

# Customer Agreement

This Customer Agreement ("Agreement"), and the Exhibits attached to it, describes how we will handle your account and trades. It's a legal document that sets out our obligations to you and your obligations to us. It covers how we agree to address the most important issues that may arise between you and us. Like an owner's manual, this Agreement explains how key features of our service work. Reading it now will save you from misunderstandings and allow you to enjoy the full benefits of what we offer.

By selecting I Agree to this Agreement during the account opening process, you agree to this Agreement as amended by us from time to time. By using our services, you also agree to any other online agreements of ours, including any changes we make to any of our agreements including this Agreement (individually an "Agreement", and collectively "Agreements"). You agree that the Agreements are the legal equivalent of signed, written contracts, and equally binding.

"You" and "your" in this Agreement refers to the brokerage customer, which includes individuals, corporations, partnerships, investment clubs, and other entities. "We" or "us" refers to Folio Investments, Inc. "Person" refers to a natural person or, in context, a corporation, partnership, trust or other entity. "Authorized person" refers to another person, if any, who you authorize to take action on your account with us, including to establish an account for you and to sign and deliver all required documents to us on your behalf, including any other brokerage firm or "advisor" that you may have. "Advisor" means a financial advisor or registered representative, if any, with whom you have a separate agreement to manage and control your financial assets. Throughout this Agreement, any and all references to "signing" or "typing" your name to this or any other agreement includes selecting or checking "I Agree" or signing your name in electronic form or by an online device.

## Important Information about Procedures for Opening Your Account

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. Accordingly, when you open an account with us we will require your name, address, date of birth, taxpayer identification number, and other information to allow us to identify you. A copy of your driver's license or other identifying documents may also be required. To the extent any information provided to us changes, you are required to notify us promptly so that we can update our records.

## Certifications You Make in This Agreement

- You are, and any Authorized natural person is, at least 18 years of age, a permanent resident of the United States and using a valid social security number or taxpayer ID number.
- You have read and agree to all terms and conditions in this Agreement and any other agreement presented to you as part of the account opening process or in connection with managing your account.
- You have truthfully and fully answered all questions requiring a response and completed all tasks required for opening an account and using our services.
- You are opening an account for investment purposes and not to disable or disrupt our operations or to engage in any abusive, improper, or illegal activity and you agree not to take or engage in any such actions.

When you open an account with us, you agree:

- To provide truthful and accurate information, and to keep it current;
- To allow us to get credit reports and verify information you provide in your account application;
- To settle all transactions in U.S. dollars drawn on a U.S. financial institution; and
- To pay our fees and any other amount owed with respect to your account whether owed to us or someone else.

If we approve your account application, we will open an account for you.

We reserve the right to modify pricing and services at any time. We reserve the right not to open an account, to restrict your account or to terminate your account, in our sole discretion, at any time.

## Indemnification

You agree to indemnify us to the maximum extent permitted by applicable law and hold us and our affiliates, directors, officers, employees, and agents harmless under this Agreement from and against all claims, actions, costs and liabilities, including attorneys' fees, arising from or related to:

- Any breach by you or an Authorized person of any provision or representation of any of the Agreements;
- Any dispute that does not directly result from our performance of brokerage services as set forth in this or any other Agreement;
- Any inaccurate or outdated information supplied to us by you or an Authorized person; and
- Any compromise of your computer, network, or methods you use to protect your account or to communicate with us.

## We Do Not Provide Investment, Tax, or Legal Advice

You understand that we will not give you any advice or recommendations about

whether a security or investment is appropriate or suitable for you, unless we expressly state otherwise in writing in connection with the advice or the recommendation. The decisions to buy, sell, or hold any investment rests solely with you (and your Advisor, if applicable). By making information available to you on our website or otherwise, we are not recommending or advising that you make any particular investment, or use any investment strategy. Information we provide is not personalized to fit your needs, or reflect your financial circumstances or investment objectives, unless we tell you otherwise in a writing addressed to you. The securities, investments or investment strategies available through our websites may not be suitable for you.

You should not rely upon us to review your financial situation or tolerance for risk. We may provide tools that enable you to assess your own tolerance for risk, or otherwise assist you and seek to educate you in various ways. We do not determine if the tools we provide to you will result in suitable or profitable investments or strategies for you.

All investments entail risks, and you are responsible for determining whether you can afford the risks of using our tools or making any investment.

While we provide you with tools and ways to help you manage your investments and taxes, we do not give you investment, tax, or legal advice. If you wish to have such advice, you need to consult your own investment, tax, or legal advisers. You agree that we do not provide such advice, and that all decisions about investing and trading in your account are made by you or an Authorized person.

## All Notices and Documents are Delivered Electronically; You Will Be Provided Electronic Notice of These Documents and You Agree To Access Them Electronically

We provide account information to our customers electronically. Our opening and maintaining your account is conditioned on your agreement to receive all notices, documents, and other information from us related to your account and investments electronically. This may be done by posting the notice, document or information on a website, delivering it by email or use of some other electronic media to which you hereby consent. Your consent to electronic delivery extends to all information required to be provided by us, by the issuers of the securities in which you invest, and by other third parties. This means you will receive email or other notices electronically when, for example, your account statements, confirmations, tax documents (which may include Form 1099B— Proceeds from Broker and Barter Exchange, Form 1099DIV—Dividends and Distributions, Form 1099INT—Interest Income, Form 1099OID—Original Issue Discount and Form 1099MISC—Miscellaneous Income), prospectuses, annual reports, proxy statements, proxies, tender offers and mergers, corporate recapitalizations, margin and maintenance calls, our Privacy Policy and any other information we provide you is available for viewing or printing.

You agree that notice to you regarding information or documents available on a website, in email or in another format, constitute delivery to you of the information or documents referred to in the email or other notice format even if you do not actually access the information or documents. This consent is effective immediately and will remain in effect unless revoked by us or by you. You or your Authorized person may revoke this consent to electronic delivery at any time by providing written notice to us. However, since we have priced our services based on the considerable savings of electronic delivery, we reserve the right to terminate your account or, in certain instances, charge you or your Authorized person an extra fee for paper documents.

You agree to keep a working email address and other contact information current. You will update your account information immediately if your email address or other contact information changes. If you do not maintain an email address that is working to receive notices, or if for any other reason we believe that providing notice via your email address is not sufficient to provide you notice for delivery of required documents, and we believe we are required to provide you paper notice or documents, and we do so, we may charge you or your Authorized person an additional fee for each such delivery. You acknowledge that you also may be charged other fees associated with providing our online service when additional, different or non-standard efforts are required with respect to your account, such as the generation of notices to you stating that your email address is "bouncing".

## Important Information Specifically Regarding Tax Documents for Your Account

As noted above, by opening and maintaining an account with us, you consent to electronic delivery of all account notices and documents, including tax notices and documents. Your consent to electronic delivery of all required tax notices and documents will remain valid unless it is withdrawn. If at any time you wish to withdraw your consent to electronic delivery of tax documents, you may do so by providing written notice to us.

The withdrawal of consent to electronic delivery of tax documents does not apply retroactively to any documents that we had provided electronically prior to our receipt of your withdrawal notice. Should you require paper copies of any tax documents that were provided electronically, you may request such documents in writing. Please remember, however, that since we have priced our services based on the considerable savings of electronic delivery, we reserve the right to terminate your account if you or your Authorized person ask for paper tax documents (although we will deliver in paper the tax documents that are required to be delivered to you).

In order to ensure that you receive all tax notices and documents either electronically or in paper form, as applicable, you must keep a working email address and other contact information current.

## All Orders Must Be Placed Online; Alternatives May Not Be Available

All orders for securities transactions must be placed online. Under extraordinary circumstances, some order types may be taken over the phone, but not every order type that is accepted online can be placed over the phone. Specifically, for example, a Direct Trade order may be placed over the phone, but we reserve the right not to accept Window orders over the phone.

If an order is placed over the phone, you may be charged additional fees because of the additional costs of processing these orders. Please consult our Pricing page, your Advisor or third party brokerage firm regarding the related charges for those orders.

Please consider carefully the risks associated with primarily only having the option of entering orders for your account online. You agree that we have no responsibility for losses or liabilities that arise if we are unable to accept orders for your account online or over the phone.

## Risks of Online Investing

While we have put tremendous resources into building and testing our computer systems, computer glitches, slowdowns, and crashes will occur and the volume of customers using our services online and market volatility can significantly impact order and execution processing times. When trading volumes soar on our nation's stock markets and many investors want to buy or sell at the same time, lines form and orders cannot be filled as quickly. We also need to restrict access at various times to some parts or all of our services to perform maintenance.

While it is our intention that you or your Authorized persons have access to our online services seven (7) days a week except when maintenance is scheduled (usually for weekends), you understand that we do not guarantee access or our ability to process orders for your account.

You agree that we are not responsible for any losses or liabilities that arise as a result of high trading volume, market volatility, or computer, telecommunications, or Internet failures, regardless of the cause including specifically if caused by us.

## Extraordinary Events

You agree that we are not liable for any losses caused directly or indirectly by extraordinary events or conditions beyond our control. Such events include, but are not limited to, government actions, exchange or market rulings, suspensions of trading, or quote vendor, market maker or other third party brokerage firm errors, failures or outages.

## Business Continuity and Contingency Plan

We have a comprehensive business continuity program in place that we review and test on a regular basis. The plan provides for continuation of client service in the event of various types of interruption to our facilities and services, with the understanding that we cannot plan for or guarantee against all contingencies. Our policy is to respond to significant business disruptions by safeguarding employees' lives and firm property, making a financial and operational assessment, quickly recovering and resuming operations, protecting all of the firm's books and records, and ensuring that our customers can continue to transact business.

No contingency plan can eliminate all risk of service interruption or temporarily impeded account access. In creating our Business Continuity and Contingency Plan, certain assumptions have been made such as alternative facilities being accessible, sufficient personnel being available, and external organizations including securities markets and government agencies being operational. If these assumptions are not valid under particular circumstances, we will evaluate possibilities for minimizing the disruption to services at that time and will promptly provide clients with information about how to access their funds and securities.

We update the Business Continuity and Contingency Plan as needed in the event of changes to our business processes, technology, and staff, and continue to post a summary of it at [www.folioinvesting.com](http://www.folioinvesting.com) and [www.folioclient.com](http://www.folioclient.com). You may also obtain our current Business Continuity and Contingency Plan summary by submitting a written request to us.

## Keep Your Account Information Secure

You understand that you are responsible for securing the confidentiality of your username, password, and other methods, processes, procedures or mechanisms of securing access to your account that we may, from time to time, make available to you or an Authorized person, and for preventing unauthorized use of such information or access methods. You will be solely responsible for all money movement and transactions executed in your account. You should notify us immediately if the username or password to your account is compromised or lost or if your computer or email address is compromised. We will act on any and all instructions provided to us using your username and password. Also, keep in mind that an Authorized person is able to access your account and information using the username and password issued to them and we will take instructions from any such Authorized person to, for example, establish new accounts for you, trade securities and update your account information.

You understand that we use technology to protect and encrypt the transmission of information from and to you. You also understand that we strongly suggest that you use the most up to date version of your browser to secure your information.

While we have taken reasonable measures to keep your information secure, our liability if your data and communications are intercepted is limited as permitted by law. Should someone intercept a transmission of your information (whether to or from us directly or to or from an Authorized person), you agree that we, our affiliates, unaffiliated third parties that provide services to you through us, or others who provide services to you on our behalf are not liable (to the extent permitted by law) for any type of costs, losses or damages. This includes any liabilities or damages resulting from computer viruses and malware or identity theft.

## Consent to Recording Your Telephone Conversations

You consent to having your conversations with us recorded if we decide to record such conversations.

## No Guarantee on Accuracy of Third Party Information

You understand that we are not responsible for the accuracy or your use of any information we receive from third parties. While we use vendors we believe to be reliable, we have not verified and do not make any warranty regarding information provided by third parties, including the third party websites you may access as part of using our services. We have no control over such third party websites and, accordingly, are in no way responsible for and in no way approve, endorse, or guarantee the accuracy, reliability, or completeness of any data or information provided in any hyperlinked web page or website. You should assume that we do not endorse, adopt, review, sponsor, or oversee the material presented on any third party website or any of the employees, policies, activities, products, or services offered on such websites and, accordingly, are not responsible for any content you see there.

## Services and Products Provided by Our Affiliates and By Others that are Not Affiliated with Us

You understand that by using our services you may have access to various financial products and services that are provided by us, our affiliates or by entities that are not affiliated with us. These products and services may be governed by separate terms and conditions which we may make available to you, or which may be made available to you directly by the provider of the product or service including on such provider's website. You agree to the terms and conditions that govern the products and services made available to you by such providers. Such providers can enforce their terms and conditions, relying upon your acceptance of this Agreement.

## Disclosure of Information

Consistent with our Privacy Policy, we maintain the confidentiality of client account information (including, but not limited to, name, address, tax identification number, account number, securities position information and other personal information that we may have or that has been provided to us by you or an Authorized person). For securities listed, or authorized for listing, on a national securities exchange (listed securities), under U.S. Securities and Exchange Commission (SEC) rules, an issuer of securities that is distributing proxy materials to its shareholders is entitled to request from a broker-dealer the account information for customers who are shareholders of the issuer's listed securities if such shareholders have not objected to the release of such information. By agreeing to this Agreement, you object to the release of your account information to such issuers, and we will not provide that information to them except as described below.

For securities not listed, or authorized for listing, on a national securities exchange, including, for example, privately issued and mutual fund securities (unlisted securities), however, it may be necessary for us to disclose your information and information about your account with us to initiate and/or complete securities transactions, to reconcile the number of outstanding or issued securities with the issuer, to assist with proper tax reporting on your holdings and/or to oversee your compliance (or that of an Authorized person) with any conditions disclosed in prospectus or offering documents, such as limits to the frequency of trading in the securities in compliance with Investment Company Act Rule 22c-2.

In addition, we may receive requests by foreign tax authorities or issuers with respect to securities subject to foreign tax withholding or voting restrictions (whether those securities are listed or unlisted securities) and in those limited circumstances you are agreeing to allow us to provide your account information even though, for all other purposes, you are objecting to such release. By agreeing to this Agreement, unless otherwise stated, you permit us to release your account information as outlined above. This permission does not override your objection to our provision of account information to the issuers of the listed securities you own and hold in your account with us. Please refer to our Privacy Policy for a description of the potential uses of your information by us or any third party.

## Handling Your Orders: Window vs. Direct Trade

We offer two broad categories of orders: Window orders and Direct Trade orders. Within these two categories, various sub-order types and/or special handling instructions may also be available. Please consult our website for more information regarding order types and special handling instructions. By submitting an order to us for execution, you and your Authorized person acknowledge and agree that we have reviewed the terms of such order type on our website and understand that we will handle the order in accordance with the terms of the order and instructions entered by you or your Authorized person.

## Window Trading

Our Window Trading, often referred to as "a Window", is an innovative way to execute orders efficiently for long-term investors. Instead of being executed immediately, Window orders are processed one or more times per day and executed. The current number and timing of Windows available to you is as provided on our website or is as negotiated with your Advisor or third party brokerage firm. We may provide from time to time fewer or additional Windows for various reasons and at different fees. We reserve the right to add, remove and change Window Trade deadlines, without notice, at any time. We cannot guarantee that every Window will occur as scheduled or at all. You understand and agree that there may be times when Windows are delayed or are cancelled for various reasons, such as quote vendor failures, computer failures or events affecting the markets.

To execute Window orders, we generally send an order (which may be an aggregate of orders for your account(s), the orders from other customer accounts and our account(s) when necessary to facilitate fractional shares) to a market center for execution or to a mutual fund company for fulfillment. We may also execute Window orders or participate in aggregate orders using our own inventory of securities, unless otherwise prohibited.

When handling orders from an Advisor under common ownership with us for your account(s) or the account(s) of another customer, we may participate in any aggregate Window order sent to a market center for execution to facilitate fractional share trading or odd lots using our own inventory of securities. We will not execute such orders ourselves. Accordingly, we may send multiple orders to a market center in order to fulfill the aggregate Window order or we may be unable to fulfill your order in its entirety, depending on market conditions.

## Window Tradable Securities and Rules

Some of the securities available for trading through us cannot be traded in a Window. We choose the securities that are available for trading in a Window based on a combination of factors, including the security's market capitalization and trading volume. Some Window tradable securities may be available only to certain customers or for which an extra charge is levied for trading them. We also generally restrict our selection of Window tradable securities to those securities that are traded on an exchange. The securities available for Window orders for your account also may be limited based on a special offering we make, our arrangement with your Advisor or an arrangement with a third party brokerage firm that handles your account.

Our list of Window tradable securities (which is available on our website) will change over time. We may drop a security from our list for a variety of reasons. For instance, a security may be delisted from an exchange or no longer be actively traded. If you own a folio containing a security that is no longer listed as Window tradable, you generally will be able to "sell all" of the security in a Window. You cannot, however, sell a portion of your holdings in the security or buy more of the security through a Window.

There may be securities that you can hold in your account that are not Window tradable securities. Such non-Window tradable securities may only be traded using Direct Trade orders.

## Direct Trade Orders

Although as few as one security can be traded in a folio using a Window order, you or your Authorized person may not want to wait for a Window to trade a security. A Direct Trade order can be sent to the market at any time for execution. Direct Trade orders sent to the market for execution must be in whole shares; fractional shares or dollar-based orders are not accepted as Direct Trade orders. We generally charge a commission for Direct Trade orders. Please consult our Pricing page, your Advisor or third party brokerage firm regarding the related charges for those orders.

## Market Volatility

You understand that, when an order is placed with us for your account, the execution price is dependent upon the market price for the security at the time of execution. You understand that special handling or order instructions, such as "stop-loss" or "stop-limit" orders will not necessarily limit losses to the intended amounts since market conditions may, despite our efforts, make it impossible to carry-out such instructions as intended. Similarly, you understand that execution quality can be significantly impacted by volatility in the market at the time the order is executed. The current market price in active stocks can differ significantly from the last sale price, particularly during periods of high volume, illiquidity, fast movement or volatility. The execution price received may differ, perhaps substantially, from the quote provided on entry of an order and, if using a Direct Trade order, there may be partial executions of the order at different prices. You understand that we are not liable for any differences between quoted and execution prices. You also understand that quoted prices generally are for only a small number of shares as specified by the marketplace, and larger orders (such as the aggregate orders we may send to a market center when executing a Window order) are relatively more likely to receive executions at prices that vary from the quotes or in multiple lots at different prices.

Securities may open for trading at prices substantially higher or lower than the previous closing price or the anticipated price. If a Direct Trade order is placed for your account (whether during normal market hours or when the market is closed), you agree to pay or receive the prevailing market price at the time the Direct Trade order is executed, which may be significantly higher or lower than anticipated. To reduce the risk of buying a security at a higher price, or selling it at a lower price than desired, Direct Trade orders may be submitted to us with limit prices and Window Trade orders may be submitted with a Cancel Order Limit. You also understand that Direct Trade limit orders are executed only once they become marketable, which may not be immediate, may not be for a time period after order entry and may not be at all if there is insufficient trading interest in the market at or better than the limit price specified, if any. Our website contains further information regarding orders types and limitations, which you agree are applicable to any order placed for your account.

## High Volume Trading Fee

If your account has one or a combination of trading strategies where the total number of securities traded in a Window exceeds specified thresholds, we may close your account, charge additional fees for each additional security order over the threshold or take other action to limit such abusive or extreme trading. Any additional fee for such trading will be disclosed as part of a pricing plan -- please consult our Pricing page, your Advisor or third party brokerage firm regarding the related charges.

## Account Maintenance Fee

An account maintenance fee may be assessed to your account based on the applicable pricing plan and account type. These fees may be assessed quarterly or otherwise. Please consult our Pricing page, your Advisor or third party brokerage firm regarding the fee. The account maintenance fee, like all other fees, may be changed by us from time to time and at any time. Generally, account maintenance fees do not apply to accounts that are on an Unlimited Plan, but other fees do.

## Order Routing Selection

Using a computerized system, we route some customer orders to selected market makers or market centers based on the exchange or market in which the security is traded. We do not offer the ability to direct the routing of orders we handle for your account.

## We May Receive Payments for Routing Your Orders

When we route customer orders, we may receive payment for order flow, a standard industry practice where brokerage firms receive a small per-share rebate when an order is executed, or a share of the market makers' or market centers' revenue for processing those orders. In addition, we may receive compensation that is not directly related to specific per-share amounts from market centers but based instead on the overall quantity and/or type of order flow we present to the market center. We monitor executions regularly for quality, consistent with our regulatory obligations to monitor for best execution. We will provide information about the source and amount of compensation for any order if you make a request to us in writing. The most recent quarterly information about the market makers and market centers we route orders to and whether we receive any compensation from them is available on our website.

