or advising the Depositor, Responsible Individual or Designated Beneficiary of any tax or other consequences of actions involving this Coverdell ESA. After any transfer or distribution from this Coverdell ESA, the Custodian has no further liability as to the amounts paid.

10.16. Controversies: In the event of any dispute or controversy as to the person or entity entitled to receive distribution from this Coverdell ESA, the Custodian may delay payment until the question is resolved by arbitration. The Custodian may apply to a court at any time for an arbitration of matters concerning this Coverdell ESA. In order to settle all controversies and other matters concerning this Coverdell ESA, the only persons that must be given the opportunity to participate in the proceedings are the Responsible Individual and the Designated Beneficiary or his or her legal representatives.

If there is a proceeding concerning this Coverdell ESA, whether it is begun by the Custodian or someone else, any expenses the Custodian incurs (including legal and accounting fees) must be paid by the Depositor or the Responsible Individual and may be deducted by the custodian from the balance in this Coverdell ESA.

10.17. Enforceability. If any part of this agreement is held to be illegal or invalid, the remaining parts shall 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 shall be construed as a waiver of such provisions, or the parties' right thereafter to enforce each and every such provision.

10.18. Definitions and References:

Code: The Code means the Internal Revenue Code as amended from time to time.

Custodian: The Custodian is College Savings Bank.

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.

Section: Lower case section references are to the Internal Revenue Code unless otherwise noted. Upper case section references are to sections of this Agreement unless otherwise noted.

Special Needs Beneficiary: A Special Needs Beneficiary is a designated beneficiary with special needs as determined under regulations of the Department of the Treasury when published.

Coverdell ESA Disclosure Statement

Introduction:

- A. A Coverdell ESA is a trust or custodial account created or organized in the United States for the purpose of saving to pay the qualified education expenses of the designated beneficiary of the account (the “Designated Beneficiary”). The account must be designated as a Coverdell ESA when created.
- B. This disclosure statement should be read along with the disclosure statements(s) prepared for the specific investments that are available.
- C. In this document, the term “you” refers to the Depositor and the terms “we” or “us” refer to College Savings Bank as Custodian.

Requirements of a Coverdell ESA

A. Cash Contributions:

Coverdell ESA contributions must be in cash.

B. Maximum Contribution:

There is no limit on the number of Coverdell ESAs that can be established for a Designated Beneficiary. The total amount that may be contributed to 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 contribution that you may make to a Coverdell ESA contribution that may be made by a Depositor is further limited if your modified adjusted gross income (MAGI) exceeds \$190,000 and you are a married individual filing jointly or \$95,000 for a single taxpayer. 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 if you are an individual. Corporations and trusts may also contribute to Coverdell ESAs. There is no requirement that their incomes be below certain levels. Consult your tax adviser about such contributions. In certain cases, they may be characterized as employment compensation or constructive dividends and contributions by the employee or shareholder.

If you are married filing jointly with MAGI between \$190,000 and \$220,000, the maximum Coverdell ESA contribution is determined as follows: (1) subtract your 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 your MAGI is \$205,000, the maximum Coverdell ESA contribution that you may make is \$1,000. This amount is determined as follows: [(\$220,000 minus \$205,000) divided by \$30,000] multiplied by \$2,000.

If you are a single tax filer with MAGI between \$95,000 and \$110,000, your 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 your MAGI is \$98,000, the maximum Coverdell ESA contribution that you may make 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 you may make is not limited by your contributions 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 you 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 a Coverdell ESA must be a bank, savings and loan association, credit union, or person approved by the Secretary of the Treasury.

D. Commingling Assets:

The assets of a Coverdell ESA cannot be commingled with other property except in a common trust fund or common investment fund.

E. Life Insurance:

No portion of a Coverdell ESA may be invested in life insurance contracts.

F. Collectibles:

The assets of a 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 bullion 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 a 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 on the earnings distributed and an additional 10% 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 must 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.

H. Responsible Individual:

The Responsible Individual is generally the parent or guardian of the Designated Beneficiary. However, the Custodian 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 change the Designated Beneficiary to another member of the Designated Beneficiary’s family. The Responsible Individual will receive a copy of the plan agreement and disclosure statement. The Responsible Individual may:

1. Direct the Custodian regarding the investment of contributions and redirect the investment of the initial contribution.
2. Direct the Custodian regarding the administration, management and distribution of the account, unless the plan agreement indicates otherwise.
3. Name a successor Responsible Individual if the need arises.
4. Notify the Custodian of any address change for the individuals identified on the plan agreement.
5. Remove excess contributions made to the Coverdell ESA.

Income Tax Consequences of a Coverdell ESA

A. Contributions Not Deducted:

You may not deduct a regular, rollover or transfer contribution to a Coverdell ESA.