## Reinvestment of Cash Distributions

You or an Authorized person may choose to have your cash distributions (such as dividends and return of capital) at or above specific thresholds automatically reinvested in the securities that paid them. Cash distributions that are less than the specified threshold will generally be swept into the then current cash investment choice in accordance with the terms and conditions of the Program (defined in Exhibit 1) in effect at the time. We may change the threshold and frequency for automatic reinvestments of distributions at any time and from time to time without notice.

## Transfer of Fractional Shares

You generally cannot transfer fractional shares out of your account. If you want to transfer the securities in your account to another brokerage firm and the receiving firm does not accept fractional shares, we will transfer your whole shares. Fractional shares will be sold in the next Window after we receive your complete transfer instructions. The money from these fractional share sales will be deposited in your account and transferred according to the transfer instructions.

## Taxes and Tax Lot Methods

In general, in a taxable account, you will owe tax on any security you sell for a profit after subtracting brokerage fees. If you sell a security for a loss, you may be able to deduct the loss and lower your taxes.

Our monthly, annual, account maintenance, custodian fee for memberships with individual retirement accounts (IRAs) or other fees are not brokerage fees, and are not deductible from the sale proceeds of individual securities. But fees, known generally as commissions, for Direct Trade orders are generally added to the cost basis of a purchase and deducted from the proceeds of a sale.

We provide a number of ways to specify which tax lots are sold when securities are sold out of your account. You or your Authorized person can establish a pre-determined tax lot setting at account opening, which will apply to all orders generated for that account, or on an order-by-order basis at the time of order submission.

## Investment of Cash in Your Account

Unless otherwise provided, the cash in your account will be held by us in one or more of the cash investment choices we make available from time to time, which are described in Exhibit 1 to this Agreement and which is a part of this Agreement. Exhibit 1 details the terms and conditions of the cash investment choices (described as the "Program"). The interest rate paid under the Program on cash investments in your account may vary or there may be no interest paid if your account is managed by an advisor who has a separate agreement with us for its advised accounts or if the cash in your account is subject to special handling due to other circumstances. As a result, the interest rate tables provided in Exhibit 1 may not apply to your account.

With prior notice to you and, if then required by applicable law or regulation, with your consent (which can include negative consent), we can change the features of the cash investment choices we make available or the Program to include any legally permissible deposit account or instrument or we can terminate any or all of the cash investment choices and hold some or all of your cash as free credits (which can also be part of the Program). When and if we provide a money market fund as a cash investment choice you will be provided access on our website to any applicable prospectus for such fund.

By maintaining an account with us, you acknowledge that your account will be subject to and you agree to the terms and conditions in Exhibit 1, including any modifications we make to those terms and conditions from time to time. Unless prohibited by applicable law or regulation, we may, without prior notice or your affirmative consent, modify the terms and conditions of the Program, terminate the Program, change the cash investment choices, change any cash investment choice to which the cash in your account is automatically swept, or change the mechanism by which it is swept. Amendments or updates to the Program or any terms and conditions related to cash or cash related investments will be posted on our website and the amended Program or such other terms and conditions will apply to your account once posted.

Unless you have applied for, been approved for, and your account is maintained as, a margin account, orders to purchase securities cannot be entered for your account unless there are sufficient funds available in your account. For this purpose, sufficient funds available in your account may include available cash, plus amounts settling from the sale of securities, plus or minus certain other amounts (such as wires or other immediately available good funds transfers that have been timely received by us, securities purchase transactions that have not yet settled, cash withdrawals that are being processed, etc.). We will redeem sufficient amounts of cash from your account to pay for security purchases or other debits, fees or deductible items in your account on settlement date or when due based on whether your account is a cash account or a margin account.

## Managing Cash Transactions in Your Accounts

When a buy order is executed in your account, the cash necessary to pay for the purchase will, if currently in the account and marked as available to pay for the purchase, be retained until settlement in whatever applicable cash investment vehicle it was in at the time of the purchase. Although the cash will thereafter not be available for use for other purposes, it generally will continue to earn whatever interest, if any, it was receiving until used to settle your purchase. For more details, please see Exhibit 1.

When you sell an investment, once we receive your cash upon settlement of the transaction, it will generally be deposited in the applicable cash sweep investment in accordance with Exhibit 1 or used as otherwise required (such as for other securities settlements) or as otherwise directed (such as being invested in a client directed cash alternative as described in Exhibit 1).

If a check, electronic funds transfer, wire or other form of acceptable deposit is received into your account, we will deposit it usually in the applicable cash sweep investment, generally on the first or second business day on which banks are open for business after deposit. Our policies relating to your ability (or that of an Authorized person) to make an investment using such cash or request a withdrawal of cash from your account are described on our website and may change from time to time. Different or additional related policies also may apply to your account based on our agreement with your Advisor or third party brokerage firm.

We will deduct from your account balance, fees and any other outstanding liabilities, such as overdrafts or debits, resulting from activities in, or otherwise attributable to, your account. We will deduct these amounts from any existing cash balances settling in your account or by redeeming sufficient cash from any applicable cash investment alternative to cover the amount owed. If there is insufficient available cash in your account to cover the amount owed, we will create a debit entry in your account. We require prompt payment of any debit amount, generally within five (5) business days for cash accounts. We may, however, require immediate payment or permit a grace period beyond five (5) business days in our sole discretion, depending on factors such as the debit amount, our perceived exposure to your ability to pay the debit amount, whether your account is an IRA, etc.

We may charge interest on the unpaid debit amount commencing from the date the

debit entry is created in your account at the current rate as listed on our website or, if there is no such rate posted, at the highest legal rate then in effect in the Commonwealth of Virginia, if, but only if, the charging of such interest is permitted by law.

If you do not pay the debit amount within five (5) business days, or such other period of time we determine in our sole discretion (which may be immediately), we may liquidate enough of the holdings in your account to pay the amount owed. If we liquidate your holdings, we may choose to liquidate the cash in a cash investment choice or held as a free credit, one or more securities, or any combination of securities and cash you hold, and do so with no consideration for any trading or tax consequences to you or for selling more securities than necessary to precisely pay the debit amount. We also may choose the methodology for liquidation – for example, using a Window Trade order or a Direct Trade order, or applying all cash investment choice holdings or free credits first. To the extent we find it necessary to make multiple transactions in your account to generate sufficient cash to meet your debit in full we will do so at your risk and expense. We, however, are under no obligation to liquidate positions in your account and may charge you interest on any unpaid debit amount even if you have holdings in your account which, if liquidated, would reduce your indebtedness to us and/or reduce the interest charges to which you would be subject. You bear the market risk of the positions in your account at all times and we are not responsible for any losses or other consequences (anticipated or unanticipated) to you if we liquidate any position to cover an outstanding debit amount.

Unless we specifically enter into a separate written agreement with you stating that the assets in a specified account or folio within a specified account will not be pledged, or unless prohibited by law or regulation with respect to certain accounts (for example, accounts subject to the Employee Retirement Income Security Act ("ERISA") such as IRA accounts), you pledge all assets (including cash) in your accounts held now or in the future as collateral to secure any indebtedness you have to us regardless of whether such indebtedness specifically arose as a result of your actions (or those of an Authorized person) in this account or another account with us, and such assets are subject to a general lien in our favor.

## Check Requests

We offer customer service assisted check requests to some customers. If you request that we send a check to you, there will be a charge. Please consult our Pricing page, your Advisor or third party brokerage firm regarding the related charges.

## Transferring Funds through Bank Wires

The Federal Reserve System processes bank wires. They are normally completed on the business day following your request. There will be a charge for processing a bank wire; please consult our Pricing page, your Advisor or third party brokerage firm regarding the current list of charges.

## Check Writing and Electronic Funds Transfers (EFTs)

You understand that check writing and use of EFTs are governed by the rules of the bank that facilitates such services for us, the Uniform Commercial Code, Federal and state laws and the Check and Transfer Money Terms and Conditions set forth in Exhibit 2, which is a part of this Agreement. You will pay fees for our and the bank's expenses of providing the check writing and EFT services, including fees for ordering checks, bounced checks, stop payment requests, and dishonored checks that are deposited to your account, and EFT returns. Please consult our Pricing page, your Advisor or third party brokerage firm regarding the current list of charges.

We may limit whether we accept or permit EFTs initiating or terminating through us and we may restrict the financial institutions to which you may direct cash via EFT from your account as well as restrict the financial institutions from which you may direct cash to your account via EFT. Further, we may restrict your ability to withdraw the cash from your account that has been deposited by EFT, by check, by wire or otherwise by limiting the methodology for withdrawal and/or by imposing a hold period.

## Account Statements and Confirmations; Report Errors Immediately

You will receive notice by email (or such other methodology agreed to between us and your Advisor or third party brokerage firm) periodically, but not less than quarterly, that your account statement is accessible and available for viewing and printing. These statements detail all activity recorded in your account (except certain cash activity – see Exhibit 1). You will also receive notice by email (or such other methodology agreed to between us and your Advisor or third party brokerage firm) that a trade confirmation is accessible and available for viewing and printing from our website the business day following the date of activity, unless you have instructed us to deliver such notices solely to your Advisor or third party brokerage firm. You are strongly encouraged to review these documents promptly.

If you do not periodically receive emails notifying you of your statement or trade confirmation availability and you have not instructed us to refrain from delivering such notices to you, you agree to notify us immediately so that we can determine the cause of the notification failure and take appropriate steps to correct it.

Statements and trade confirmations provide a means for you to find and report any errors to us. Any such errors should be reported promptly after the documents are available, and in all cases as soon as possible.

## Laws and Regulations Apply

All transactions executed through us are subject to the constitution, rules, regulations, customs, and methods of doing business at the exchange, market, clearinghouse, or agency that processes transactions. Various Federal and state laws and regulations may apply to transactions in your account. These laws and regulations may place restrictions on your ability to freely trade some securities if you own "restricted" or "control" securities, or if an insider trading policy applies to you. You agree to comply with all relevant legal requirements and only to effect transactions through us that are legally permissible.

## Securities Investor Protection Corporation (“SIPC”)

A brochure explaining the insurance coverage provided by SIPC is available from us upon request or on SIPC’s website at [www.sipc.org](http://www.sipc.org). SIPC insurance applies, with specified limits, to the cash and securities held in your account. Please see Exhibit 1 for the terms and conditions applicable to the investment of cash in your account and how SIPC insurance will apply.

## Federal Deposit Insurance Corporation (“FDIC”)

A brochure explaining the coverage provided by FDIC is available on the FDIC’s website at [www.fdic.gov/deposit](http://www.fdic.gov/deposit). Please see Exhibit 1 for the terms and conditions applicable to the investment of cash in your account and how FDIC insurance will apply.

## Joint Accounts

If this is a joint account, you understand that any account holder may exercise complete control over the account as if he or she was an individual account holder. For example, any joint account holder may buy, sell, modify, receive money and account documents, and make agreements relating to the account.

We will follow the instructions of any joint account holder, even if one account holder asks us to deliver all funds to him or her. We will not inquire about the appropriateness of a request. We reserve the right to impose a requirement that all account holders agree to a request if we believe it is necessary, but you agree we are under no obligation to do so. We may seek payment of any and all fees or charges due from the account against one or more of the account holders individually.

## Margin Accounts

Although we do not currently offer margin accounts, we plan to do so in the future. These provisions will apply if you decide to use margin when offered.

### General Margin Provisions

A margin account enables us to extend credit to purchase “marginable securities,” as defined by the Federal Reserve Board and approved by us. All margin accounts are subject to our approval. You acknowledge and understand that when you trade on margin, you are borrowing from us. You agree to promptly satisfy all margin and maintenance calls.

You agree to maintain, at all times, an amount of securities and/or cash great enough to satisfy all of our requirements and requirements of the Federal Reserve Board. You acknowledge that margin transactions are riskier and can involve greater loss than cash transactions. You understand that your financial exposure could exceed the value of your securities. You should carefully examine your financial resources, investment objectives, and tolerance for risk to determine if a margin account is right for you. You agree to read and be bound by these provisions and to contact us before trading on margin if you do not understand these provisions. Any transaction conducted under this margin agreement shall be subject to the rules, regulations, rulings, and interpretations of the Financial Industry Regulatory Authority (“FINRA”) and of any market and its clearing house, and to all rules and regulations resulting from governmental acts and statutes as applicable. The Federal Equal Credit Opportunity Act prohibits us (as a creditor) from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status or age (provided the applicant has the capacity to enter into a binding contract). By agreeing to these provisions, if you are the holder of a margin account, you acknowledge and agree that (i) some of your securities may be lent to us as principal or lent out to others by us, (ii) you may lose the ability to vote those securities, and (iii) you may receive dividend-in-lieu payments instead of dividend payments as a result of our lending out securities.

### Margin Requirements

**Regulation T and House Credit Limits**—Regulation T of the Federal Reserve System governs the amount of credit and the conditions under which credit is extended to customers. Our requirements are equal to or more restrictive than the regulatory requirements.

**Our Margin Requirements**—All margin accounts are subject to the following requirements:

- Minimum equity in a margin account is \$2,000,
- Initial margin of 50 percent of the current market value of the securities,
- Maintenance margin of 35 percent of the current market value of most securities (maintenance margin may be higher for highly volatile securities or for accounts that are highly concentrated regardless of the volatility of the security held in the account or for any reason we deem appropriate in our sole judgment. A list of securities whose maintenance percent is higher than 35 percent may be found on our website and may be updated frequently), and
- The minimum amount to open a margin account may consist of cash, marginable securities, or a combination of cash and marginable securities. You agree to maintain such margin amounts as we may require from time to time and to pay on demand any debit balance owed on any of your accounts. You agree to be charged interest on any credit extended to or maintained for you for the purpose of purchasing, carrying, or trading in any security.

## Collateral, Liquidations and Covering Positions

You may be required to deposit additional collateral, in the form of cash or marginable securities, and we may liquidate positions in your account for any reason including, but not limited to, the following reasons:

- A decline in the market value of the securities in the margin account
- Extreme market volatility or trading volumes
- The equity in your account declines below the \$2,000 minimum

- Changes in the marginability or negotiability of your securities
- Your failure to promptly meet any call for additional collateral
- A large concentration in a volatile or illiquid security
- Your intention not to meet a call for additional collateral
- Filing of a petition in bankruptcy by you or against you
- The appointment of a receiver is filed by or against you
- An attachment is levied against any of your accounts or any account in which you have an interest
- Your death or incapacity
- Our ability to borrow the securities you are required to deliver changes adversely
- Orders of any stock exchange, market or regulatory body

In any such event, we, without prior notice or demand may:

- Sell any and all securities and/or other property in your account(s), whether carried individually or jointly with others;
- Buy to cover any and all securities and/or other property which may be short in such account(s); and/or
- Cancel any open orders.

Any such sales or purchases may be made at our sole discretion on any exchange or other market where such business is usually conducted, or in a public auction or private sale. We may be the purchaser or seller for our own account. You will be liable for any deficiencies in such account in the event of liquidation, in whole or in part, by you or us.

## Interest Rate Applicable to Margin Accounts

The annual rate of interest you will be charged on margin loans may vary from a minimum of 0.5% above our base rate to a maximum of 1.75% above our base rate, depending upon the amount of your average debit balance.

Average Balance	Debit Interest to be Charged Above Base Rate
\$0-\$49,999	+1.75%
\$50,000-\$99,999	+0.75%
\$100,000+	+0.5%

Our base rate is established with reference to commercially recognized interest rates, industry conditions regarding the extension of margin credit, and general credit conditions, and unless otherwise stated is the then applicable Fed Funds Rate as of the end of the preceding month plus 2.5%. The annual rate of interest is subject to change without prior written notice in accordance with changes in the base rate. Interest is computed monthly on the average debit balance during the month. Settlement date debit balances and free credit balances in the cash account will be applied to the margin account balance if the margin account has a debit balance. A cash account settlement date debit balance will increase the amount of margin to be charged. A cash account free credit balance will reduce the amount of margin interest to be charged. If, during the month, there is a change in interest rates, separate charges will be shown on your statement for each interest period under the different rate.

Your rate of interest may be changed without notice in accordance with changes in the base rate and your average debit balance. When your interest rate is to be increased for any other reason, you will be given at least 30 days written notice. Your monthly statement will show the dollar amount of interest and the interest rate charged to your account. We use a calendar month basis to calculate interest.

## Disclosure of Credit Terms on Margin Transactions

SEC Rule 10b-16 requires a broker who extends credit to a customer in connection with any securities transaction to furnish the customer specified information describing the terms, conditions, and methods by which interest charges are made to customers’ accounts. The information set out below is being provided to you in conformity with that rule. Interest will be charged on all accounts for any credit extended to or maintained for you for the purpose of purchasing, carrying, or trading in securities or otherwise.

## Margin Account Restrictions

If your account is restricted for any reason, you will not be able to execute any order until the restriction has been lifted, or until sufficient cash is in the account for purchases and securities are in the account in the case of sales.

## Custodial Accounts for Minors

We will maintain custodial accounts for minors under the Uniform Gift to Minors Act or the Uniform Transfer to Minors Act. If this is a custodial account, you understand that the assets in the account belong to the minor. If you transfer assets out of the account, you understand that they must be used for the benefit of the minor.

## Closing and Closed Accounts

You or we may close your account at any time. This Agreement will remain binding until we acknowledge in writing that it is no longer binding. You will remain responsible for all charges, debts, or other transactions if they arise before or after your account is closed. We reserve the right to charge a service fee or close any account that fails to maintain minimum balances. Please consult our Pricing page, your Advisor or third party brokerage firm regarding the service fee and/or minimum balance that may be applicable to your account. You and/or your Advisor or third party brokerage firm will be notified of any actions or charges we take against your account. IRA accounts may also be assessed an annual custodian fee applicable to your membership and pricing plan, if any, at the

time of termination for the calendar year. Please consult our Pricing page, your Advisor or third party brokerage firm regarding the annual custodian fee.

If you close your membership and the associated accounts, we will restrict your accounts and stop charging you the fees applicable to that account for trading (such as the Folio Unlimited Plan Fee or Basic Plan Account Service Fees), but we will apply other fees. If any residual balance remains in your accounts then we will charge you the lesser of the then applicable Closed Account Residual Balance Fee or the remaining balance in your accounts until your balance reaches zero. This fee covers subsequent statements and other reporting for your account. Other fees may also apply to a closed account, for example the fee for requesting a check to be mailed to you for a residual balance. Residual balances may include interest and dividends received after you remove your assets. If you remove assets from your accounts without contacting us to close your membership we will continue to bill your accounts the applicable fees for trading until your balance reaches zero, at which time we will close your accounts.

### Unclaimed Property/Escheatment

In the event assets remain in your account for a period of time and we are unable to reach you, your assets may be transferred to the appropriate state if no activity occurs in your account within the time period specified by applicable state law. For more information about the treatment of unclaimed property in your state and the escheatment process, you should contact the appropriate state government agency of the state in which you reside.

### Special Provisions regarding Advised (or Managed) Accounts

The following provisions apply for all of your accounts managed by an advisor.

You acknowledge, agree and certify that:

- Your Advisor has investment discretion and trading authority over your assets held with us. This authority, by itself, implies no power to personally obtain custody or possession of any securities.
- Your Advisor will be authorized to transfer funds from your account if you have provided us written authorization (1) to establish a link between your account with us and the account you maintain at a bank for the purpose of transferring monies (bank link); and (2) to allow your advisor to use the bank link to make transfers from time to time. You authorize us to take all actions that are necessary or incidental to such instructions without obtaining your approval or counter-signature with respect to each such transfer. Although we are not required to do so, we may, in our sole discretion, require your authorization in certain circumstances. If we do require your authorization, you agree that we are not liable for any delays in processing a transaction while we await your authorization.
- Your Advisor has the authority to receive prospectuses for securities purchased for your account for which prospectuses are required to be delivered.
- Your Advisor has the authority to receive notice that a trade confirmation for trades made in your account and statements for your account are available (and you, too, will have access to such statements and trade confirmations with respect to your account).
- Your Advisor has authority to review and update certain elements of your profile and account information, and has the permission to view any action in your account even if such action is taken directly by you separately from your Advisor and we are authorized to act on any updates (with the exception of updates to transfer instructions relating to cash or securities) provided by your Advisor without first obtaining your authorization.
- You agree to the Special Provisions Regarding Proxy Voting and Certain Voluntary Corporate Actions, below.
- You will first contact your Advisor (before contacting us, which you may do if necessary) if you have questions about your account or any transactions—your Advisor may in turn contact us about your account if assistance is required.
- Your Advisor may incur fees in your account through trading or special service requests that you agree to pay.
- Either you or your Advisor may close your account at any time.
- You are allowing us to debit your account for all fees payable to your Advisor (as well as fees payable to us), including fees submitted via invoice from your Advisor while your account is open as well as upon and after any account closure or transfer. Although we reserve the right, we are not obligated, to bill your account for management fees submitted from your Advisor in the amounts provided by your Advisor to us. We do not maintain a copy of your agreement with your Advisor and any discrepancy in fee amounts or prorated fees must be addressed directly with your Advisor.
- You indemnify and hold us and our affiliates, directors, officers, employees, and agents harmless under this Agreement from and against all claims, actions, costs, and liabilities, including attorneys' fees, arising from or related to the performance or non-performance, delivery or non-delivery of services by your Advisor and any dispute between you and your Advisor that does not directly result from our performance of brokerage services as set forth in this Agreement.

### Special Provisions regarding Introduced Accounts

The following provisions apply for all of your accounts that are introduced to us by a third party brokerage firm.

You acknowledge, agree and certify that:

- Your third party brokerage firm has authority to review and update certain elements of your profile and account information, and has the permission to view any action in your account and that we are authorized to act on any updates provided by your third party brokerage firm without first obtaining your authorization.

- You will first contact your third party brokerage firm (before contacting us, which you may do if necessary) if you have questions about your account or any transactions—your third party brokerage firm may in turn contact us about your account if assistance is required.
- Your third party brokerage firm may incur fees in your account through trading or special service requests that you agree to pay.
- You are allowing us to debit your account for all fees payable to your third party brokerage firm (as well as fees payable to us), including fees submitted via invoice from your third party brokerage firm while your account is open as well as upon and after any account closure or transfer. We do not maintain a copy of your agreement with your third party brokerage firm and any discrepancy in fee amounts or prorated fees must be addressed directly with your third party brokerage firm.
- You indemnify and hold us and our affiliates, directors, officers, employees, and agents harmless under this Agreement from and against all claims, actions, costs, and liabilities, including attorneys' fees, arising from or related to the performance or non-performance, delivery or non-delivery of services by your third party brokerage firm and any dispute between you and your third party brokerage firm that does not directly result from our performance of services as set forth in this Agreement.

### Special Provisions for Proxy Voting and Certain Voluntary Corporate Actions

We understand that voting on various matters now presented for shareholder action, such as views on various social issues and even executive compensation levels, can be a personal decision and preference for you. Consequently, many advisors do not accept authority and responsibility for proxy voting. Our website provides for electronic delivery to you of all relevant proxy voting information and allows you to vote proxies easily (and also respond to certain voluntary corporate actions), unless you specifically disclaim your right to do so. It also allows you to grant an advisor or other third party (such as a proxy advisory firm), the ability to vote proxies and respond to certain voluntary corporate actions on behalf of your account, in addition to you, although fees may apply for this service.

Please note, your right to vote and/or to decide voluntary corporate actions is retained by you even if your Advisor or another has also been authorized by you to vote proxies and/or respond to voluntary corporate actions on your behalf through our services and even though we are also providing them notice of such actions and access to vote or respond to such voluntary corporate actions (unless you specifically disclaim such right). Consequently, in those circumstances, we will deliver proxy and voluntary corporate action information both to you and to your Advisor or the other person you designate. In this manner, you remain aware of all corporate actions and can exercise your right to vote, or rescind any authority to vote you may have also granted to another, on any particular item or generally. If there is a particular matter on which you wish to ensure that only you can vote where you have also provided voting authority to another, please call our customer service representatives.

Additionally, if you have established an alternative means for you and/or your Advisor or another person to vote proxies or decide corporate actions outside the scope of this Agreement and our services and no longer wish to receive any related proxy or corporate action documents, please notify us in writing so that we may discontinue providing delivery of such documents to you.

If you wish to disclaim your right to vote, you may do so by: i) making a different arrangement with your Advisor or another person (such as a proxy advisory firm) to vote on your behalf, ii) notifying us of that different arrangement in writing and stating that you disclaim the right to also receive documents and be able to vote or respond to such actions, and iii) instructing us to deliver the applicable documents that would otherwise be provided to you exclusively to your Advisor or such other person. Additional fees may apply for this service.

### Limitations on Watch Accounts

There are limits to how many folios may be in a watch account and how many folio trades may be placed each day in your watch account, and those limits may be changed from time to time at our discretion.

### Modifying This Agreement

Unless prohibited by applicable law or regulation, we may, without your prior notice or your affirmative consent, amend, modify or update the terms and conditions in this Agreement. Amendments, modifications or updates to the terms and conditions will be posted on our website or made available to you through your Advisor or third party brokerage firm and the amended terms and conditions will apply to your account once posted on our website. Your continued use (or use with respect to your account by an Authorized person) of our services will constitute your agreement to the amendments. If a provision of this Agreement is or becomes inconsistent with any law or regulation, the provision in question will be amended to conform to the law or regulation, and all other provisions will remain binding.

The internal laws of the Commonwealth of Virginia, without regard to its choice of law provisions, shall govern this Agreement and its enforcement.

This Agreement shall apply to each account opened by you. Its terms and conditions shall apply to your successors, and to our successors and anyone to whom we assign our rights.

# Arbitration

## **Pre-Dispute Arbitration Agreement**

This Agreement contains a pre-dispute arbitration clause. By signing an arbitration agreement the parties agree as follows:

- All parties to this Agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.
- Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited.
- The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.
- The arbitrators do not have to explain the reason(s) for their award unless, in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel at least (20) twenty days prior to the first scheduled hearing date.
- The panel of arbitrators may include a minority of arbitrators who were or are affiliated with the securities industry.
- The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.
- The rules of the arbitration forum in which the claim is filed, and any amendments

thereto, shall be incorporated into this Agreement.

You agree that all disputes between us arising in connection with Folio's business activities or associated persons must be arbitrated under FINRA's Code of Arbitration Procedure. You understand that we must use arbitration to decide and settle all controversies arising between us about any issue related to your account or this customer agreement. Any judgment resulting from arbitration may be entered in any court of competent jurisdiction.

No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action; or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until:

- The class certification is denied; or
- The class is decertified; or
- The customer is excluded from the class by the court.

Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this Agreement except to the extent stated herein.

# Exhibit 1 - Terms and Conditions of the Insured Bank Deposit and Free Credit Sweep Program

Every account with us is eligible for and participates in the Insured Bank Deposit and Free Credit Sweep Program ("Program"). This document contains important information about and a description of the Program. Capitalized terms that are not defined herein shall have the meaning set forth in the Agreement.

**The Program.** Opening a brokerage account with us automatically enrolls your account in the Program. Continued maintenance of your account with us constitutes your acknowledgement of and agreement to the terms and conditions provided herein as they may be modified by us from time to time. We may in our sole discretion, for any reason we deem appropriate and without prior notice, refuse any deposit of cash into your account, restrict participation of your account in the Program, decline to permit your account from participating in the Program at any time on a going forward basis and close any account.

For purposes of administering the Program, you appoint us as your authorized agent and custodian pursuant to the terms and conditions of the Agreement, including this Exhibit and acknowledge and agree that we may engage third parties (including affiliates) to act on our behalf or on your behalf with respect to the Program. Currently no bank will accept any instructions concerning your cash on deposit with a Program Bank (as defined below), unless such instructions are transmitted by us.

Our Program currently provides for an automatic deposit of your un-invested cash into one or more bank accounts insured by the Federal Deposit Insurance Corporation ("FDIC") and/or maintenance of free credit balances held by us and insured by the Securities Investor Protection Corporation ("SIPC") – referred to herein as "Sweep" – and, if certain criteria are met, an option for you or an Authorized person to instruct us to hold a specified amount of cash (separate from Sweep) in your account in one or more FDIC-insured bank accounts of our choosing as FDIC.CASH and/or FDIC.PLUS which are the currently available, "Client Directed Investment Choices" under the Program.

We can change the features or products that are included in the Program to include any legally permissible deposit account or instrument or we can terminate any or all of the products in the Program and hold some or all of your cash only as free credits (note that under the Program some or all of your cash may already be held as free credits). If any such change then requires, under applicable law or regulation, prior notice to you and/or your consent we will provide such notice and/or seek such consent, to the extent so required. When, and if, we make a money market fund available under the Program either as a sweep vehicle or as a Directed Investment Choice you will be provided access on our website to any applicable prospectus for such fund.

To use a Client Directed Investment Choice alternative then available under the Program, you or an Authorized person must instruct us to move specified cash amounts into and out of any such Client Directed Investment Choice each time you wish to move cash – we generally will not automatically move cash into or out of a Client Directed Investment Choice for you. By doing the work involved with maintaining a cash balance in the Client Directed Investment Choice alternative under the Program, you may earn higher yields than on cash in Sweep. Cash then invested in a Client Directed Investment Choice alternative is generally not subject to automatic deduction to satisfy withdrawals or to make investments in, for example, another folio in your account managed by you or another Authorized person.

Generally, there is no cash minimum for the Program either for participation in Sweep or in any Client Directed Investment Choice. However, interest may not be payable on cash maintained in a Client Directed Investment Choice until a cash balance threshold for any particular Client Directed Investment Choice is met (see the Schedule to this Exhibit for the specific levels). Cash deposited into the Program begins earning interest, to the extent eligible, from the day it is received by the Program Banks or received by us and maintained, under the Program, as a free credit.

All withdrawals of cash from your account deposited in Sweep will be made by us as your agent in the following manner. Cash necessary to satisfy debit entries in your account will, generally, first be automatically withdrawn from free credit balances held by us that are not deemed held as part of the Program, if any – e.g., cash settling that day from securities sales or cash wired into your account that day, but there are other circumstances which can create a balance that is not yet in the Program. If a debit remains, we then will automatically withdraw cash from your Sweep cash maintained as part of the Program either as free credits held by us or as cash deposited in Program Banks. Cash invested by you or an Authorized person into a Client Directed Investment Choice will generally not automatically be withdrawn to satisfy a debit entry in your account; you must instruct us to withdraw a specified amount of cash from a Client Directed Investment Choice, after which we will credit your account with the amount noted in your instruction. Once credited to your account, it will be available for us to automatically satisfy your debit. If there is no debit entry once credited, it will be placed into Sweep. If you have a debit in your account and you fail or chose not to direct us to make a withdrawal from a Client Directed Investment Choice, you may have a positive cash balance in the Program and a debit balance in your account. Under such circumstances, we have the right to charge you interest on a debit amount. If this occurs, the interest we charge you on the debit in your account will be greater than the interest you will earn on the same amount of cash in your Client Directed Investment Choice.

A debit is created when you purchase securities, when we receive a cash withdrawal request for your account using an electronic funds transfer, a check written by you and presented for payment, when we issue a check or wire at your request, or when you incur a fee or other charge in your account. Checks we provide you for use with your account are not drawn directly against any cash deposited for you at any of the Banks.

**Location or Cash Holdings.** If cash is in Sweep it will either be deposited in i) one or more FDIC-insured money market accounts at depository institutions under the Program ("Program Bank(s)"), ii) held by us as free credits in your brokerage account and covered by SIPC insurance, not FDIC insurance, or iii) partly held in deposits at Program Banks and partly held as SIPC-insured free credits. The Program may include banks introduced to us by third parties and/or with which we have an existing or separate business relationship unrelated to the Program, which could include holding our or an affiliate's proprietary or other accounts, providing financing or otherwise.

Cash in your account, whether in Sweep or in a Client Directed Investment Choice, to the extent deposited with a bank (and not maintained by us as SIPC-insured free credits) is a "bank deposit" at such Program Bank and such deposit is solely the obligation of the Program Bank and not us. We act only as agent and custodian for your deposit and you are the "depositor."

We inform you as of the end of each calendar month as part of your account statement which Program Bank(s) hold deposits on your behalf as a result of your participation in the Program, and/or the amount of cash that we hold as a free credit in your brokerage account that is not in a Program Bank. Upon your instruction (or that of an Authorized person) we will exclude one or more Program Banks from being permitted to receive cash from your account at any time. Program Banks may change from time to time in our sole discretion and without prior notice to you. A current list of Program Banks is available on our website.

When cash is held at a Program Bank, the separate accounts established by us on your behalf will be evidenced by a book entry on the account records of each Program Bank. No evidence of ownership, such as a passbook or certificate, will be issued to you. Accordingly, all transactions involving a Program Bank as part of the Program must be made through us. You may contact us to obtain information about your balances held on the books of each Bank, activity in your account, and the interest rate(s) paid to you.

In the event any Program Bank declines to accept any additional cash deposits that are covered by the Program or withdraws from participating in the Program or is terminated from the Program, then you agree that we, as your agent, are authorized by you to move your cash deposit to one or more other Program Banks, to a free credit held by us in your brokerage account and/or, with prior notice to you, or as otherwise permitted by applicable law or regulation, to another cash sweep investment alternative outside of the Program.

**Program Fee.** We charge a fee for providing the Program. We can choose to waive at any time without notice to you and, with appropriate notice if required, reinstate all or a portion of our fee.

All questions regarding the Program and any Program Bank should be directed to us, not the Program Banks. Current interest rates, which change from time to time, and other information can be obtained by accessing the information on our website. The rates shown as in effect from time to time on our website shall control as the rates payable for the applicable period, notwithstanding anything else to the contrary.

**Exception for IRA and ERISA Accounts.** A Program Bank, or we (including any affiliate of ours), may have a fiduciary obligation with respect to your account as covered by a separate agreement such as an investment advisory or trust agreement. To the extent such a fiduciary relationship exists and your account is an IRA subject to Section 4975 of the Internal Revenue Code or Title 1 of the Employee Retirement Income Security Act ("ERISA"), such Program Bank or we may be deemed to be a fiduciary with respect to certain cash balances in your account. Those cash balances for which we may be deemed a fiduciary, referred to herein as "Identified Cash", may include all the cash in your account, or only the cash, if any, in a particular folio within your account, if such fiduciary activities extend only to that folio. Identified Cash may be subject to different terms and conditions which will be provided to you by the entity acting as fiduciary. Non-Identified Cash amounts in your account participate in the Program pursuant to the terms of this Exhibit.

**Our Status and that of the Program Banks.** All Program Banks are depository institutions duly chartered under Federal or state law, the deposits of which are insured by the FDIC. We are a broker-dealer registered with the U.S. Securities and Exchange Commission ("SEC") and a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). We are not a bank. All cash in your account under the Program is deposited in FDIC-insured money market accounts at one or more Program Banks and/or held by us as free credits in your brokerage account where it is covered by SIPC insurance, not FDIC insurance.

**FDIC Insurance Coverage under the Program.** All cash deposits in the Program Banks, by account ownership category as recognized by the FDIC, are covered by insurance from the FDIC up to certain amounts. Generally, the FDIC provides insurance to a maximum of \$250,000 per account ownership category (for example, an Individual Account, which is a separate category from a Joint Account), aggregated across all deposits held by you in the same account ownership category at the same bank. As an example, if you had one account in each of the Individual and Joint account ownership categories at the same bank, you would have a maximum of \$500,000 in FDIC insurance coverage, computed as \$250,000 for the first account ownership category (i.e., Individual) and \$250,000 for the second account ownership category (i.e., Joint). The current FDIC recognized account ownership categories are listed on the FDIC's website ([www.fdic.gov](http://www.fdic.gov)) and may change from time to time.

Under the Program, we seek to provide extended FDIC insurance by placing your cash (whether in Sweep or in a Client Directed Investment Choice), by account ownership category, in multiple Program Banks when the amount of cash in the accounts you have with us would exceed the FDIC insurance limits at any one Program Bank. For example, if there were fifteen (15) Program Banks, the available FDIC insurance could be up to \$3.75 million for each account ownership category (i.e., 15 times \$250,000). You should note that if you establish and maintain cash deposits outside the Program at any of the Program Banks, your cash balances held directly at the Program Bank in the same account ownership category would count toward the total amount of your cash that will be covered by FDIC insurance at that Program Bank in that account ownership category. You (or an Authorized person) may instruct us not to deposit cash in your account into any specific Program Bank to avoid exceeding the FDIC insurance limits as a result of aggregated cash balances in an account ownership category.

Your cash becomes eligible for FDIC insurance immediately upon placement in a Program Bank by us as agent for you under the Program. While such cash is in transit between us and a Program Bank, cash may pass through an intermediary bank and would be eligible for FDIC insurance, to a maximum amount of \$250,000 per account ownership category, as outlined above, taking into account the cash amount aggregated with any other deposits held by you in the same account ownership category at the intermediary bank. In the event we use a single intermediary bank in the administration of the Program, it is possible that your cash in transit at an intermediary bank will exceed the maximum amount of FDIC insurance coverage available for your cash at such bank. Accordingly, any amount in excess may not be covered by FDIC insurance until such cash is deposited into a Program Bank and also would not be covered by SIPC insurance.

If your cash in the Program exceeds the capacity of all the Program Banks to provide FDIC insurance, your cash in excess of the maximum insurable amount will be placed, at our discretion, into either one Program Bank, across one or more of the Program Banks and/or held in free credits with us in your brokerage account. In any case the excess cash deposit amount will not be covered by FDIC insurance (but, to the extent some or all of the excess is held as free credits, it would be covered by SIPC insurance to the extent permitted).

You can get publicly available financial information concerning any or all of the Banks at <http://www.ffiec.gov/nicpubweb/nicweb/nichome.aspx> and more detail on FDIC insurance from <http://www.fdic.gov/deposit/deposits/index.html> or by contacting the FDIC Public Information Center by mail at 3501 North Fairfax Drive, Room E-1005, Arlington, VA 22226 or by phone at (877) 275-3342 or (703) 562-2200.

**SIPC Insurance Coverage under the Program.** To the extent your cash in Sweep is not held in a Program Bank or in transit, it is held by us in your brokerage account as free credits under the Program. In addition, cash deposits received into your brokerage account with us by check, electronic funds transfer, or wire or as a result of the settlement of securities sales transactions, prior to deposit into a Program Bank as Sweep, may also be held by us as free credits.

Brokerage accounts are covered by SIPC insurance, which generally covers securities and cash in a brokerage account up to \$500,000 (including up to \$250,000 for cash). The maximum SIPC insurance available to you is based on the assets you have in brokerage accounts generally (and not just in the Program) with the same "capacity" as defined by SIPC. For example, as with FDIC insurance, your Individual accounts with the same brokerage firm will be treated as a separate capacity from your Joint account at that brokerage firm. You should review SIPC's definition of separate capacity carefully as you consider the potential amount of SIPC insurance coverage applicable to your account(s). Accounts held in the same capacity are combined for purposes of the SIPC protection limits. Additional information and a brochure explaining SIPC coverage is available on the SIPC website ([www.sipc.org](http://www.sipc.org)).

**Excess Insurance for Free Credit Balances.** Independent of and in addition to SIPC insurance coverage, we provide brokerage customers with additional supplemental insurance coverage that is available to the extent that SIPC insurance coverage was exhausted. Our supplemental brokerage account insurance is purchased from underwriters at Lloyds of London and has an aggregate limit of \$50 million, with coverage for any one customer limited to \$9.5 million, \$900,000 of which is available for cash held with us as free credits.

**No Insurance Protection for Investment Losses.** FDIC, SIPC and Lloyds of London insurance do not protect against investment losses from the decline in the market value of securities due to market fluctuation.

**Interest Rates.** You may wish to compare the terms, rates of return, required minimum amounts, charges and other features of our Program with other accounts and alternative investments at other brokerages and financial institutions.

With respect to Sweep, our rates of return are set at the low end of rates available in the marketplace and are designed to be more similar to rates payable on cash in liquid checking accounts than in higher yielding cash-based investment or savings accounts. If the interest paid on your cash is material to your decision as to where to have an investment account you will find higher paying interest rates at other institutions on sweep vehicles and you should compare our rates with those at other institutions. When conducting a comparison of interest rates be sure to compare the overall package of services and benefits we offer to those offered at other institutions, including any interest rate they pay. Interest rates at other institutions will likely be higher, but their costs or charges for other services, such as commissions, may also be higher. You may also wish to compare the rates on our Client Directed Investment Choices as opposed to only our Sweep rates.

**Interest - Current Rates.** The current interest rates paid under the Program are available on our website. We pay the same interest rate on cash invested in Sweep, regardless of whether the cash in Sweep is deposited in Program Banks or held by us as SIPC-insured free credits. The interest rate paid to you is determined by formula (see below section entitled "Interest - How The Interest Calculation Works.")

**Interest - Calculation Periods.** Interest on cash in the Program accrues daily as simple interest and is credited to your account monthly, at which time it will earn simple interest with your principal balance. Interest begins to accrue on the day of deposit of the cash to a Program Bank or the day the cash is deemed a free credit in Sweep under the Program, and up to, but not including, the day of withdrawal from the Program Bank or the day of withdrawal under the Program if it is a free credit in Sweep. This method applies a daily periodic interest rate based on the balance level. The daily rate is  $1/365$  (or  $1/366$  in a leap year) of the interest rate.

**Interest - Tax Reporting.** Annually 1099-INT forms will be sent to you for each taxable account you hold with us indicating the amount of interest paid to you by the Program Banks or paid on free credits held by us in Sweep under the Program when the amount of interest paid to you equals or exceeds the threshold amount requiring us to report interest. We do not prepare 1099-INT forms for accounts where the interest paid is below the reportable amount.