B. 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.

C. 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 - Distributions from a Coverdell ESA in a year are exempt from federal income tax if they are more than or equal to the “qualified higher education expenses” and “qualified elementary and secondary education expenses” of the Designated Beneficiary during the taxable year.

“Qualified elementary and secondary education expenses” include expenses for tuition, fees, books, supplies, academic tutoring, special needs services, and other equipment which are incurred in connection with the enrollment of the Designated Beneficiary as an elementary or secondary school student at a public, private or religious school. The term also includes expenses for room and board, uniforms, transportation and supplemental items and services (including extended day programs) that are required or provided by a public, private or religious school in connection with the enrollment or attendance and expenses for computer technology or equipment, Internet access or related services if such technology, equipment or services are to be used by the Designated Beneficiary or the Designated Beneficiary’s family during any of the years the beneficiary is in school.

“Qualified higher education expenses” include expenses for tuition, fees, books, supplies and equipment required for the enrollment or attendance of the Designated Beneficiary at an “eligible educational institution.” Qualified higher education expenses also include reasonable expenses for room and board for Designated Beneficiaries who are at least half-time students at eligible educational institutions. Room and board expenses cannot exceed the allowance for room and board included in the cost of attendance under the Higher Education Act of 1965 as determined by the eligible educational institution or, if greater, the actual amount invoiced for room and board for residing in housing owned or operated by the eligible educational institution. Expenses for special needs services needed by a Special Needs Beneficiary incurred in connection with enrollment or attendance at an eligible educational institution are qualified higher education expenses.

An eligible education institution is any college, university, vocational school or other postsecondary educational institution eligible to participate in a student aid program administered by the U.S. Department of Education. Almost all accredited public, nonprofit and proprietary postsecondary institutions are eligible. A college, university or other postsecondary school should be able to tell you if it is eligible.

Qualified education expenses may also include amounts contributed to a qualified tuition program (i.e., a program described in section 529 of the Code and sometimes referred to as a “section 529 plan”) account of which the Designated Beneficiary is the designated beneficiary.

2. Nonqualifying Distributions - If amounts are withdrawn from a Coverdell ESA in excess of the qualified education expenses for the same year, the Designated Beneficiary will be required to include in income the portion of such excess distribution that is considered earnings. The portion of an excess distribution that is considered earnings is determined as follows:

- a. Multiply the total amount of the excess distribution in the applicable year by a fraction, the numerator of which is the basis (undistributed contributions) at the end of the preceding year plus total contributions for the applicable year and the denominator of which is the value or balance of the account at the end of the applicable year plus the amount distributed in the applicable year.
- b. Subtract the amount figured in (a) from the amount of the excess distribution.

In the case of most nonqualified distributions, the taxable portion of a Coverdell ESA distribution is also subject to an additional

10% tax. There are several exceptions to the 10% tax, including distributions:

- 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. Attributable to the Designated Beneficiary being disabled;
 - c. Made on account of a qualified scholarship, an educational assistance allowance or another educational assistance payment that is excluded from income (other than by reason of being a gift received by the Designated Beneficiary), but only to the extent the distribution is not more than the amount of the scholarship, allowance or excludable payment;
 - d. Made on account of the attendance of the Designated Beneficiary at the United States Military, Naval, Air Force, Coast Guard or Merchant Marine Academy (but only to the extent the distribution does not exceed the costs of advanced education attributable to such attendance); and
 - e. To the Designated Beneficiary in a distribution to cover expenses taken into account in determining the Hope or Lifetime Learning Credit.
 - f. To the Designated Beneficiary to eliminate excess contributions before the end of the sixth month following the year to which the excess contributions relate.
3. Hope or Lifetime Learning Credits - The Hope Credit or the Lifetime Learning Credit may be claimed on a 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 Hope Credit or Lifetime Learning Credit. A distribution that covers the same expenses is not subject to the 10% penalty tax.
4. Interaction with Other Education Savings Incentives – If the Designated Beneficiary is a designated beneficiary of a qualified tuition program (i.e., section 529 plan) account and the total distributions from such accounts and the Designated Beneficiary’s Coverdell ESAs during a taxable year exceed the qualified education expenses (reduced by amounts taken into account for the Hope and Lifetime Learning credits), the expenses must be allocated among the distributions for purposes of determining whether a portion of a distribution is taxable.

If qualified education expenses are taken into account in determining the amount excluded from income, no other federal income tax deduction, credit, or exclusion can be claimed with respect to such expenses.

D. Rollovers:

Coverdell ESA amounts may be rolled over to another Coverdell ESA of the same Designated Beneficiary or that of a qualified family member if 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. If you have any questions regarding a rollover, please see a tax adviser.