**Interest - When Credited.** If we receive cash for deposit in your account after the daily cut off time on a business day when both we and banks are open, we may not be able to actually deposit that cash into the Program (either into a Program Bank or included in the free credits held by us under the Program) on the day we receive it. Even if we are able to deposit such cash after the daily cut off time into the Program, the cash may or may not be available for further deposit into multiple Program Banks (if applicable) that day. If cash we receive after the daily cut off time is not deposited into the Program on the day we receive it, that cash will be deposited into the Program no later than the next business day that we and banks are open. Cash we receive after the daily cut off may, until the next business day when we and banks are open, be deposited in a single Program Bank where it would receive only the amount of FDIC insurance available from a single Program Bank, or SIPC insurance available for free credit balances held generally by us (whether as free credit balances held under the Program or otherwise), and will begin to earn interest only when such amounts are fully deposited into the Program.

**Interest - Calculation Formula.** We use a formula (the "Formula") to establish the yield you earn on amounts deposited in the Program (whether held as deposits at Program Banks or by us as free credits), based on a rate based on the net interest rate paid by the Program Banks, the "Net Interest Rate". For all cash under the Program, regardless of how high interest rates become, we receive a portion of the interest for providing the Program. Put another way, we earn, as our fee for operating the Program, the balance of what is paid by the Banks to us that is not paid to you. The "net interest rate paid by the Banks" -- the Net Interest Rate -- is the weighted average blended rate paid by the Program Banks to us on cash held at the Program Banks, after also deducting the fees paid to any intermediary bank or other unaffiliated service provider under the Program (if such fees were not already deducted directly from the amounts we receive from Program Banks). Generally, the Net Interest Rate is determined during a month, using the weighted average blended rate as of the end of the preceding month, and is then made applicable for the next succeeding month. As an example, we will seek to determine in July, based on data as of the end of June, the rate applicable for August. We reserve the right to calculate and update the Net Interest Rate (and the resulting rates payable under the Program) more or less frequently without further notice. You can email us at our customer service email address as shown on our website to obtain the then current Net Interest Rate and the frequency of calculation. The interest rates payable under the Program for any specified time frame is as stated from time to time on our website.

We reserve the right, in our sole discretion, to change from time to time the Formula itself and apply a new Formula to the calculation of interest to be paid to your account as part of the Program, so long as we provide notice of a Formula change by posting the change on our website and making the change effective no sooner than thirty (30) days after the date of such notice for existing accounts, or after the date of such notice for new accounts. However, changes in the amounts calculated to be paid to you under the Formula, after it is effective, because of increases or decreases in the Net Interest Rate (e.g., due to a Fed Funds rate change, a Program Bank paying a different rate from another Program Bank leaving or joining the Program, deposits moving from one Program Bank to a different Program Bank paying a higher or lower interest rate, etc.), changes based on the amount of cash you have with us from time to time (for example, if you or an Authorized person increased the amount of cash held in Sweep), changes made by you, for example, from a Client Directed Investment Choice to Sweep, changes in fees from unaffiliated service providers, or similar events, will be made without any notice to you.

**Interest - How The Interest Calculation Works.** Your interest rate under the current Formula for Sweep (whether held in Sweep as FDIC-insured Bank deposits or as free credits with us) and for each Client Directed Investment Choice is calculated as shown in the Schedule to this Exhibit (and it is rounded to four digits (two decimal places for percentages (i.e. 0.01% or 0.0001)) by rounding up if the fifth digit is equal to or greater than 5 and down if it is less than or equal to 4).

The Schedule attached to this Exhibit sets forth the current Formula under the Program for Sweep and each currently available Client Directed Investment Choice.

**Interest - How we Calculate the Sweep Cash Balance Amount used by the Formula.** We add together the cash in Sweep in all accounts that can be linked together where any two accounts have at least one common taxpayer ID number to determine the cash balance used by the Formula for an interest calculation for Sweep. This is different from the method used by the FDIC and SIPC to determine their insurance limits. For example, the FDIC treats each account ownership category as separate, determines the cash in each account ownership category (which can be across multiple accounts) and then determines whether you have reached the maximum insured cash amount. For FDIC insurance purposes, again as an example, you would want to fund as many separate accounts falling into distinct "account ownership categories" as possible so you can obtain additional FDIC insurance coverage. By contrast, to maximize potential interest earned with respect to your cash held in Sweep you would want to be able to aggregate the cash across as wide a range of accounts as possible so the cash balance used in the Formula's Sweep interest calculation is the highest possible. Under our Program, we are able to accomplish both goals for Sweep.

For cash amounts you put into a Client Directed Investment Choice, interest may be earned on a flat rate basis (where all amounts deposited earn the same rate) or on a "dollar one" basis (where different rates are paid depending on the total amount deposited in a particular Client Directed Investment Choice. There is no aggregation of your accounts for purposes of determining rates applicable to any Client Directed Investment Choice, but there still is, if applicable, for FDIC and SIPC insurance purposes.

**Transaction and Other Fees.** No direct fees, such as a commission charge for processing a cash transaction, will be assessed to your account or deducted from your specified rate of return for cash maintained in Sweep. We, however, may charge a transaction or other direct fee for processing deposit or withdrawal instructions from you when you use a Client Directed Investment Choice. If we charge for deposits and/or withdrawals from any Client Directed Investment Choice, any such fee will be disclosed to you on our website.

**Risk of Loss for transit to Program Banks.** For the purpose of transmitting cash from Program Banks to us, and from us to the accounts at the Program Banks, we assume the responsibility and the risk of loss for any cash transfers of yours that have been delivered by you to us in an agreed upon manner.

**Release of Liability of Banks.** Withdrawals will be deemed paid by a particular Program Bank when such cash is transmitted by such Program Bank to our account and such Program Bank will be released from all liability for such withdrawn cash once the Program Bank delivers the cash to us. The Program Banks are not responsible for our actions with respect to the Program or otherwise.

**Waiver of Confidentiality.** You expressly give consent for Federal or state regulators to access your customer account information for audit and review purposes and expressly agree that we may provide your information to any Program Bank for purposes of operations under the Program and for purposes of FDIC insurance.

**Schedule - Formula for Calculating Interest.** The Formula used to compute how much interest is to be paid under the Program depends on a set of factors:

1. Net Interest Rate paid to Folio by the Program Banks
2. The type of investment (e.g. Sweep, FDIC.Cash, or FDIC.Plus)
3. The amount of the investment

**Sweep.** The interest rate paid on cash held in Sweep is determined as follows, with a minimum interest rate of .01%.

If the current Net Interest Rate is at least 1.5%, the Sweep interest rate is the Net Interest Rate multiplied by the Weighted Average Tier Amount.

If the current Net Interest Rate is less than 1.5%, the Sweep interest rate equals i) the Net Interest Rate multiplied by ii) the Weighted Average Tier Amount multiplied by iii) the square of the product of 2/3 times the Net Interest Rate times 100.

The Weighted Average Tier Amount is the sum of the amount of cash in each tier as shown below multiplied by the Tier Multiplier for that tier, divided by the total amount of cash:

Bottom of Tier	Top of Tier	Tier Multiplier
\$0	\$25,000	10%
\$25,000	\$75,000	15%
\$75,000	\$100,000	25%
\$100,000	\$250,000	35%
\$250,000	\$500,000	45%
\$500,000	\$2,000,000	55%
\$2,000,000		65%

For example, the first \$25,000 has a Tier Multiplier of 10%, the next \$50,000 has a Tier Multiplier of 15% and the next \$25,000 has a Tier Multiplier of 25%.

An account with a cash balance of \$85,000 in Sweep has a Weighted Average Tier Amount of 14.7% calculated as follows:

$$((\$25,000 \times 10\%) + (\$50,000 \times 15\%) + (\$10,000 \times 25\%)) / \$85,000 = 14.7\%$$

Using the Formula, the interest rate paid on this cash held in Sweep would be, when the Net Interest Rate is .5%, the floor amount of .01% (the Formula results in .5% times 14.7% times 1/9 (which is the square of the product of (2/3 times .5% times 100)) or less than .01%, and, when the Net Interest Rate is 1%, 0.07% (7 basis points, calculated as 1% times 14.7% times 4/9 (the square of 2/3 of 1% times 100)) and, when the Net Interest Rate is 2%, 0.29% (29 basis points, calculated as 2% times 14.7%).

**FDIC.PLUS.** The interest rate paid on cash held in FDIC.PLUS is determined using the same Formula as for Sweep except that the Tier Multiplier to be used is the multiplier for the *highest* tier, as shown in the following table, that the cash in FDIC.PLUS reaches, and the minimum rate payable is as shown in the table:

Bottom of Tier	Top of Tier	Tier Multiplier	Minimum interest Rate Payable
\$0	\$24,999	0%	0%
\$25,000	\$49,999	30%	.01%
\$50,000	\$99,999	45%	.02%
\$100,000	\$249,999	60%	.02%
\$250,000	\$499,999	75%	.03%
\$500,000	\$999,999	85%	.03%
\$1,000,000		85%	.05%

For example, if \$75,000 is held in FDIC.PLUS then the full \$75,000 is multiplied by the third Tier Multiplier of 45% (i.e., for amounts greater than \$50,000 and less than \$99,999). As an example, the interest rate to be paid on that amount in FDIC.PLUS would be 0.20% (20 basis points) when the Net Interest Rate equals 1% and .90% (90 basis points) when the Net Interest Rate equals 2%, using the Formula.

Note that if less than \$25,000 is invested in FDIC.PLUS it earns no interest at all.

**FDIC.CASH.** The interest rate paid on cash held in FDIC.CASH is determined using the same Formula as for Sweep except that there is only one Tier Multiplier of 13.33% used with respect to all the amounts in FDIC.CASH in the account, and the minimum rate payable is .01%.

# EXHIBIT 2 – Check and Transfer Money Terms and Conditions

These Check and Transfer Money Terms and Conditions form an addendum ("Addendum") to, and are incorporated in, your Folio Customer Agreement, including the pre-dispute arbitration clause in the Folio Customer Agreement, Insured Deposit Cash Sweep Account program terms and conditions and any other agreements (together, the "Agreement") you may have with Folio Investments, Inc. ("we", "us", "our" or "Folio") (all such applicable terms and conditions are referred to herein as the "Transfer Money Terms"). The Transfer Money Terms apply when you submit an application to Folio for check writing privileges for your brokerage account with Folio ("Folio Account") or when you (or an Authorized person (as that term is defined in the Agreement)) initiate an electronic funds transfer ("EFT") (including an automated clearing house transfer) to transfer monies to or from your Folio Account (collectively, services relating to Checks and EFTs are referred to herein as the "Transfer Money Services").

You agree that such privileges are subject to the Transfer Money Terms, as amended from time to time, and each use of the Transfer Money Services will constitute reaffirmation of your agreement to be legally bound by the Transfer Money Terms, as amended. Subject to applicable law, Folio has the right to amend the Transfer Money Terms in accordance with the terms of the Agreement. The changes will be binding on you and any Authorized person as of the date of the amendment.

**Access to the Transfer Money Services.** Your access to the Transfer Money Services is subject to review and approval by Folio and your access can be withdrawn or limited at any time in Folio's sole discretion. You authorize Folio and any of its agents to process your application for the Transfer Money Services and you consent to Folio and any of its agents reviewing personally identifiable and financial information regarding your Folio Account in connection with its review. Further, you authorize Folio to make the credit inquiries Folio considers necessary to process your application and to conduct any review of your Folio Account including, but not limited to, a review of your name, address, phone number, social security number, and date of birth. You also authorize disclosure by Folio of the results of such inquiries, as Folio deems appropriate in its sole discretion, to any agent, vendor or other third party necessary to make the Transfer Money Services available to you.

You acknowledge and agree that Folio will provide the Transfer Money Services using a reasonableness standard of care and that standard will be satisfied if reasonable banking procedures are followed. For example, we expect to process your Checks and EFTs within one (1) to two (2) business days of the processing time we disclose to you, but we may not be able to do so from time to time. You agree that such a delay will not be a breach of our agreement with you to act reasonably in providing the Transfer Money Services to you. Further, you agree that we shall be deemed to have exercised ordinary care as to your signature if we process your Check by automated means only (so as to clear the largest number of checks at the lowest cost to customers).

**Business Days.** For purposes of the Transfer Money Terms, our business days are Monday through Friday, excluding federal holidays.

**Folio Contact Information.** Any communications permitted or required under the Transfer Money Terms should be directed:

By phone to: Customer Service Team, (888) 485-3456 or (703) 649-6288  
By mail to: Folio Investments, Inc.  
8180 Greensboro Drive  
8<sup>th</sup> Floor  
McLean, Virginia 22102  
Attention: Customer Service Team

By email to: support@foliofn.com

**Information Disclosure.** You agree that we may disclose information to third parties about your Folio Account or the transfers you make as part of the Transfer Money Services where it is necessary (1) for completing transfers and otherwise providing the Transfer Money Services, (2) in order to verify the existence and condition of your account for a third party, or (3) to comply with government or court rules and orders. We also may request your written permission to disclose such information under other circumstances from time to time.

**Check Writing.** In order to provide the Transfer Money Services to you, Folio has established an account ("Master Account") with an unaffiliated national banking association chartered and regulated by the Office of the Comptroller of the Currency ("Bank"). Checks with respect to your Folio Account are payable against the Master Account and not against an account in your name at the Bank. You acknowledge and agree that you have no ownership or beneficial interest in the Master Account or the funds in the Master Account.

You agree to write Checks only in U.S. dollars. If a Check transaction involves an exchange of foreign currency, it will be charged to your Folio Account in U.S. dollars and will be subject to applicable exchange rates and applicable regulations.

You must use Checks that are ordered through Folio or an approved vendor to ensure the drafts contain the correct account and other information necessary for processing. If you do not use Checks that have been ordered through us or an approved vendor, such Checks may be returned unpaid and neither Folio nor the Bank shall have any liability to you. Images of paid Checks written against your Folio Account will be held for safekeeping by the Bank and will not be returned to you in the normal course. A fee may be imposed for us to request that the Bank provide you with a copy of an image of a paid Check.

You agree that the Bank and Folio may process your Check based on an electronic image and/or related electronic information from your original Check ("Check Image") that is presented for payment to the Bank. The Bank and Folio are under no obligation to obtain the original Check and you acknowledge that your original Check may be destroyed in connection with its conversion to a Check Image by third parties other than the Bank and Folio. You agree that you, the Bank and Folio, as between the parties, shall have the same rights and responsibilities under applicable law and this Agreement with respect to a presented, paid or returned Check Image as if the Check Image were the original Check, except that the Check Image is in electronic form. You also authorize Folio and the Bank to pay and Folio to charge your Folio Account for photocopies of any original Check and paper reproductions of Check Images.

Folio or the Bank may refuse to pay a Check or other item which: (1) is illegible; (2) drawn in an amount greater than the amount of funds then available for withdrawal in your Folio Account or which would, if paid, create an overdraft in your Folio Account; (3) bears a duplicate Check number; (4) either Folio or the Bank believes has been altered; or (5) either Folio or the Bank believes does not bear an authorized signature. Further, we will not honor any restrictive legend on any Check unless we have agreed to do so in writing.

You agree that when you write a Check you will not date the Check for a date in the future. If you do and the Check is presented for payment before the date on the Check, Folio or the Bank may return it unpaid, but has no obligation to do so. If the Check is paid it will be posted to your Folio Account on the day of presentment and neither Folio nor the Bank will be liable to you for paying the Check prior to the date on the Check or any losses you may incur as a result.

Once a check is six (6) months old, Folio or the Bank may return it unpaid, but has no obligation to do so. If there is no stop payment order on the Check and the Check is paid, it will be posted to your Folio Account on the day of presentment and neither Folio nor the Bank will be liable to you for paying the Check without notice to you or any losses you may incur as a result.

You acknowledge that Checks made available to you as part of the Transfer Money Services are for your exclusive use and, accordingly, you agree to use reasonable care to safeguard and limit access to them. You agree to assume all losses that could have been prevented if you had safeguarded unsigned (or otherwise incomplete) Checks, or had told us that they were missing.

**EFT Initiated By Third Party; Electronic Checks.** You may authorize a third party to debit your Folio Account using an EFT originated by the third party. In addition, you may authorize a merchant, or other payee, to make a one-time payment from your Folio Account via an EFT using information from your Check. By using the Transfer Money Services, you authorize us to honor and pay any such EFT and debit your Folio Account any time after we receive such a debit request. We reserve the right, from time to time, to impose limitations on the number, frequency and dollar amount of these types of EFTs and to return or refuse to pay such EFTs that exceed those limits.

**Direct Deposits.** You may set up a direct deposit to your Folio Account by directing a third party to deposit monies into your Folio Account. You are solely responsible for the terms of your authorization with your employer or any other person making a direct deposit to your Folio Account. We will accept direct deposits when a third party (including any federal or state governmental agency) sends us the direct deposit directed to your Folio Account using the correct account information through the Bank and the payment network. Our receipt of the direct deposit is dependent on the third party sender using the correct account information for your Folio Account and following the applicable rules and regulations. Any credit that we post to your Folio Account relating to a direct deposit from a third party is provisional until we and the Bank receive final payment for the EFT through the automated clearing house network. If we do not receive final payment, if we receive documentation satisfactory to us that a payment was made to your Folio Account in error or for an erroneous amount, or if any federal or state governmental agency claims that you were not entitled to benefits deposited directly to your Folio Account, we may reverse the credit and you agree that we may debit your Folio Account for the amount so credited and to reimburse us if the funds in your Folio Account are insufficient.

**Folio as Your Agent.** You hereby appoint Folio as your agent and unconditionally authorize Folio to withdraw cash from your Folio Account to provide money to cover your Checks and EFTs drawn against and/or posted to the Master Account, and to pay the service charges that may arise in connection with your use of the Transfer Money Services or other confirmation that you issued the Check or initiated or authorized the EFT. You hereby acknowledge and agree that we may act on and pay any Check and any EFT presented or drawn against and/or posted to the Master Account in accordance with applicable law, the Transfer Money Terms and standard practices of the Bank when processing Checks and EFTs.

**Transaction Types, Limits and Overdrafts.** Information regarding the types of transactions permitted as part of the Transfer Money Services and the applicable limits on the number, frequency and dollar amounts of such transactions is available to you by going to the Fund an Account section on our website. Folio may impose, in its sole discretion, a limit as to the amount of a Check or EFT (or the aggregate of Checks and EFTs over a set period of time) that would be drawn against and/or posted to your Folio Account. You agree to adhere to any such limits that are in effect from time to time. We may change any such limits without prior notice to you, to the extent permitted by law.

You agree not to issue a Check or initiate or authorize an EFT for an amount in excess of the amount of funds available for withdrawal from your Folio Account. You understand and acknowledge that credits to and transactions requiring the withdrawal of monies from your Folio Account (including Checks, EFTs, withdrawal requests, payment for settled securities transactions and payment of fees) are posted daily in any order in which we choose. Items presented after an applicable deadline may not be posted until the following business day. The balance in your Folio Account is updated after each posting. Any item received on a Saturday, Sunday or any day the Bank or we are closed shall be deemed received on the next business day for purposes of the Transfer Money Terms. Any credit to your Folio Account is subject to our *Funds Availability Policy* available to you on our website, which is subject to change from time to time.

If a Check or EFT is presented for payment and it would cause your Folio Account to be overdrawn, we may pay or return the item in our sole discretion. For the avoidance of doubt, we have no obligation to consider the balance in any other account you may have with us when determining whether sufficient funds are available in your Folio Account against which a Check or EFT has been presented.

If a Check or EFT is presented and there are insufficient funds in your Folio Account to cover the amount of the Check or EFT and the Check or EFT is paid, you will have an overdraft in your Folio Account. You agree to repay (by liquidating securities or other financial instruments or depositing funds) the overdraft immediately and any fees that may be assessed against your Folio Account relating to the overdraft. If you fail to repay the overdraft amount to us, you agree that we may debit your accounts with us as described in the *Managing Transactions in Your Accounts* section of the Agreement. You agree that, to the fullest extent permitted by law, subsequent deposits and other credits to your Folio Account may be used to satisfy an overdraft, regardless of the source of such deposit including, without limitation, deposits of government, welfare, retirement or social security benefits. If you have a joint account, each account owner is responsible for all overdrafts, collection costs and reasonable attorney's fees arising out of Checks or EFTs presented against the Folio Account, even if initiated or authorized by one joint owner without the knowledge or consent of the other joint owner.

**Errors or Questions About Checks.** You should notify us as soon as possible, but in any event within thirty (30) days after we notify you that your account statement is available, of any errors, unauthorized or altered Checks, forgeries, or other problems. In addition, you agree not to assert a claim against Folio or the Bank concerning any error, forgery or other problem relating to a Check or related entry on your account statement unless you have (or your Authorized person has) notified us of the error, unauthorized or altered Check, forgery or other problem within thirty (30) days after we notify you that your account statement is available. If you do not notify us within the required period of time of an error, unauthorized or altered Check, forgery or other problem, your account statement will be deemed to be correct and all Checks properly charged against your Folio Account. You will be precluded from recovering any amounts related to any such Check that you later claim was unauthorized or fraudulent or altered.