Funds 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. A proper Coverdell ESA to Coverdell ESA rollover is completed if all or part of a distribution is rolled over not later than 60 days after the distribution is received. The Responsible Individual may not have completed another rollover from the distributing Coverdell ESA during the 12-months preceding the date the distribution was received. Further, the same dollars or assets may be included in only one qualified rollover in any 12 month period.

“Qualified family members” of the Designated Beneficiary include the Designated Beneficiary’s spouse, child, grandchild, sister, brother, 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 of the Designated Beneficiary, but not his or her spouse, is also considered a qualified family member. A qualified family member must be under the age of 30 unless he or she is a special needs beneficiary.

In addition to the regular rollover rules, a contribution to a Coverdell ESA of all or a portion of the amount received as a military death gratuity within one year of receipt is treated as a rollover (i.e., essentially as a permitted special contribution). The contribution is not treated as a rollover for purposes of the one-in-12-months limitation on rollovers. The amount of a military gratuity eligible for "rollover" is reduced by the portion of the gratuity contributed to a Roth IRA.

E. Change of Designated Beneficiary:

A change in the designated beneficiary of a Coverdell ESA is not treated as a distribution if the new designated beneficiary is a qualified family member of the old and is under 30 or a special needs beneficiary.

F. Carryback Contributions:

A contribution is deemed to have been made on the last day of the preceding taxable year if it is made by the deadline for filing your income tax return (not including extensions) and you designate that contribution as a contribution for the preceding taxable year. For example, if you are a calendar year filer and make a Coverdell ESA contribution on or before April 15, the contribution is considered to have been made for the previous tax year if you designate it as such.

G. Special Needs Beneficiary:

A Special Needs Beneficiary is designated beneficiary with "special needs" as determined under regulations promulgated by the Department of the Treasury. Regulations had not been published at the time of printing this disclosure statement.

H. State Tax Consequences:

State tax consequences vary from state to state and may not be consistent with federal income tax consequences. Consult your tax adviser about state and federal income tax consequences and planning opportunities before opening a Coverdell ESA.

I. Transfer Because of Divorce:

If a spouse or former spouse receives a Coverdell ESA under a divorce or separation instrument, the transfer is not taxable.

J. Losses:

A Designated Beneficiary may be able to claim a loss on a Coverdell ESA. The loss is recognized when all amounts have been distributed from an account and the total distributions are less than unrecovered basis (i.e., generally the total contributions to the account). Consult your tax adviser on how to report a loss.

K. Sunset:

Some of the provisions of tax law relating to Coverdell ESAs sunset at the end of 2010 unless they are renewed by legislation. These include provisions allowing for tax-free distributions to pay elementary and secondary school expenses and the six-month period following the end of a year to correct excess contributions.

Limitations and Other Tax Consequences

A. Prohibited Transactions:

If the Designated Beneficiary engages in a prohibited transaction with the Coverdell ESA as described in section 4975 of the Internal Revenue Code, the Coverdell ESA will lose its tax-exempt status and the Designated Beneficiary must generally include the value of the earnings in his or her account in his or her gross income for the year. Prohibited transactions include transactions between an account and a disqualified person (e.g., the Designated Beneficiary).

B. Pledging:

If you, the Responsible Individual, or the Designated Beneficiary

pledges any portion of a 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.

C. Estate and Gift Tax:

Contributions to a Coverdell ESA for a Designated Beneficiary are treated as gifts of present interests to the Designated Beneficiary. Accordingly, the annual \$13,000 gift tax exclusion applies to the contributions. The Code permits each donor to give \$13,000 per year to any donee without subjecting the gifts to gift tax. If spouse elect to split gifts, they can give up to \$26,000 per year to a donee without subjecting the gifts to gift tax. The \$13,000 and \$26,000 figures are indexed for inflation. Gifts in excess of the limit use up part of the donor's lifetime gift tax credit and are taxed if the remaining credit has been reduced to zero.

If a Designated Beneficiary dies, the value of the Designated Beneficiary's Coverdell ESAs is included in the Designated Beneficiary's estate for purposes of calculating the estate and generation skipping transfer taxes.

Distributions from a Coverdell ESA are not treated as taxable gifts.

A change in a Designated Beneficiary by rollover or by changing the Designated Beneficiary of an account may constitute a gift for gift and generation skipping transfer tax purposes if the new designated beneficiary is of a lower generation than the old Designated Beneficiary. For example, if the Designated Beneficiary is changed from the Responsible Individual's 27-year old daughter to the daughter's son, the change is a transfer for purposes of the gift tax. Consult with your tax adviser.

D. Federal Tax Withholdings:

A withdrawal from the Coverdell ESA is not subject to federal income tax withholding.