**EFT Cancellation/Stop Payments.** If you do not want us to pay a single EFT or an EFT from a recurring series of EFTs that you scheduled on our website, you (or an Authorized person) should log in to your Folio Account and cancel the scheduled transaction.

Additionally, you may contact us at the contact information above to place a stop payment order on a Check or an EFT from a recurring series that you scheduled on our website or with a third party to debit your Folio Account ("preauthorized EFT"). In the case of a stop payment order, you (or an Authorized person) must notify us as soon as possible and before Folio and the Bank have become responsible for payment. If the transaction relates to a recurring preauthorized EFT, you (or an Authorized person) must notify us at least three (3) business days before the scheduled date of the transfer. We must have a reasonable period of time to put your stop payment order in effect. If you (or an Authorized person) order us to stop a preauthorized EFT transaction three (3) business days or more before the transfer is scheduled, and we do not do so, we will be liable for your losses or damages. If your stop payment order is made orally, it will remain in effect for a period of fourteen (14) days and will lapse thereafter, unless you (or an Authorized person) confirm it in writing directed to us using our contact information above. If you provide us written notice, the stop payment order will remain in effect for six (6) months.

Your stop payment order must include the following information: the account number, the Check number (if applicable), the date and amount of the Check or the date and amount of the EFT, and the name of the payee. Neither Folio nor the Bank assumes liability to you or any other person for failure to stop payment on a Check or EFT if any of the required information is incorrect or incomplete or if Folio or the Bank has insufficient time to put the stop payment order into effect. There is a fee for each stop payment order we receive. If your Check has been converted to an EFT by the merchant payee or any other person, we will not be able to process the stop payment order. If your Folio Account is a joint account, we will accept a stop payment order from any owner, even if that owner did not sign the Check or initiate the EFT.

If we honor a stop payment order on a Check or EFT, you agree that, to the extent permitted by law, you will hold Folio and the Bank harmless for all fees and expenses incurred on account of the stop payment order. You agree that if, contrary to the stop payment order, after a reasonable period of time to put the stop payment order in effect has lapsed, payment is nevertheless made through inadvertence, accident or oversight, to the extent permitted by law, our liability will be limited to the amount of actual loss you sustained up to the amount of the Check or EFT, and that we will not be liable to you or any other person with respect to other items drawn by you which are returned because of the improper payment.

**Joint Accounts.** If your Folio Account is owned jointly with one or more other persons, each of you separately agree that use of the Transfer Money Services by any account owner binds each account owner individually and the Transfer Money Terms apply to each account owner and each account owner will be jointly and severally liable for any amounts due relating to the Transfer Money Services at any time.

Any single owner of your Folio Account or Authorized person, acting alone, may write Checks (if an authorized signor) or initiate an EFT with respect to your Folio Account. No limitation or restriction that purports to require two or more signatures or that has other special signing provisions will be applied and any such provision or requirement is not binding on us.

**Account Statements and Notice of Deposits and Withdrawals.** You generally will receive an account statement on a monthly basis (but in any event not less than quarterly) with a summary of the activity in your Folio Account, including any Check or EFT activity. You may request additional documents or information by contacting the Customer Service Team using our contact information above. You agree that you will promptly review your Folio Account statements and other information delivered to you as soon as you receive it. You agree that the account statement shall be deemed to be "available" to you as of the date we make the statement available to you online and email a notice to you of its availability.

Each time a deposit or withdrawal occurs in your Folio Account, even if the transaction is preauthorized and occurs on a regular, periodic basis, we notify you by email. You should review these notices and contact us immediately if it appears that the deposit or withdrawal is inaccurate or unauthorized. You should not delay notice to us by waiting for your account statement.

**Our Liability for Failure to Complete an EFT.** If we do not complete an EFT with respect to your Folio Account on time or in the correct amount according to the Transfer Money Terms, we will be liable for your losses or damages. However, there are some exceptions. We will not be liable, if: (1) through no fault of ours, you do not have sufficient funds in your Folio Account to make the transfer at the time the transfer was being processed (even if funds are subsequently received); (2) your Folio Account is restricted (for example, because of a court order or similar reason) and we are not permitted to make payment on the EFT; (3) circumstances beyond our control (such as fire or flood) prevent us from completing the EFT, despite reasonable precautions that we have taken; (4) we have limited or refused to complete EFTs with respect to your Folio Account for security or compliance reasons; (5) we have reason to believe the EFT is unauthorized; (6) there are system, computer, personnel or other issues impacting your account that resulted in the failure of the EFT to process, provided we seek to correct such processing issues in a timely manner or (7) such other additional exceptions stated elsewhere in the Transfer Money Terms or as disclosed to you by us from time to time.

**Your Role in Preventing Fraud relating to Your Folio Account.** You agree to use care in safeguarding your unsigned Checks and your Folio Account login information against theft or unauthorized use. You must tell Folio immediately if any of your Checks are missing or stolen or if you believe there has been unauthorized access to your Folio Account. If you use a facsimile signature, stamp or other device for your signature on Checks, you are responsible for maintaining security over the device. Any signature made on a Check using the device will be effective as your signature, regardless of whether the person affixing it was authorized to do so.

If you voluntarily provide information about your Folio Account, such as your account number and our routing and transit number, to any person in connection with your purchase of goods or services or to a person who is trying to collect a payment from you, any unsigned Check created by that person against your Folio Account will, as between us and you, be deemed to be authorized by you. Such Checks are sometimes referred to as "Remotely Created Checks." You authorize Folio and the Bank to pay such Remotely Created Checks without notice to you.

You agree to cooperate with Folio and assist us in seeking criminal and civil penalties against the person(s) responsible for any unauthorized Check or EFT. You agree to file reports and complaints with the appropriate law enforcement authorities and, if requested, to give a statement, under oath, about the facts and circumstances relating to your claim.

**Your Liability relating to EFTs.** Tell us AT ONCE by using our contact information above if you believe your Folio Account login information has been lost or stolen, or if you believe that an EFT has been made with respect to your Folio Account without your (or an Authorized person's) permission using information from a Check. Telephoning is the best way of keeping your possible losses down. You could lose all the funds and other assets in your Folio Account. If you tell us within two (2) business days after you learn of the loss or theft of your Folio

Account login credentials, you can lose no more than \$50 if someone used your Folio Account login credentials without your permission to initiate an EFT. If you do NOT tell us within two (2) business days after you learn of the loss or theft of your login credentials and we can prove we could have stopped someone from using your login credentials without your permission to initiate an EFT if you had told us, you could lose as much as \$500.

If your account statement shows EFTs that you (or an Authorized person) did not make, tell us at once by contacting the Customer Service Team using our contact information above. If you do not tell us within sixty (60) days after we make the account statement available to you online and email a notice to you of its availability that there may have been an erroneous or unauthorized EFT in your Folio Account, you may not get back any money you lost after the sixty (60) days if we can prove that we could have stopped someone from taking the money if you had told us in time. If a good reason (such as a long trip or a hospital stay) kept you from telling us, the time period may be extended.

**Errors or Questions About Your EFTs.** In case of errors or questions regarding any EFT in your Folio Account, call the Customer Service Team, or write or email us at the contact information above as soon as you can, if you think your statement is wrong or if you need more information about a transfer made in your Folio Account.

With respect to an EFT, we must hear from you no later than sixty (60) days after we make the FIRST statement on which the problem or error appeared available to you and provide you notice of its availability. If you call us, we may require that you send us your complaint or question in writing within ten (10) business days. You will need to provide us with the following information:

- Name and account number.
- Description of the error or the transfer you are unsure about, and explain as clearly as you can why you believe it is an error or why you need more information.
- Dollar amount of the suspected error.

With respect to an EFT, we will determine whether an error occurred within ten (10) business days after we hear from you (or an Authorized person) and will correct any error promptly. If we need more time, however, we may take up to forty-five (45) days to investigate your complaint or question. If we decide to do this, we will credit your account within ten (10) business days for the amount you think is in error, so that you will have the use of the money during the time it takes us to complete our investigation. If we ask you to put your complaint or question in writing and we do not receive it within ten (10) business days, we may not credit your account.

For errors involving EFTs on new accounts, we may take up to ninety (90) days to investigate your complaint or question and take up to twenty (20) business days to credit your account for the amount you think is in error.

We will tell you the results within three (3) business days after completing our investigation of an alleged erroneous EFT. If we decide that there was no error, we will send you a written explanation. You (or an Authorized person) may ask for copies of any documents we used in our investigation.

**Folio Accounts That Are Not Consumer (Natural Person) Accounts/Non-personal Accounts.** If you are not a "consumer" as defined in Regulation E, we are not required to respond to your questions about EFTs within the time periods specified with respect to EFTs in the Transfer Money Terms and the limitations on your liability for unauthorized EFTs described above do not apply. Further, such limitations are applicable only to you as the Folio Account holder and do not extend to any other person (including any Authorized person) to limit or reduce such other person's liability to the extent that such person has guaranteed, assured or agreed to indemnify or hold us harmless with respect to Checks written or EFTs presented or posted against your Folio Account. Similarly, the parameters surrounding liability and documentation requirements with respect to EFTs apply only with respect to Folio Accounts established primarily for personal, family or household purposes.

If you are not a "consumer" as defined in Regulation E, to the extent permitted by law, you are solely responsible for all EFT transactions initiated on your Folio Account using your login information. Any EFT transaction initiated with your Folio Account login information is presumed to have been authorized by you. In addition, to the extent permitted by law, you agree not to assert a claim against Folio or the Bank concerning any erroneous or unauthorized EFT reflected on your account statement unless you have (or your Authorized person has) notified us of the erroneous or unauthorized EFT as soon as possible, but in any event within thirty (30) days after we notify you that your account statement is available. If you do not notify us of an erroneous or unauthorized EFT within the required period of time, your account statement will be deemed to be correct.

**Termination of Your Access to the Transfer Money Services.** Your access (or access granted to an Authorized person) to the Transfer Money Services may be terminated at any time for any reason or no reason, without prior notice to you or them. You will be notified promptly in writing if we terminate your privileges to write or initiate Checks. You shall remain responsible for all Checks written or EFTs initiated with respect to your Folio Account. After termination of your access to the Transfer Money Services, you agree to destroy or return to Folio all unused Checks. Failure to do so may result in a delay in our complying with your instructions regarding the disposition of assets from any account you have with us.

**Folio is Not a Bank.** Folio is not a bank and securities and other assets, unless expressly covered by the Insured Deposit Cash Sweep Account program terms and conditions, held in your Folio Account are not a deposit or other obligation issued or guaranteed by any bank nor are they insured by the Federal Deposit Insurance Corporation.

**Legal Proceedings.** If your Folio Account becomes involved in legal proceedings, your use of Checks and EFTs may be restricted. Folio may notify you whenever such a restriction is placed. A fee may be imposed for responding to legal orders.

**Disputes relating to Your Use of the Transfer Money Services.** To the fullest extent permitted by law, you agree to be liable to us for any loss, costs, or expenses, including reasonable attorney's fees, that we may incur as a result of any dispute involving your use of the Transfer Money Services. To the fullest extent permitted by law, you authorize us to deduct any such loss, costs or expenses from your Account without prior notice to you. This obligation includes disputes between you and us involving the Transfer Money Services and situations where we become involved in disputes between you and an authorized signor, another joint owner, or a third party claiming an interest in your Folio Account. Also, it includes those situations where you, an authorized signor, another joint owner, or a third party take some action with respect to the Folio Account which causes us to seek the advice of counsel, even though we do not actually become involved in the dispute.

**Fees.** Visit the Pricing Plan Details section from your Folio Account Settings page for details regarding any fee that may be imposed relating to your Folio Account or the Transfer Money Services.

**Limitations on Our Liability.** Notwithstanding anything in the Transfer Money Terms that may be viewed or deemed to be in conflict with this provision, you agree that our liability with respect to the Transfer Money Services shall not exceed that which is required by law.

Dear IRA Owner:

Notice: Folio Investments, Inc. ("Folio") is the sponsor of your IRA. Folio is a self clearing registered broker/dealer, and also provides certain administrative and investment services for your Traditional IRA. The Kingdom Trust Company ("Kingdom Trust", "we", "us", "our"), a South Dakota trust company, is the custodian of your Traditional IRA using Folio's Platform as sub-custodian to hold your assets.

## TRADITIONAL INDIVIDUAL RETIREMENT CUSTODIAL ACCOUNT

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

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

Do Not File with  
Internal Revenue Service

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

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

### Article III.

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

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

### Article IV.

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

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

- (a) A single sum; or
  - (b) Payments over a period not longer than the life of the depositor or the joint lives of the depositor and his or her designated beneficiary.
3. If the depositor dies before his or her entire interest is distributed to him or her, the remaining interest will be distributed as follows:

- (a) If the depositor dies on or after the required beginning date and:
  - (i) the designated beneficiary is the depositor's surviving spouse, the remaining interest will be distributed over the surviving spouse's life expectancy as determined each year until such spouse's death, or over the period in paragraph (a)(iii) below if longer. Any interest remaining after the spouse's death will be distributed over such spouse's remaining life expectancy as determined in the year of the spouse's death and reduced by 1 for each subsequent year, or, if distributions are being made over the period in paragraph (a)(iii) below, over such period.
  - (ii) the designated beneficiary is not the depositor's surviving spouse, the remaining interest will be distributed over the beneficiary's remaining life expectancy as determined in the year following the death of the depositor and reduced by 1 for each subsequent year, or over the period in paragraph (a)(iii) below if longer.
  - (iii) there is no designated beneficiary, the remaining interest will be distributed over the remaining life expectancy of the

depositor as determined in the year of the depositor's death and reduced by 1 for each subsequent year.

- (b) If the depositor dies before the required beginning date, the remaining interest will be distributed in accordance with (i) below or, if elected or there is no designated beneficiary, in accordance with (ii) below:
  - (i) The remaining interest will be distributed in accordance with paragraphs (a)(i) and (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), starting by the end of the calendar year following the year of the depositor's death. If, however, the designated beneficiary is the depositor's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the depositor would have reached age 70 1/2. But, in such case, if the depositor's surviving spouse dies before distributions are required to begin, then the remaining interest will be distributed in accordance with (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), over such spouse's designated beneficiary's life expectancy, or in accordance with (ii) below if there is no such designated beneficiary.
  - (ii) The remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the depositor's death.
- 4. If the depositor dies before his or her entire interest has been distributed and if the designated beneficiary is not the depositor's surviving spouse, no additional contributions may be accepted in the account.
- 5. The minimum amount that must be distributed each year, beginning with the year containing the depositor's required beginning date, is known as the "required minimum distribution" and is determined as follows:
  - (a) The required minimum distribution under paragraph 2(b) for any year, beginning with the year the depositor reaches age 70 1/2, is the depositor's account value at the close of business on December 31 of the preceding year divided by the distribution period in the uniform lifetime table in Regulations section 1.401(a)(9)-9. However, if the depositor's designated beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the depositor's account value at the close of business on December 31 of the preceding year divided by the number in the joint and last survivor table in Regulations section 1.401(a)(9)-9. The required minimum distribution for a year under this paragraph (a) is determined using the depositor's (or, if applicable, the depositor and spouse's) attained age (or ages) in the year.
  - (b) The required minimum distribution under paragraphs 3(a) and 3(b)(i) for a year, beginning with the year following the year of the depositor's death (or the year the depositor would have reached age 70 1/2, if applicable under paragraph 3(b)(i)) is the account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table in Regulations section 1.401(a)(9)-9) of the individual specified in such paragraphs 3(a) and 3(b)(i).
  - (c) The required minimum distribution for the year the depositor reaches age 70 1/2 can be made as late as April 1 of the following year. The required minimum distribution for any other year must be made by the end of such year.
- 6. The owner of two or more traditional IRAs may satisfy the minimum distribution requirements described above by taking from one traditional IRA the amount required to satisfy the requirement for another in accordance with the regulations under section 408(a)(6).

## Article V.

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

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

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

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

## Article VIII.

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

**8.02 Definitions.** The IRS Forms 5305 series agreement contains a detailed definitions section. The definitions found in such section apply to this Agreement. The IRS refers to you as the depositor, and us as the custodian. References to "you," "your," and "IRA owner" will mean the depositor, and "we," "us," and "our" will mean the custodian. The terms "you" and "your" will apply to you. In the event you appoint a third party, or have a third party appointed on your behalf, to handle certain transactions affecting your IRA, such agent will be considered "you" for purposes of this Agreement. Additionally, references to "IRA" will mean the custodial account.

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

**8.04 Our Fees and Expenses.** We may charge reasonable fees and are entitled to reimbursement for any expenses we incur in establishing and maintaining your IRA. We may change the fees at any time by providing you with notice of such changes. We will provide you with fee disclosures and policies. Fees may be deducted directly from your IRA assets, and/or billed separately to you. Fees billed separately to you and paid by you may be claimed on your federal income tax return as miscellaneous itemized deductions. The payment of fees has no effect on your contributions. Additionally, we have the right to liquidate your IRA assets to pay such fees and expenses. If you do not direct us on the liquidation, we will liquidate the assets of our choice and will not be responsible for any losses or claims that may arise out of the liquidation.

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

**8.06 Notice and Delivery.** Any notice mailed to you will be deemed delivered and received by you, five days after the postmark date. This fifth day following the postmark is the receipt date. Notices will be mailed to the last address we have in our records. You are responsible for ensuring that we have your proper mailing address.

Upon your consent, we may provide you with notice in a delivery format other than by mail. Such formats may include various electronic deliveries. Any notice, including terminations, change in personal information, or contributions mailed to us will be deemed delivered when actually received by us based on our ordinary business practices. All notices must be in writing unless our policies and procedures provide for oral notices.

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

**8.08 Disqualifying Provisions.** Any provision of this Agreement that would disqualify the IRA will be disregarded to the extent necessary to maintain the account as an IRA.

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

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

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

## 8.11 Investment of IRA Assets.

**(a) Investment of Contributions.** We will invest IRA contributions and reinvest your IRA assets as directed by you based on our then-current investment policies and procedures. If you fail to provide us with investment direction for a contribution, we will return or hold all or part of such contribution based on our policies and procedures. We will not be responsible for any loss of IRA income associated with your failure to provide appropriate investment direction.