Federal Tax Penalties

A. Excess Contribution Penalty:

An excise tax of 6% is imposed on the Designated Beneficiary on any excess contribution that remains in a Coverdell ESA at the end of a year. This tax will apply each year in which an excess remains in the Coverdell ESA. An excess contribution is any contribution (other than a rollover or direct transfer) that exceeds the contribution limit of \$2,000 per Designated Beneficiary per year or the contribution limit with respect to any contributor to the Coverdell ESA. Excess contributions also include excess contributions from prior years that have not been removed or applied as contributions for later years. Excess contributions and any earnings on the contributions should be removed by the Responsible Individual and made payable to the Designated Beneficiary. The tax is not payable if the excess contribution and earnings thereon are removed by the first day of the sixth month following the end of the tax year. The distributed earnings are included in income.

B. Penalty Reporting:

The Designated Beneficiary must file form 5329 with the Internal Revenue Service to report and remit any penalties for excise taxes.

Other

A. IRS Plan Approval:

The agreement used to establish this Coverdell ESA has been modeled on a plan by the IRS, but the agreement has not been approved by the IRS. An 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:

You may obtain further information on Coverdell ESAs from your District Office of the IRS. You may wish to obtain IRS Publica-

tion 970, Tax Benefits For Higher Education, by calling 800-TAX-FORM, or by visiting www.irs.gov on the Internet.

C. Application of Law Uncertain:

The tax law applicable to Coverdell ESAs is not clear in all respects. The IRS may not agree with all the interpretations of tax law included in this disclosure statement.

Investment Performance and Financial Disclosure

A. Investment Options and Performance:

The Responsible Individual may direct the investment of funds within this Coverdell ESA into any investment instrument offered by or through the Custodian. The Custodian will not exercise any investment direction regarding a Coverdell ESA, as this is solely the responsibility of the Responsible Individual.

The value of a Coverdell ESA will be solely dependent upon the performance of any investment instrument chosen. Please see the disclosure statement for the investment selected. Recent and historical rates of return relating to college inflation, interest rates and other investments may not be indicative of future rates of return and cannot be used to predict rates of return for future interest periods. Therefore, no projection of the growth of your Coverdell ESA can reasonably be shown or guaranteed. The method for computing and allocating annual interest earnings on investments will vary with the nature of the investment chosen.

Please refer to the Disclosure Statement for your investment for the methods used in computing and allocating annual earnings and a disclosure of specific fees and charges, if any.

Please note that some of the investments offered by the Custodian are not fully liquid and that there may be penalties or charges for early redemption of investments.

Read the Terms and Conditions carefully before you invest or send money.

Tax Advice

The discussions of tax law contained in this Coverdell Education Savings Account (ESA) Disclosure Statement were not intended or written by College Savings Bank or its lawyers or advisers to be used, and the tax discussions cannot be used, by you, for the purpose of avoiding penalties that may be imposed on you by the Internal Revenue Service. The discussions of tax law were written to support the promotion or marketing of the Coverdell ESA by College Savings Bank. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax adviser.

Please be advised that state tax consequences vary from state to state and may not be consistent with federal tax consequences. Consult your tax adviser about state and federal tax consequences and planning opportunities before opening or changing beneficiaries of an ESA.

The combination of tax benefits, low deposit amounts and investment options make College Savings Bank a smart, safe and effective way to save!

All Depositors Receive

- Account Assistance: Available Monday through Friday between 7 a.m. and 4 p.m. Mountain Time (9 a.m. - 6 p.m. Eastern Time) by calling toll free 800-888-2723 or sending an e-mail to info@collegesavings.com. Our advisers are at your service to answer any questions and help structure your account in a way that's best for you.
- Convenient Recordkeeping: Managing your account is easy. For each CD deposit, you'll receive a confirmation notice for your records.
- Statements: All depositors receive a comprehensive account statement annually showing ending account balances and all contributions, distributions and earnings that occurred during the year. Depending upon your deposit method and the investments you select, you may also receive quarterly statements.
- CollegeSure Newsletter: At least twice a year you'll receive a complimentary CollegeSure Newsletter. It is designed to help you make the most of your account and keep you apprised of current issues regarding saving for your family's future.

*Please visit our website at, www.collegesavings.com,
for additional information!*

College Savings Bank was founded in 1987 to meet the education funding needs of parents. As the exclusive provider of both the CollegeSure CD and InvestorSure CD, the Bank is solely dedicated to helping families save for higher education and now, retirement.

As a member of the Federal Deposit Insurance Corporation, all deposits at the Bank are insured by the FDIC up to \$250,000* per depositor. At College Savings Bank we believe our first priority is to preserve investor assets, therefore protect a family's future. Our certificates of deposit guarantee principal at maturity, and market conditions cannot affect the pledge we make to our families.

Through over 20-years of business, College Savings Bank has helped more than 25,000 families save for higher education, and everyone at the Bank shares in a common goal — “help parents afford to see their children graduate from the higher education institution of their choice while also planning for a comfortable retirement.”



*FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2013.

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