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

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

- (c) **Investment Fees and Asset Liquidation.** Certain investment-related fees, which apply to your IRA, must be charged to your IRA and cannot be paid by you. We have the right to liquidate your IRA assets to pay fees and expenses, federal tax levies, or other assessments on your IRA. If you do not direct us on the liquidation, we will liquidate the assets of our choice and will not be responsible for any losses or claims that may arise out of the liquidation.
- (d) **Deposit Investments.** The deposit investments provided by us may include demand deposits, free credit deposits, savings, share and/or money market accounts, various certificates of deposit (CDs), or similar bank/brokerage firm deposits.
- (e) **Non-deposit Investments.** Non-deposit investments are offered through Folio as the designated broker/dealer and include investments in all forms of securities such as mutual funds, stock, and Exchange Traded Funds. All the investments offered are subject to investment risks, including possible loss of the principal amount invested.
- (f) **Important Information about Procedures for Opening your Account.** To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. Accordingly, when you open an account with us, we will ask for your name, address, date of birth, taxpayer identification number and other information that will allow us to identify you. We may also ask to see a copy of your driver's license or other identifying documents.
- (g) **Qualifying Longevity Annuity Contract (QLAC).** A QLAC is an investment vehicle and payout option we may choose to allow or purchase on your behalf. In summary, a QLAC is an annuity contract purchased from an insurance company that provides a delayed annuity payment starting date which will be after your required beginning date (RBD) but must begin no later than the first day of the month following your 85th birthday. Premiums paid from your IRA to purchase a QLAC are limited to the lesser of: \$125,000 (subject to annual cost-of-living adjustments) or 25% of your aggregated traditional (including SEP) and SIMPLE IRA balances. The \$125,000 limit is also reduced by the amount of premium you paid from an employer-sponsored retirement plan (i.e., 401(k) plan) to purchase a QLAC. We may rely on your representations that premiums paid for your QLAC(s) in other IRAs or employer plans do not exceed the \$125,000 limit nor exceed 25% of aggregated IRA balances. Please refer to the Disclosure Statement for additional QLAC information.
- 8.12 Distributions.** Withdrawal requests must be in a format acceptable to us, and/or on forms provided by us. We may require you, or your beneficiary after your death, to elect a distribution reason, provide documentation, and provide a proper tax identification number before we process a distribution. These withdrawals may be subject to taxes, withholding, and penalties. Distributions will generally be in cash or in kind based on our policies. In-kind distributions will be valued according to our policies at the time of the distribution.
- Required minimum distributions will be based on Treasury Regulations 1.401(a)(9) and 1.408-8 in addition to our then-current policies and procedures. The required minimum distribution regulations are described within the Disclosure Statement. In the event you, or your beneficiary after your death, fail to take a required minimum distribution we may do nothing, distribute your entire IRA balance, or distribute the amount of your required minimum distribution based on our own calculation.
- 8.13 Cash or In-Kind Contributions.** We may accept transfers, rollovers, recharacterizations, and other similar contributions in cash or in kind from other IRAs, eligible retirement plans, and as allowed by law. Prior to completing such transactions we may require that you provide certain information in a format acceptable to us. In-kind contributions will be valued according to our policies and procedures at the time of the contribution.
- 8.14 Reports and Records.** We will maintain the records necessary for IRS reporting on this IRA. Required reports will be provided to you, or your beneficiary after your death, and the IRS. If you believe that your report is inaccurate or incomplete you must notify us in writing within 30 days following the receipt date. Your investments may require additional state and federal reporting.
- 8.15 Termination.** You may terminate this Agreement without our consent by providing us with a written notice of termination. A termination and the resulting distribution or transfer will be processed and completed as soon as administratively feasible following the receipt of proper notice. At the time of termination we may retain the sum necessary to cover any fees and expenses, taxes, or investment penalties.
- 8.16 Our Resignation.** We can resign at any time by providing you with 30 days written notice prior to the resignation date, or within five days of our receipt of your written objection to an amendment. In the event you materially breach this Agreement, we can terminate this Agreement by providing you with five days prior written notice. Upon our resignation, you must appoint a qualified successor custodian or trustee. Your IRA assets will be transferred to the successor custodian or trustee once we have received appropriate direction. Transfers will be completed within a reasonable time following our resignation notice and the payment of your remaining IRA fees or expenses. At the time of resignation we may retain the sum necessary to cover any fees and expenses, taxes, or investment penalties. If you fail to provide us with acceptable transfer direction within 30 days from the date of the notice, we can transfer the assets to a successor custodian or trustee of our choice, distribute the assets to you in kind, or liquidate the assets and distribute them to you in cash.
- 8.17 Successor Organization.** If we merge with, purchase, or are acquired by, another organization, such organization, if qualified, may automatically become the successor custodian or trustee of your IRA.
- 8.18 Folio as Broker/Dealer.** As part of establishing this custodial account, you are designating Folio as the broker/dealer for your custodial account and you agree to execute a broker/dealer Customer Agreement with Folio. You will direct the investment of your IRA by providing investment instructions to Folio in the form and manner acceptable to Folio. Neither we, any agent of ours, nor Folio has any responsibility for any loss or diminution in value occasioned by your exercise of investment control.
- 8.19 Custodian's Agent(s).** Kingdom Trust, a South Dakota-chartered trust company, may designate one or more agents to perform certain services on its behalf. As of the date this document was provided, Folio has been designated as our agent. Folio, as applicable, shall maintain adequate and legally required records of account documentation, transactions and tax reporting. All assets of the account shall be registered for your benefit under Kingdom Trust's name as custodian, Folio as agent of the designated nominee custodian. Folio shall be responsible for safekeeping of custodial account assets and the books and records of Folio (or such other agents designated by Kingdom Trust), shall be deemed to satisfy our custodial record keeping responsibilities.
- 8.20 SEP-IRA.** If your IRA is used as a SEP-IRA because your employer maintains a Simplified Employee Pension ("SEP") plan and makes SEP contributions to your SEP-IRA, it is solely your responsibility to retain your employer's SEP plan document and/or disclosures and to confirm with your employer that SEP-IRA contributions made to your SEP-IRA are appropriate. Our sole responsibility is to receive and record keep designated SEP contributions made to your SEP-IRA by your employer. The IRA cannot be used to fund an active Salary Deferral SEP or "SARSEP".
- 8.21 Authority of Sponsor.** As sponsor, Folio has the authority to remove and appoint a new custodian of your IRA upon 30 days advance notice to you. As sponsor, Folio also has the authority to amend your IRA in any respect and at any time consistent with the existing terms of this IRA Custodial Account Agreement.

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

## General Instructions

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

### Purpose of Form

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

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

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

## Definitions

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

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

### Identifying Number

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

### Traditional IRA for Nonworking Spouse

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

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

## Specific Instructions

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

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

# TRADITIONAL IRA DISCLOSURE STATEMENT

**Right to Revoke Your IRA.** With some exceptions, you have the right to revoke this individual retirement account (IRA) within seven days of receiving this Disclosure Statement. If you revoke your IRA, we will return your entire IRA contribution without any adjustment for items such as sales commissions, administrative expenses, or fluctuation in market value. Exceptions to your right of revocation include that you may not revoke an IRA established with a recharacterized contribution, nor do you have the right to revoke upon amendment of this Agreement.

You may revoke your IRA by providing us with written notice. The revocation notice may be mailed by first-class mail, or hand delivered to us. If your notice is mailed by first-class, postage pre-paid mail, the revocation will be deemed mailed on the date of the postmark.

If you have any questions or concerns regarding the revocation of your IRA, please contact us as follows: Folio Customer Service, McLean, VA 22102, 1-888-973-7890 or support@folioinvesting.com.

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

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

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

## IRA Restrictions and Approval.

- 1. IRS Form 5305 or 5305-A Agreement.** This Disclosure Statement and the IRS Forms 5305 series agreement, amendments, application, and additional provisions set forth the terms and conditions governing your traditional IRA. Such documents are the "Agreement."
- 2. Individual Benefit.** This IRA must be for the exclusive benefit of you, and upon your death, your beneficiaries. The IRA must be established in your name and not in the name of your beneficiary, living trust, or another party or entity.
- 3. Beneficiary Designation.** By completing the appropriate section on the corresponding IRA application you may designate any person(s) as your beneficiary to receive your IRA assets upon your death. You may also change or revoke an existing designation in such manner and in accordance with such rules as we prescribe for this purpose. If there is no beneficiary designation on file at the time of your death, or if none of the beneficiaries on file are alive at the time of your death, your IRA assets will be paid to your estate. We may rely on the latest beneficiary designation on file at the time of your death, will be fully protected in doing so, and will have no liability whatsoever to any person making a claim to the IRA assets under a subsequently filed designation or for any other reason.
- 4. Cash Contributions.** Regular or annual IRA contributions must be in cash, which may include a check, money order, or wire transfer, unless the contributions are rollover, transfer, or other similar transactions. It is within our discretion to accept in-kind contributions for rollovers, transfers, or recharacterizations.
- 5. IRA Custodian.** An IRA custodian must be a bank, federally insured credit union, savings and loan association, trust company, or other entity, which is approved by the Secretary of the Treasury to act as an IRA custodian.
- 6. Prohibition Against Life Insurance and Commingling.** None of your IRA assets may be invested in life insurance contracts, or

commingled with other property, except in a common trust fund or common investment fund.

- 7. Nonforfeitable.** The assets in your IRA are not forfeitable.
- 8. Collectibles.** Generally, none of your IRA assets may be invested in collectibles, including any work of art, rug, or antique, metal or gem, stamp or coin, alcoholic beverage, or any other tangible personal property. If we allow, you may invest your IRA assets in the following coins and bullion: certain gold, silver, and platinum coins minted by the United States; a coin issued under the laws of any state; and any gold, silver, platinum, and palladium bullion of a certain fineness, and only if such bullion is held by us. For additional guidance on collectibles, see Section 408(m) of the Internal Revenue Code (IRC).
- 9. Cash or In-Kind Rollovers.** You may be eligible to make a rollover contribution, in cash or in kind, to an IRA or certain employer-sponsored eligible retirement plans. Rollovers to and from IRAs and eligible retirement plans are described in greater detail elsewhere in this Disclosure Statement.
- 10. Required Minimum Distribution (RMD) Rules.** Your IRA is subject to the RMD rules summarized in this Agreement.
- 11. No Prohibited Transactions.** If you engage in a prohibited transaction, the IRA loses its tax exempt status as of the first day of the year. You must include the fair market value of your IRA as of that first day in your gross income for the year during which the prohibited transaction occurred, and pay all applicable taxes and penalties.
- 12. No Pledging.** If you pledge all or a portion of your IRA as security for a loan, the portion pledged will be treated as a distribution to you, and the taxable portion will be included in gross income, and may be subject to the 10 percent early-distribution penalty tax.
- 13. IRS Approval of Form.** This Agreement includes an IRS Forms 5305 series agreement. This IRS document has been approved by the IRS. This approval is not a determination of its merits, and not an endorsement of the investments provided by us, or the operation of the IRA.
- 14. State Laws.** State laws may affect your IRA in certain situations, including deductions, beneficiary designations, agency relationships, consent, taxes, tax withholding, and reporting.

## IRA Eligibility and Contributions.

- 1. Regular or Annual IRA Contribution.** An annual contribution, commonly referred to as a regular contribution, is your contribution for the tax year, and is based on your and/or your spouse's compensation. Your designation of the tax year for your contribution is irrevocable. You may direct all or a portion of any tax refund directly to an IRA.
- 2. Compensation for Eligibility.** You are eligible to contribute to your IRA if you are younger than age 70 1/2 during the entire tax year for which your contribution applies, and you have compensation (also referred to as earned income).  
Common examples of compensation include wages, salary, tips, bonuses, and other amounts received for providing personal services, and earned income from self-employment. Compensation does not include earnings and profits from property such as dividends, interest, or capital gains, or pension, annuity, or deferred compensation plan amounts. Your compensation includes any taxable alimony or separate maintenance payments you may receive under a divorce decree or separate maintenance agreement.
- 3. Contribution By Your Spouse.** If you are married, file a joint federal income tax return, and are younger than age 70 1/2 during the entire tax year, you and/or your spouse may make a contribution on your behalf for that tax year if you and/or your spouse have compensation. This contribution must be made into your IRA, and it cannot exceed the contribution limits applicable to regular IRA contributions.
- 4. Catch-Up Contributions.** Catch-up contributions are regular IRA contributions made in addition to any other regular IRA contributions. You are eligible to make catch-up contributions if you meet the eligibility requirements for regular contributions and you attain age 50 by the end of the taxable year for which a catch-up contribution is being made.

5. **SEP and SIMPLE IRA Contributions.** Your employer may make simplified employee pension (SEP) plan contributions to this IRA in addition to your own regular IRA contributions. Your employer is responsible for verifying the SEP eligibility requirements and determining the SEP contribution amount. This IRA cannot accept Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) IRA contributions from your employer.

6. **Maximum Contribution Limits.** Your regular (including catch-up) IRA contributions are limited to the lesser of 100 percent of your and/or your spouse's compensation or the dollar amounts set forth on the following chart.

Contribution Tax Year	Regular Contribution Limit	Catch-Up Contribution Limit	Total Contribution Limit
2014	\$5,500	\$1,000	\$6,500
2015	\$5,500	\$1,000	\$6,500
2016 and later years	\$5,500+COLA*	\$1,000	\$6,500+COLA*

\* The regular IRA contribution limits are subject to annual cost-of-living adjustments (COLAs), if any.

7. **Contribution Deadline.** You may make regular (including catch-up) IRA contributions any time for a taxable year up to and including your federal income tax return due date, excluding extensions, for that taxable year. The due date for most taxpayers is April 15. The deadline may be extended in some situations. Examples include a federally declared disaster, a terroristic or military action, or service in a combat zone.

8. **Roth IRA and Traditional IRA Contribution Limit.** Your combined regular (including catch-up) traditional IRA and Roth IRA contributions may not exceed the maximum contribution limit set forth in the previous chart.

**Tax Deductions.** Tax deductions apply only to your regular (including catch-up) IRA contribution amount, and the deduction may never exceed your maximum regular (including catch-up) contribution amount for the contribution year. Your deduction depends on whether you and your spouse (if applicable) are active participants, and your modified adjusted gross income (MAGI). Your MAGI is your adjusted gross income from your federal income tax return for the contribution year with certain subtractions and additions. For more information on MAGI, see the instructions to your federal income tax return or IRS Publication 590, *Individual Retirement Arrangements (IRAs)*.

1. **Active Participant.** You could be an active participant in one of the following employer-sponsored retirement plans:

- a qualified pension, profit sharing, 401(k), money purchase pension, employee stock ownership plan, or stock bonus plan;
- a SEP plan;
- a SIMPLE IRA or SIMPLE 401(k) plan;
- a qualified annuity plan of an employer;
- a tax-sheltered annuity plan for employees of certain tax-exempt organizations or public schools;
- a Section 501(c)(18) trust;
- an H.R. 10 or Keogh plan (for self-employed individuals); or
- a plan for federal, state, or local government employees or by an agency or instrumentality thereof (other than a section 457(b) plan).

For assistance in determining whether you (or your spouse) are an active participant, see your employer or a tax or legal professional. IRS Form W-2, *Wage and Tax Statement*, as provided by your employer, should indicate whether you are an active participant.

2. **Deduction Limits.** If you are not an active participant, your entire regular contribution to your IRA is generally deductible. Your marital status may affect your deduction amount. If you are an active participant, the amount you can deduct depends on your MAGI for the tax year for which the contribution applies. The following chart shows how your active participant status and tax-filing status and MAGI affect your deduction. If you are an active participant, the greater your MAGI, the lesser the amount you may deduct.

Tax Year	MAGI THRESHOLDS							
	Filing Status							
	Single, Active Participant		Married, Filing Jointly, Active Participant		Married, Filing Separately, Active Participant		Married, Filing Jointly, Not an Active Participant, but Spouse is	
	Low End	High End	Low End	High End	Low End	High End	Low End	High End
2014	\$60,000	\$70,000	\$96,000	\$116,000	\$0	\$10,000	\$181,000	\$191,000
2015	\$61,000	\$71,000	\$98,000	\$118,000	\$0	\$10,000	\$183,000	\$193,000
2016 and later years	\$61,000*	\$71,000*	\$98,000*	\$118,000*	\$0	\$10,000	\$183,000*	\$193,000*

\* The MAGI thresholds are subject to annual cost-of-living adjustments, if any.

3. **Deduction Calculation.** If your MAGI is equal to or is less than the applicable Low End number in the chart based on your tax-filing status, then you may deduct your entire regular (including catch-up) IRA contribution. If your MAGI meets or exceeds the High End number, you may not deduct any portion of your contribution. If your MAGI is between the Low End and High End numbers, which is the phaseout range, see your tax or legal professional for assistance in determining your deduction amount. IRS Publication 590, *Individual Retirement Arrangements (IRAs)*, and the instructions to your federal income tax return also contain helpful calculation information.

4. **Nondeductible Contributions.** You may make nondeductible contributions to your IRA if you are not able to, or choose not to, deduct your contributions. You report nondeductible contributions to the IRS on IRS Form 8606, *Nondeductible IRAs*, which is attached to your federal income tax return for the year of the contribution. Failure to report nondeductible contributions, or the overstatement of nondeductible contributions, may result in IRS penalties.

**Nonrefundable Tax Credit.** You may be eligible to take a tax credit for your regular IRA contributions. The credit is equal to a percentage of your qualified contributions up to \$2,000. The credit cannot exceed \$1,000 for any tax year, and is in addition to any deduction that may apply. To be eligible for the tax credit, you must be age 18 or older by the end of the applicable tax year, not a dependent of another taxpayer, not a full-time student, and satisfy certain restrictions on distributions. **Moving Assets To and From IRAs.** There are a variety of transactions that allow you to move your retirement assets to and from IRAs and certain other eligible retirement plans in cash or in kind based on our policies. We have sole discretion on whether we will accept, and how we will process, movements of assets to and from IRAs. We or any other financial organizations involved in the transaction may require documentation for such activities.

1. **IRA-to-IRA Transfers.** You may transfer all or a portion of your traditional IRA assets from one traditional IRA to another traditional IRA. An IRA transfer means that the IRA assets move from one IRA to another IRA in a manner that prevents you from cashing or liquidating the IRA assets, or even depositing the assets anywhere except in the receiving IRA. Transfers are not taxable or reportable, and the IRS does not impose timing or frequency restrictions on transfers. You may be required to complete a transfer authorization form prior to transferring your IRA assets.

2. **IRA-to-IRA Rollovers.** An IRA rollover is another way to move assets tax-free between IRAs. You may roll over all or a portion of your IRA assets by taking a distribution from an IRA and recontributing it as a rollover contribution into the same or another IRA. A rollover contribution is irrevocable. You must report your IRA rollover to the IRS on your federal income tax return. Your contribution may only be designated as a rollover if the IRA distribution is deposited within 60 calendar days following the date you receive the distributed assets. The 60-day period may be extended to 120 days for a first-time homebuyer distribution where there is a delay or cancellation in the purchase or construction of the home. You are limited to one rollover per 1-year (12-month) period. You may only roll over one IRA distribution per 1-year period aggregated between all of your IRAs. For this purpose IRA includes

rollovers among traditional (including SEP), SIMPLE, and Roth IRAs. For example, if you have IRA 1, IRA 2, and IRA 3, and take a distribution from IRA 1 and roll it over into a new IRA 4, you will have to wait 1 year from the date of that distribution to take another distribution from any of your IRAs and subsequently roll it over into an IRA. The 1-year limitation does not apply to rollovers related to first-time homebuyer distributions, distributions converted to a Roth IRA, and rollovers to or from an employer-sponsored eligible retirement plan.

**3. Rollovers and Transfers from SIMPLE IRAs.** You may not roll over or transfer assets from a SIMPLE IRA to a traditional IRA or other eligible retirement plan until two years have passed since the date on which you first participated in an employer's SIMPLE, which is the initial contribution date. If you participated in SIMPLEs of different employers, the initial contribution date and two-year period are determined separately for SIMPLE IRA assets from each employer.

**4. Rollovers from Employer-Sponsored Eligible Retirement Plans.** You may directly or indirectly roll over assets from an eligible retirement plan, sponsored by your employer, into your IRA. Your plan administrator or employer is responsible for determining the amount of your assets in its eligible retirement plan that are eligible for rollover to an IRA or other eligible retirement plan.

**a. Eligible Retirement Plan.** Eligible retirement plans include qualified trusts under IRC Section 401(a), annuity plans under IRC Section 403(a), annuity contracts under IRC Section 403(b), and certain governmental IRC Section 457(b) plans. Common names for these plans include 401(k), profit sharing, pension, money purchase, federal thrift savings, and tax-sheltered annuity plans.

**b. Eligible Distribution.** Not all distributions from an employer-sponsored eligible retirement plan are eligible for rollover to an IRA. The most common distributions, which are not eligible for rollover, include RMDs, defaulted loans, substantially equal periodic payments as defined in IRC Section 402(c)(4)(A), distributions paid to nonspouse beneficiaries, and hardship distributions. Your employer determines which assets may not be rolled over, and must provide you with an IRC Section 402(f) notice of taxation, which explains the tax issues concerning distributions.

**c. Direct Rollover.** A direct rollover moves eligible retirement plan assets from your employer-sponsored eligible retirement plan to your IRA in a manner that prevents you from cashing or liquidating the plan assets, or even depositing the assets anywhere except in the receiving IRA. A direct rollover is reported to the IRS but, if properly completed, the transaction is not subject to tax or penalty. There are no IRS limitations, such as the 60-day period or one per 1-year limitation, on direct rollovers. This Agreement should not be used for a direct rollover from an eligible retirement plan to an inherited traditional IRA.

**d. Indirect Rollover and Withholding.** An indirect rollover begins with a plan distribution made payable to you. If you receive distributions during the tax year totaling more than \$200, your employer is required to withhold 20 percent on the taxable portion of your eligible rollover distribution as a prepayment of federal income taxes on distributions. You may make up the 20 percent withholding from your own funds at the time you deposit your distribution into an IRA, that portion is generally treated as taxable income. If you are younger than age 59 1/2, you are subject to a 10 percent early-distribution penalty tax on the taxable amount of the distribution that is not rolled over, unless a penalty tax exception applies. Your distribution is only eligible to be contributed to an IRA during the 60 days following your receipt of a plan distribution. Your decision to contribute the assets to the IRA as a rollover contribution is irrevocable. The one per 1-year limitation does not apply to rollovers from employer-sponsored eligible retirement plans. State withholding may apply to eligible rollover distributions.

**e. Separate or Conduit IRA.** In certain cases, it may be to your benefit to make the rollover contribution into a separate or conduit IRA. Conduit IRAs can provide individuals with a means of tracking IRA assets from different sources, which may be subject to certain restrictions or favorable tax treatment.

**5. Waiver of the 60-Day Period.** The Secretary of the Treasury may waive the 60-day period for completing rollovers in certain situations such as casualty, disaster, or other events beyond the reasonable control of the individual who is subject to the 60-day period.

**6. Traditional IRA to Employer-Sponsored Eligible Retirement Plans.** You may directly or indirectly roll over a taxable distribution from your IRA to an employer-sponsored eligible retirement plan which accepts rollover contributions. Nontaxable or nondeductible IRA assets may not be rolled over into employer-sponsored eligible retirement plans. You can generally roll over, to employer-sponsored eligible retirement plans, only the aggregate taxable balance in all of your traditional IRAs and SIMPLE IRAs. The one per 1-year limitation does not apply to these rollovers.

**7. Transfers Due to Divorce.** Your former spouse, pursuant to a divorce decree or legal separation order, may transfer assets from your traditional IRA to his/her traditional IRA.

**8. Qualified Reservist Contributions.** If you are a qualified reservist ordered or called to active duty after September 11, 2001 for more than 179 days (or for an indefinite period), and take an IRA distribution or take certain elective deferrals from an eligible retirement plan after September 11, 2001, and before the end of your active duty, you may make one or more contributions of these assets to your IRA within two years of the end of your active duty.

**9. Qualified Settlement Income.** You may roll over certain qualified settlement income (e.g. an amount received in connection with the Exxon Valdez litigation) to your IRA under limits provided by law. Generally, the one per 1-year limitation does not apply to such rollovers. It is in your best interest to seek the guidance of a tax or legal professional before taking advantage of such rollover and/or taking such assets from the IRA.

**10. Rollovers Due to Airline Carrier Bankruptcy.** If you are a qualified airline employee and receive an airline payment amount as defined by law, up to 90 percent of the amount may be rolled over to a traditional IRA. You must roll over the airline payment amount within 180 days of its receipt.

#### **Movement of Assets Between Traditional and Roth IRAs.**

**1. Traditional IRA to Roth IRA Conversions.** You may convert all or a portion of your traditional IRA assets to a Roth IRA. Your conversion assets (excluding prorated nondeductible contributions) are subject to federal income tax. Your conversion must be reported to the IRS. The 10 percent early-distribution penalty tax does not apply to conversions. The one per 1-year limitation does not apply to conversions. If you elect to convert your assets using a rollover transaction, the 60-day rule applies.

**2. Traditional IRA and Roth IRA Recharacterizations.** You may recharacterize, or choose to treat all or a portion of your regular (including catch-up) traditional IRA contribution as a regular Roth IRA contribution. Similarly, you may recharacterize your regular (including catch-up) Roth IRA contribution as a regular traditional IRA contribution. You may cancel a conversion through a recharacterization of all or a portion of the amount converted from a traditional IRA to a Roth IRA. You may also recharacterize the amount rolled or directly rolled over to a Roth IRA from an eligible retirement plan, or other recharacterization, as provided by law. A recharacterization election is irrevocable. You must complete a recharacterization no later than your federal income tax-filing due date, including extensions, for the year you make the initial contribution. If you timely file your federal income tax return, you may still recharacterize as late as October 15 for calendar year filers. Recharacterizations must occur by transfer, which means that the assets, adjusted for gains and losses on the recharacterized amount, must be transferred into another IRA. The recharacterized contribution is treated as though you deposited it into the second

IRA on the same day you actually deposited it in the first IRA. Recharacterization transactions are reported to the IRS. The election to recharacterize may be completed on your behalf after your death. A written notice of recharacterization, as defined by Treasury Regulation 1.408A-5, Q&A 6(a), is required for recharacterization transactions.

- 3. Traditional IRA to Roth IRA Reconversions.** A reversion occurs when all or a portion of traditional IRA assets previously converted to a Roth IRA are recharacterized back to a traditional IRA and then converted again. After recharacterizing a conversion, you cannot reconvert until the later of: (1) the beginning of the year following the year the amount was converted, or (2) the end of the 30-day period following the day of the recharacterization. In other words, you cannot reconvert in the same year as the first conversion. Reconversion transactions are reported to the IRS.

**IRA Distributions.** You or, after your death, your beneficiary may take an IRA distribution, in cash or in kind based on our policies, at any time. However, depending on the timing and amount of your distribution you may be subject to income taxes and/or penalty taxes.

- 1. Removal of Excess Contributions.** You may withdraw all or a portion of your excess contribution and attributable earnings before your federal income tax return due date, including extensions, for the taxable year for which you made the contribution. The excess contribution amount distributed will not be taxable, but the attributable earnings on the contribution will be taxable in the year in which you made the contribution and may be subject to the 10 percent early-distribution penalty tax. In certain situations, you may treat your excess as a regular (including catch-up) IRA contribution for the next year. If you timely file your federal income tax return, you may still remove your excess contribution, plus attributable earnings, as late as October 15 for calendar year filers.

- 2. Distributions of Unwanted IRA Contributions by Tax-Filing Date.** You may withdraw all or a portion of your regular (including catch-up) IRA contribution and attributable earnings in the same manner as an excess contribution. However, you cannot apply your unwanted contribution as a regular IRA contribution for a future year. The unwanted contribution amount distributed will not be taxable, but the attributable earnings on the contribution will be taxable in the year in which you made the contribution, and may be subject to the 10 percent early-distribution penalty tax. If you timely file your federal income tax return, you may still remove your unwanted contribution, plus attributable earnings, as late as October 15 for calendar year filers.

- 3. Distribution of Nondeductible and Nontaxable Contributions.** If any of your traditional IRAs or SIMPLE IRAs contain nondeductible contributions or rollovers of nontaxable distributions from employer-sponsored eligible retirement plans, any distributions you take from any of your traditional IRAs or SIMPLE IRAs, that are not rolled over, will return to you a proportionate share of the taxable and nontaxable balances in all of your traditional IRAs and SIMPLE IRAs at the end of the tax year of your distributions. IRS Form 8606, *Nondeductible IRAs*, has been specifically designed to calculate this proportionate return. You must complete IRS Form 8606 each year you take distributions under these circumstances, and attach it to your tax return for that year to validate the nontaxable portion of your IRA distributions reported for that year.

- 4. Qualified Health Savings Account (HSA) Funding Distribution.** If you are an HSA eligible individual, you may elect to take a qualified HSA funding distribution from your IRA (not including ongoing SEP and SIMPLE IRAs) to the extent such distribution is contributed to your HSA in a trustee-to-trustee transfer. This amount is aggregated with all other annual HSA contributions and is subject to your annual HSA contribution limit. A qualified HSA funding distribution election is irrevocable and is generally available once in your lifetime. A testing period applies. The testing period for this provision begins with the month of the contribution to your HSA and ends on the last day of the 12th month following such month. If you are not an eligible individual for the entire testing period, unless you die or become

disabled, the amount of the distribution made under this provision will be includable in gross income for the tax year of the month you are not an eligible individual, and is subject to a 10 percent penalty tax.

- 5. Tax-Free Distributions to Charities.** If you have attained age 70 1/2, you may be able to make tax-free distributions directly from your IRA to a qualified charitable organization if permitted by law. Tax-free distributions have been limited to \$100,000 in past years. Consult with your tax or legal professional to determine the availability of this tax-free distribution.

#### **Required Minimum Distributions (RMDs) For You.**

- 1. After Age 70 1/2.** Your first RMD must be taken by April 1 following the year you attain age 70 1/2, which is your required beginning date (RBD). Second year and subsequent distributions must be taken by December 31 of each such year. An RMD is taxable in the calendar year you receive it.

- 2. Distribution Calculations.** Your RMD will generally be calculated by dividing your previous year-end adjusted balance in your IRA by a factor from the uniform lifetime table provided by the IRS. This table is indexed to your age attained during a distribution year. This table is used whether you have named a beneficiary and regardless of the age or type of beneficiary you may have named. However, if for any distribution year, you have as your only named beneficiary for the entire year, your spouse, who is more than ten years younger than you, the uniform lifetime table will not be used. To calculate your RMD for that year you will use the ages of you and your spouse at the end of that year to determine a joint life expectancy factor from the IRS's joint and last survivor table. This will be the case even if your spouse dies, or you become divorced and do not change your beneficiary, during that year. The fair market value of a qualifying longevity annuity contract (QLAC) is not included in the adjusted balance for RMD calculations.

- 3. Failure to Withdraw an RMD.** If you do not withdraw your RMD by its required distribution date, you will owe a 50 percent excess accumulation penalty tax on the amount not withdrawn. You can always take more than your RMD in any year but no additional amounts can be credited to a subsequent year's RMD.

- 4. Multiple IRAs.** If you have more than one traditional IRA or SIMPLE IRA you must calculate a separate RMD for each one. You may, however, take the aggregate total of your RMDs from any one or more of your personal traditional IRAs (including SEP IRAs) or SIMPLE IRAs.

- 5. No Rollovers of RMDs.** An RMD must be satisfied before you can roll over any portion of your IRA account balance. The first distributions made during a year will be considered RMDs and can be satisfied by earlier distributions from your other traditional IRAs (including SEP IRAs) or SIMPLE IRAs that are aggregated. Any RMD that is rolled over will be fully taxable and considered an excess contribution until corrected.

- 6. Transfers of RMDs.** Transfers are not considered distributions. You can transfer any portion of your traditional IRA or SIMPLE IRA at any time during the year provided you satisfy your aggregate RMDs before the end of the distribution year.

- 7. Qualifying Longevity Annuity Contract (QLAC).** The fair market value of any QLAC you hold in this IRA is not included in determining your adjusted account balance when calculating your RMD. If however, you make an excess premium payment (premium payment that causes you to exceed the \$125,000 (as adjusted) or 25% of balance limitations) and the excess premium is returned to the non-QLAC portion of your IRA after the valuation date to determine the next year's RMD, such amount is added to the adjusted account balance used for the year of the return to calculate your RMD.

**RMDs For Your Beneficiaries.** Your beneficiaries will generally have until December 31 of the year following your death year to begin RMDs unless they elect the five-year rule. Exceptions exist for your surviving spouse and for any beneficiary who must distribute or chooses to distribute his/her share of your traditional IRA within a five-year period. If your death occurs on or after your RBD, your beneficiaries must withdraw any of your RMD that you had not received during the year of your death.

**1. Distribution Calculations In General.** Most beneficiaries will use a single life expectancy method to satisfy these RMDs unless they elect the five-year rule. The five-year rule requires your beneficiary to completely withdraw your IRA assets by the end of the fifth year following your death year. The single life expectancy factor, using the IRS's single life table, will be determined by using the age on December 31 in the year following death of the oldest designated beneficiary, unless multiple beneficiaries exist and separate accounting applies. This initially determined factor is reduced by one for each subsequent year's calculation.

This general rule for determining life expectancy applies if your IRA has at least one designated beneficiary, whether your death occurs before or on or after your RBD. However, if you die on or after your RBD, your remaining life expectancy, determined in your death year and reduced by one in each subsequent year, may be used to determine the distribution each year. This is true if your remaining life expectancy is longer than the beneficiary's life expectancy that same year, determined in the year after your death and reduced by one in each subsequent year, or if your IRA is treated as having no designated beneficiary.

**2. Designated Beneficiary.** A designated beneficiary is any named beneficiary who has an interest in your IRA on the determination date, which is September 30 of the year following your death year. Named beneficiaries who completely distribute their interests in your IRA, or completely disclaim their interests in your IRA under IRC Section 2518, will not be considered when designated beneficiaries are determined. Named beneficiaries who die after your death but before the determination date will still be considered for the sake of determining the distribution period. If any named beneficiary that is not an individual, such as an estate or charity, has an interest in your IRA on the determination date, and separate accounting does not apply, your IRA will be treated as having no designated beneficiary.

If you name a qualified trust, which is defined in Treasury Regulation 1.401(a)(9)-4, Q&A 5, as your IRA beneficiary, the beneficiaries of the qualified trust are treated as the beneficiaries of your IRA for purposes of determining designated beneficiaries and the appropriate life expectancy period after your death. A qualified trust provides documentation of its beneficiaries to the custodian.

**3. Death Before Your Required Beginning Date (RBD) With No Designated Beneficiary.** If you die before your RBD and your IRA is treated as having no designated beneficiary, your named beneficiaries will be required to completely withdraw your IRA assets by the end of the fifth year following your death year.

**4. Death On or After Your RBD With No Designated Beneficiary.** If you die on or after your RBD and your IRA is treated as having no designated beneficiary, RMDs will continue to your named beneficiaries over your remaining single expectancy as determined in your death year. Once determined, this life expectancy factor will be reduced by one for each subsequent year of the distribution period.

**5. Spouse Beneficiary.** If your spouse is your only designated beneficiary on the determination date, or if there are multiple designated beneficiaries and separate accounting applies, he/she will use his/her age each year to determine the life expectancy factor for calculating that year's RMD. If your spouse is the only designated beneficiary, or if there are multiple designated beneficiaries and separate accounting applies, and you die before your RBD, your surviving spouse can postpone commencement of his/her RMDs until the end of the year in which you would have attained age 70 1/2. If you die on or after your RBD, your surviving spouse will use the longer of his/her single life expectancy, determined each year after the death year using his/her attained age, or your remaining single life expectancy determined in your death year and reduced by one each subsequent year.

If your spouse is the only designated beneficiary, or if there are multiple designated beneficiaries and separate accounting applies,

he/she can treat your IRA as his/her own IRA after your death. This generally happens after any of your remaining RMD amount for the year of your death has been distributed.

Your spouse beneficiary could take a distribution of his/her share of your IRA and roll it over to an IRA of his/her own.

**6. Beneficiaries Naming Successor Beneficiaries.** Our policy may allow your beneficiaries to name their own successor beneficiaries to your IRA. A successor beneficiary would receive any of your IRA assets that remain after your death and the subsequent death of your beneficiaries. This distribution would be in accordance with Article IV.3 of the Agreement, and generally would not allow a successor beneficiary to calculate RMDs generally based on his/her own life expectancy.

**7. Separate Accounting.** Our policies may permit separate accounting to be applied to your IRA for the benefit of your beneficiaries. If permitted, separate accounting must be applied in accordance with Treasury Regulation 1.401(a)(9)-8, Q&A 2 and 3. A beneficiary is considered the only designated beneficiary of his/her share of the IRA assets if separate accounting applies.

**8. Qualifying Longevity Annuity Contract (QLAC).** The terms of a QLAC you hold in this IRA may or may not provide a death benefit. If your QLAC has a return of premium feature as a death benefit, the premium returned to your beneficiary(ies) is the RMD amount if your death occurs after the RBD. The return of premium amount is the difference between the premiums paid for the QLAC and the amounts paid to the IRA owner or spouse beneficiary (annuitant) if less. The return of premium amount must be distributed to the beneficiary by the end of the calendar year following the year of death. If your death occurs before the RBD, a return of premium death benefit will be added to your IRA and must be taken in accordance with the beneficiary rules described earlier. If the death benefit under the terms of the QLAC is a life annuity, your beneficiary will receive annuity payments for life.

#### **Federal Income Tax Status of Distributions.**

**1. Taxation.** IRA distributions which are not rolled over will be taxed as income in the year distributed except for the portion of your aggregate SIMPLE IRA and traditional IRA distributions that represents your nondeductible contributions and/or nontaxable rollover amounts. You may also be subject to state or local taxes and withholding on your IRA distributions.

**2. Earnings.** Earnings, including gains and losses, on your IRA will not be subject to federal income taxes until they are considered distributed.

**3. Ordinary Income Taxation.** Your taxable IRA distribution is usually included in gross income in the distribution year. IRA distributions are not eligible for special tax treatments, such as ten year averaging, that may apply to other employer-sponsored retirement plan distributions.

If you name a qualified trust, which is defined in Treasury Regulation 1.401(a)(9)-4, Q&A 5, as your IRA beneficiary, the beneficiaries of the qualified trust are treated as the beneficiaries of your IRA for purposes of determining designated beneficiaries and the appropriate life expectancy period after your death. A qualified trust provides documentation of its beneficiaries to the custodian.

**Estate and Gift Tax.** The designation of a beneficiary to receive IRA distributions upon your death will not be considered a transfer of property for federal gift tax purposes. Upon your death, the value of all assets remaining in your IRA will usually be included in your gross estate for estate tax purposes, regardless of the named beneficiary or manner of distribution. There is no specific estate tax exclusion for assets held within an IRA. After your death, beneficiaries should pay careful attention to the rules for the disclaiming any portion of your IRA under IRC Section 2518.

**Federal Income Tax Withholding.** IRA distributions are subject to federal income tax withholding unless you or, upon your death, your beneficiary affirmatively elect not to have withholding apply. The required federal income tax withholding rate is 10 percent of the

distribution. Upon your request for a distribution, by providing IRS Form W-4P or an appropriate substitute, we will notify you of your right to waive withholding or elect to have greater than 10 percent withheld.

**Annual Statements.** Each year we will furnish you and the IRS with statements reflecting the activity in your IRA. You and the IRS will receive IRS Forms 5498 and 1099-R. IRS Form 5498 or an appropriate substitute indicates the fair market value of the account, including IRA contributions, for the year. IRS Form 1099-R reflects your IRA distributions for the year.

By January 31 of each year, you will receive a report of your fair market value as of the previous calendar year end. If applicable, you will also receive a report concerning your annual RMD.

**Federal Tax Penalties and IRS Form 5329.** Several tax penalties may apply to your various IRA transactions, and are in addition to any federal, state, or local taxes. Federal penalties and excise taxes are generally reported and remitted to the IRS by completing IRS Form 5329, and attaching the form to your federal income tax return. The penalties may include any of the following taxes:

1. **Early-Distribution Penalty Tax.** If you take a distribution from your IRA before reaching age 59 1/2, you are subject to a 10 percent early-distribution penalty tax on the taxable portion of the distribution. However, certain exceptions apply. Exceptions to the 10 percent penalty tax are distributions due to death, disability, first-time home purchase, eligible higher education expenses, medical expenses exceeding a certain percentage of adjusted gross income, health insurance premiums due to your extended unemployment, a series of substantially equal periodic payments, IRS levy, traditional IRA conversions, qualified reservist distributions, and qualified HSA funding distributions. Properly completed rollovers, transfers, recharacterizations, and conversions are not subject to the 10 percent penalty tax.

2. **Excess Contribution Penalty Tax.** If you contribute more to your IRA than you are eligible to contribute, you have created an excess contribution, which is subject to a 6 percent excise tax. The excise tax applies each year that the excess contribution remains in your IRA. If you timely file your federal income tax return, you may still remove your excess contribution, plus attributable earnings, as late as October 15 for calendar year filers.

3. **Excess Accumulation Penalty Tax.** Any portion of a RMD that is not distributed by its deadline is subject to a 50 percent excess accumulation penalty tax. The IRS may waive this penalty upon your proof of reasonable error and that reasonable steps were taken to correct the error, including remedying the shortfall. See IRS Form 5329 instructions when requesting a waiver.

**Disaster Tax Relief.** Subject to IRC Section 1400Q, individuals in certain federally-declared disaster areas may be given the opportunity to take qualified distributions (subject to applicable time periods defined by law) in aggregation from IRAs and other eligible retirement plans up to the prescribed limit (e.g., \$100,000 for Midwestern Disaster). Typically, these rules permit an individual to prorate any amounts required to be included in gross income over a three tax year period or include it all in the year of distribution. In addition, an individual may be allowed three years after the date of receipt to roll over or repay all or part of the qualified distribution without being subject to the one rollover per 1-year limitation or the 60-day requirement. Certain first-time homebuyer or hardship distributions may be eligible for rollover within a prescribed time period. Also, for additional disaster area information and IRS guidance on associated tax relief, refer to IRS notices and publications, or visit the IRS's web site at [www.irs.gov](http://www.irs.gov).

## FINANCIAL DISCLOSURE

IRS regulations require us to provide you with a financial projection of the growth of your IRA account based upon certain assumptions where possible. Because your account is a self-directed IRA giving you access to a wide range of equity investments including stocks, ETFs and mutual funds, such a projection is not possible.

Growth in the value of your IRA is neither guaranteed nor projected. The value of your IRA will be computed by totaling the fair market value of the assets credited to your account. At least once a year we will send you a written report stating the current value of your IRA assets. We will disclose separately a description of:

- (a) The type and amount of each charge to your account;
- (b) the method of computing and allocating earnings from investments in your account; and

- (c) any portion of your contributions, if any, which may be used for the purchase of life insurance.

### Custodian Fees:

The custodian may charge reasonable fees or compensation for its services and may deduct all reasonable expenses incurred in the administration of your IRA, including any legal, accounting, distribution, transfer, termination or other designated fees. Such fees may be charged to you or directly to your IRA account. In addition, depending on your choice of investment vehicles, you may incur brokerage commissions or other costs attributable to the purchase or sale of assets.

**Dear Roth IRA Owner:**

Notice: Folio Investments, Inc. ("Folio") is the sponsor of your Roth IRA. Folio is a self clearing registered broker/dealer, and also provides certain administrative and investment services for your Roth IRA. The Kingdom Trust Company ("Kingdom Trust", "we", "us", "our"), a South Dakota trust company, is the custodian of your Roth IRA using Folio's Platform as sub-custodian to hold your assets.

## ROTH INDIVIDUAL RETIREMENT CUSTODIAL ACCOUNT

Form **5305-RA** (Under Section 408A of the Internal Revenue Code)  
(Rev. March 2002) Department of the Treasury Internal Revenue Service  
The depositor and the custodian make the following agreement:

**Do Not File with**  
Internal Revenue Service

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

**Article II.**

1. The annual contribution limit described in Article I is gradually reduced to \$0 for higher income levels. For a single depositor, the annual contribution is phased out between adjusted gross income (AGI) of \$95,000 and \$110,000; for a married depositor filing jointly, between AGI of \$150,000 and \$160,000; and for a married depositor filing separately, between AGI of \$0 and \$10,000. In the case of a conversion, the custodian will not accept IRA Conversion Contributions in a tax year if the depositor's AGI for the tax year the funds were distributed from the other IRA exceeds \$100,000 or if the depositor is married and files a separate return. Adjusted gross income is defined in section 408A(c)(3) and does not include IRA Conversion Contributions.

2. In the case of a joint return, the AGI limits in the preceding paragraph apply to the combined AGI of the depositor and his or her spouse.

**Article III.** The depositor's interest in the balance in the custodial account is 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)(E), Regulations sections 1.408-5 and 1.408-6, or other guidance published by the Internal Revenue Service (IRS).

2. The custodian agrees to submit to the IRS and depositor the reports prescribed by the IRS.

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

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

**Article IX.**

**9.01 Your Roth IRA Documents.** This Internal Revenue Service (IRS) Forms 5305 series agreement for Roth IRAs, and any amendments or additional provisions to such agreement (the "Agreement") set forth the terms and conditions governing your Roth individual retirement account (IRA) and your or, after your death, your beneficiary's relationship with us. This agreement is accompanied by a disclosure statement, which sets forth various Roth IRA rules in simpler language, a financial disclosure, and may also be accompanied by other documents such as an application or beneficiary designation.

**9.02 Definitions.** This IRS Forms 5305 series agreement contains a detailed definitions section. The definitions found in such section apply to this Agreement. The IRS refers to you as the depositor, and us as the custodian. References to "you," "your," and "Roth IRA owner" will mean the depositor, and "we," "us," and "our" will mean the custodian. The terms "you" and "your" will apply to you. In the event you appoint a third party, or have a third party appointed on your behalf, to handle certain transactions affecting your Roth IRA, such third party will be your agent and will be considered "you" for purposes of this Agreement. Additionally, references to "Roth IRA" will mean the custodial account.

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

**9.04 Our Fees and Expenses.** We may charge reasonable fees and are entitled to reimbursement for any expenses we incur in establishing and maintaining your Roth IRA. We may change the fees at any time by providing you with notice of such changes. We will provide you with fee disclosures and policies. Fees may be paid directly from your Roth IRA assets, and/or billed separately to you. The payment of fees has no effect on your contributions. Additionally, we have the right to liquidate your Roth IRA assets to pay such fees and expenses. If you do not direct us on the liquidation we will liquidate the assets of our choice and will not be responsible for any losses or claims that may arise out of the liquidation.

**9.05 Amendments.** We may amend your Roth IRA in any respect and at any time, including retroactively, to comply with applicable laws governing retirement plans and the corresponding regulations. Any other amendments shall require your consent, by action or no action, and will be preceded by written notice to you. Unless otherwise required, you are deemed to automatically consent to an amendment, which means that your written approval is not required for the amendment to apply to the Roth IRA. In certain instances the

governing law or our policies may require us to secure your written consent before an amendment can be applied to the Roth IRA. If you want to withhold your consent to an amendment, you must provide us with a written objection within 30 days of the receipt date of the amendment.

- 9.06 Notice and Delivery.** Any notice mailed to you will be deemed delivered and received by you, five days after the postmark date. This fifth day following the postmark is the receipt date. Notices will be mailed to the last address we have in our records. You are responsible for ensuring that we have your proper mailing address. Upon your consent, we may provide you with notice in a delivery format other than by mail. Such formats may include various electronic deliveries. Any notice, including terminations, change in personal information, or contributions mailed to us will be deemed delivered when actually received by us based on our ordinary business practices. All notices must be in writing unless our policies and procedures provide for oral notices.
- 9.07 Applicable Laws.** This Agreement will be construed and interpreted in accordance with the laws of, and venue in, our state of domicile.
- 9.08 Disqualifying Provisions.** Any provision of this Agreement that would disqualify the Roth IRA will be disregarded to the extent necessary to maintain the account as a Roth IRA.
- 9.09 Interpretation.** If any question arises as to the meaning of any provision of this Agreement, then we shall be authorized to interpret any such provision, and our interpretation will be binding upon all parties.
- 9.10 Representations and Indemnity.** You represent that any information you and/or your agents provide to us is accurate and complete, and that your actions comply with this Agreement and applicable laws governing retirement plans. You understand that we will rely on the information provided by you, and that we have no duty to inquire about or investigate such information. We are not responsible for any losses or expenses that may result from your information, direction, or actions, including your failure to act. You agree to hold us harmless, to indemnify, and to defend us against any and all actions or claims arising from, and liabilities and losses incurred by reason of your information, direction, or actions. Additionally, you represent that it is your responsibility to seek the guidance of a tax or legal professional for your Roth IRA issues.

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

**9.11 Investment of Roth IRA Assets.**

- (a) **Investment of Contributions.** We will invest contributions and reinvest your Roth IRA assets as directed by you based on our then current investment policies and procedures. If you fail to provide us with investment direction for a contribution, we will return or hold all or part of such contribution based on our policies and procedures. We will not be responsible for any loss of Roth IRA income associated with your failure to provide appropriate investment direction.
- (b) **Directing Investments.** All investment direction must be in a format or manner acceptable to us. You may invest in any Roth IRA investments that you are qualified to purchase, and that we are authorized to offer and do offer at the time of the investment selection, and that are acceptable under the applicable laws governing retirement plans. Your Roth IRA investments will be registered in our name or our nominee's name for the benefit of your Roth IRA. Specific investment information may be provided at the time of the investment.

Based on our policies, we may allow you to delegate the investment responsibility of your Roth IRA to an agent by providing us with written notice of delegation in a format

acceptable to us. We will not review or guide your agent's decisions, and you are responsible for the agent's actions or failure to act. We are not responsible for directing your investments, or providing investment advice, including guidance on the suitability or potential market value of various investments. For investments in securities, we will exercise voting rights and other similar rights only at your direction, and according to our then current policies and procedures.

- (c) **Investment Fees and Asset Liquidation.** Certain investment-related fees, which apply to your Roth IRA, must be charged to your Roth IRA and cannot be paid by you. We have the right to liquidate your Roth IRA assets to pay fees and expenses, federal tax levies, or other assessments on your Roth IRA. If you do not direct us on the liquidation we will liquidate the assets of our choice, and will not be responsible for any losses or claims that may arise out of the liquidation.
- (d) **Deposit Investments.** The deposit investments provided by us may include demand deposits, free credit deposits, savings, share and/or money market accounts, various certificates of deposit (CDs), or similar bank/brokerage firm deposits.
- (e) **Non-deposit Investments.** Non-deposit investments are offered through Folio as the designated broker/dealer and include investments in all forms of securities such as mutual funds, stock, and Exchange Traded Funds. All the investments offered are subject to investment risks, including possible loss of the principal amount invested.
- (f) **Important Information about Procedures for Opening your Account.** To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. Accordingly, when you open an account with us, we will ask for your name, address, date of birth, taxpayer identification number and other information that will allow us to identify you. We may also ask to see a copy of your driver's license or other identifying documents.

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

Required minimum distributions for your beneficiaries will be based on Treasury Regulations 1.408A-6, 1.401(a)(9) and 1.408-8 in addition to our then current policies and procedures. The required minimum distribution regulations are described within the Disclosure Statement. In the event a beneficiary, after your death, fails to take a required minimum distribution we may do nothing, distribute the entire Roth IRA balance, or distribute the required minimum distribution based on our own calculation.

**9.13 Spouse Beneficiary.** Notwithstanding Article V, a spouse beneficiary shall be permitted all the beneficiary options allowed under law or applicable regulations. The default election for a spouse beneficiary is the life expectancy method. If your surviving spouse fails to take the required minimum distribution, he/she is deemed to have treated your Roth IRA as his/her own. If your surviving spouse is your sole beneficiary, your spouse may treat your Roth IRA as his/her own Roth IRA and would not be subject to the required minimum distribution rules.

**9.14 Cash or In-Kind Contributions.** We may accept transfers, rollovers, and other similar contributions in cash or in kind from other IRAs, eligible retirement plans, and as allowed by law. Prior to completing such transactions we may require that you provide certain information in a format acceptable to us. In-kind contributions will be valued according to our policies and procedures at the time of the contribution.

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

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

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

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

**9.19 Folio as Broker/Dealer.** As part of establishing this custodial account, you are designating Folio as the broker/dealer for your custodial account and you agree to execute a broker/dealer Customer Agreement with Folio. You will direct the investment of your Roth IRA by providing investment instructions to Folio in the form and manner acceptable to Folio. Neither we, any agent of ours, nor Folio has any responsibility for any loss or diminution in value occasioned by your exercise of investment control.

**9.20 Custodian's Agent(s).** Kingdom Trust, a South Dakota-chartered trust company, may designate one or more agents to perform certain services on its behalf. As of the date this document was provided, Folio has been designated as our agent. Folio, as applicable, shall maintain adequate and legally required records of account documentation, transactions and tax reporting. All assets of the account shall be registered for your benefit under Kingdom Trust's name as custodian, Folio as agent of the designated nominee custodian. Folio shall be responsible for safekeeping of custodial account assets and the books and records of Folio (or such other agents designated by Kingdom Trust), shall be deemed to satisfy our custodial record keeping responsibilities.

**9.21 Authority of Sponsor.** As sponsor, Folio has the authority to remove and appoint a new custodian of your Roth IRA upon 30 days advance notice to you. As sponsor, Folio also has the authority to amend your Roth IRA in any respect and at any time consistent with the existing terms of this Roth IRA Custodial Account Agreement.

## IRS FORM 5305-RA INSTRUCTIONS (Rev. 3-2002)

### General Instructions

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

#### Purpose of Form

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

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

Unlike contributions to traditional individual retirement arrangements, contributions to a Roth IRA are not deductible from the depositor's gross income; and distributions after 5 years that are made when the depositor is 59 1/2 years of age or older or on account of death, disability, or the purchase of a home by a first-time homebuyer (limited to \$10,000), are not includible in gross income. For more information on Roth IRAs, including the required disclosures the custodian must give the depositor, see **Pub. 590**, Individual Retirement Arrangements (IRAs).

### Definitions

**IRA Conversion Contributions.** IRA Conversion Contributions are amounts rolled over, transferred, or considered transferred from a 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.

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

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

### Specific Instructions

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

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

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

# ROTH IRA DISCLOSURE STATEMENT

**Right to Revoke Your Roth IRA.** With exceptions, you have the right to revoke this Roth individual retirement account (IRA) within seven days of receiving this Disclosure Statement. If you revoke your Roth IRA, we will return your entire Roth IRA contribution without any adjustment for items such as sales commissions, administrative expenses, or fluctuation in market value. Exceptions to your right of revocation include that you may not revoke a Roth IRA established with a recharacterized contribution, nor do you have the right to revoke upon amendment of this Agreement.

You may revoke your Roth IRA by providing us with written notice. The revocation notice may be mailed by first-class mail, or hand delivered to us. If your notice is mailed by first-class, postage pre-paid mail, the revocation will be deemed mailed on the date of the postmark.

If you have any questions or concerns regarding the revocation of your Roth IRA, please contact us as follows: Folio Customer Service, McLean, VA 22102, 1-888-973-7890 or support@folioinvesting.com.

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

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

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

## Roth IRA Restrictions and Approval.

- 1. IRS Form 5305-R or 5305-RA Agreement.** This Disclosure Statement and the IRS Forms 5305 series agreement, amendments, application, and additional provisions set forth the terms and conditions governing your Roth IRA. Such documents are the "Agreement."
- 2. Individual Benefit.** This Roth IRA must be for the exclusive benefit of you and, upon your death, your beneficiaries. The Roth IRA must be established in your name and not in the name of your beneficiary, living trust, or another party or entity.
- 3. Beneficiary Designation.** By completing the appropriate section on the corresponding Roth IRA application you may designate any person(s) as your beneficiary to receive your Roth IRA assets upon your death. You may also change or revoke an existing designation in such manner and in accordance with such rules as we prescribe for this purpose. If there is no beneficiary designation on file at the time of your death, or if none of the beneficiaries on file are alive at the time of your death, your Roth IRA assets will be paid to your estate. We may rely on the latest beneficiary designation on file at the time of your death, will be fully protected in doing so, and will have no liability whatsoever to any person making a claim to the IRA assets under a subsequently filed designation or for any other reason.
- 4. Cash Contributions.** Regular or annual Roth IRA contributions must be in cash, which may include a check, money order, or wire transfer unless the contributions are rollover, transfer, or other similar transactions. It is within our discretion to accept in-kind contributions for rollovers, transfers, conversions, reconversions, or recharacterizations.
- 5. Roth IRA Custodian.** A Roth IRA custodian must be a bank, federally insured credit union, savings and loan association, trust company, or other entity, which is approved by the Secretary of the Treasury to act as a Roth IRA custodian.

- 6. Prohibition Against Life Insurance and Commingling.** None of your Roth IRA assets may be invested in life insurance contracts, or commingled with other property, except in a common trust fund or common investment fund.
- 7. Nonforfeitable.** The assets in your Roth IRA are not forfeitable.
- 8. Collectibles.** Generally, none of your Roth IRA assets may be invested in collectibles, including any work of art, rug, or antique, metal or gem, stamp or coin, alcoholic beverage, or any other tangible personal property. If we allow, you may invest your Roth IRA assets in the following coins and bullion: certain gold, silver, and platinum coins minted by the United States; a coin issued under the laws of any state; and any gold, silver, platinum, and palladium bullion of a certain fineness, and only if such bullion is held by us. For additional guidance on collectibles, see Section 408(m) of the Internal Revenue Code (IRC).
- 9. Cash or In-Kind Rollovers.** You may be eligible to make a rollover contribution of your Roth IRA distribution, in cash or in kind, to a Roth IRA. Rollovers to and from Roth IRAs are described in greater detail elsewhere in this Disclosure Statement.
- 10. Required Minimum Distribution (RMD) Rules For Beneficiaries.** This Roth IRA is subject to the RMD rules summarized in this Agreement.
- 11. No Prohibited Transactions.** If you engage in a prohibited transaction, the Roth IRA loses its tax exempt status as of the first day of the year. Subject to the Roth IRA ordering rules, you must include the fair market value of your Roth IRA as of that first day in your gross income for the year during which the prohibited transaction occurred, and pay all applicable taxes and penalties.
- 12. No Pledging.** If you pledge all or a portion of your Roth IRA as security for a loan, the portion pledged will be treated as a distribution to you, subject to the Roth IRA ordering rules, potentially included in gross income, and may be subject to the 10 percent early-distribution penalty tax.
- 13. IRS Approval of Form.** This Agreement includes an IRS Forms 5305 series agreement. This IRS document has been approved by the IRS. This approval is not a determination of its merits, and not an endorsement of the investments provided by us, or the operation of the Roth IRA.
- 14. State Laws.** State laws may affect your Roth IRA in certain situations, including beneficiary designations, agency relationships, consent, taxes, and reporting.

## Roth IRA Eligibility and Contributions.

- 1. Regular or Annual Roth IRA Contribution.** An annual contribution, commonly referred to as a regular contribution, is your contribution for the tax year, and is based on your and/or your spouse's compensation. Your designation of the tax year for your contribution is irrevocable. You may direct all or a portion of any tax refund directly to an IRA.  
If you are married and file a joint federal income tax return, you and/or your spouse may make a contribution on your behalf for that tax year if you and/or your spouse have compensation. This contribution must be made into your Roth IRA, and it cannot exceed the contribution limits applicable to regular Roth IRA contributions.
- 2. Compensation for Eligibility.** You are eligible to contribute to your Roth IRA if you have compensation (also referred to as earned income). The amount you may contribute may be limited based on your modified adjusted gross income (MAGI). The instructions to your federal income tax return will provide helpful information in determining your compensation and MAGI amounts.  
Common examples of compensation include wages, salary, tips, bonuses, and other amounts received for providing personal services, and earned income from self-employment. Compensation does not include earnings and profits from property such as dividends, interest, or capital gains, or pension, annuity, or deferred compensation plan amounts. Your compensation includes any taxable alimony or separate maintenance payments you may receive under a divorce decree or separate maintenance agreement.

**3. Limitations on Contributions.** The amount you can contribute depends on your MAGI for the tax year for which the contribution applies, your marital status, and your tax-filing status. The following chart shows how your MAGI and status affect your contribution limit. The greater your MAGI, the lesser the amount you may contribute.

2014 MAGI LIMITS			
Modified AGI (MAGI)*	Single	Married, Filing Jointly	Married, Filing Separately**
Less than \$10,000	Full Contribution	Full Contribution	Phaseout
\$ 10,000 - \$114,000	Full Contribution	Full Contribution	No Contribution
\$114,001 - \$128,999	Phaseout	Full Contribution	No Contribution
\$129,000 - \$181,000	No Contribution	Full Contribution	No Contribution
\$181,001 - \$190,999	No Contribution	Phaseout	No Contribution
\$191,000 or over	No Contribution	No Contribution	No Contribution

2015 MAGI LIMITS			
Modified AGI (MAGI)*	Single	Married, Filing Jointly	Married, Filing Separately**
Less than \$10,000	Full Contribution	Full Contribution	Phaseout
\$ 10,000 - \$116,000	Full Contribution	Full Contribution	No Contribution
\$116,001 - \$130,999	Phaseout	Full Contribution	No Contribution
\$131,000 - \$183,000	No Contribution	Full Contribution	No Contribution
\$183,001 - \$192,999	No Contribution	Phaseout	No Contribution
\$193,000 or over	No Contribution	No Contribution	No Contribution

\* Subject to annual cost-of-living adjustments (COLAs), if any.

\*\*An individual who is married, filing separately, and who lived apart from his/her spouse the entire year, can use the MAGI limit for a single filer to determine his/her contribution limit.

IRS Publication 590, *Individual Retirement Arrangements (IRAs)*, and the instructions to your federal income tax return also contain helpful calculation information.

- 4. Catch-Up Contributions.** Catch-up contributions are regular Roth IRA contributions made in addition to any other regular Roth IRA contributions. You are eligible to make catch-up contributions if you meet the eligibility requirements for regular contributions and you attain age 50 by the end of the taxable year for which a catch-up contribution is being made.
- 5. Maximum Contribution Limits.** Your regular (including catch-up) Roth IRA contributions are limited to the lesser of 100 percent of your and/or your spouse's compensation or the dollar amounts set forth on the following chart.

Contribution Tax Year	Regular Contribution Limit	Catch-Up Contribution Limit	Total Contribution Limit
2014	\$5,500	\$1,000	\$6,500
2015	\$5,500	\$1,000	\$6,500
2016 and later years	\$5,500+COLA*	\$1,000	\$6,500+COLA*

\* The regular IRA contribution limits are subject to annual cost-of-living adjustments (COLAs), if any.

- 6. Contribution Deadline.** You may make regular (including catch-up) Roth IRA contributions any time for a taxable year up to and including your federal income tax return due date, excluding extensions, for that taxable year. The due date for most taxpayers is April 15. The deadline may be extended in some situations. Examples include a federally declared disaster, a terroristic or military action, or service in a combat zone.
- 7. Roth IRA and Traditional IRA Contribution Limit.** Your combined regular (including catch-up) traditional IRA and Roth IRA contributions may not exceed the maximum contribution limit set forth in the previous chart.

**8. SEP and SIMPLE IRA Contributions.** Your employer may not make simplified employee pension (SEP) plan or Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) IRA plan contributions to this Roth IRA.

**Nonrefundable Tax Credit.** You may be eligible to take a tax credit for your regular Roth IRA contributions. The credit is equal to a percentage of your qualified contributions up to \$2,000. The credit cannot exceed \$1,000 for any tax year, and is in addition to any deduction that may apply. To be eligible for the tax credit, you must be age 18 or older by the end of the applicable tax year, not a dependent of another taxpayer, not a full-time student, and satisfy certain restrictions on distributions.

**Moving Assets To and From Roth IRAs.** There are a variety of transactions that allow you to move your retirement assets to and from Roth IRAs in cash or in kind based on our policies. We have sole discretion on whether we will accept, and how we will process movements of assets to and from Roth IRAs. We or any other financial organizations involved in the transaction may require documentation for such activities.

- Roth IRA-to-Roth IRA Transfers.** You may transfer all or a portion of your Roth IRA assets from one Roth IRA to another Roth IRA. A Roth IRA transfer means that the Roth IRA assets move from one Roth IRA to another Roth IRA in a manner that prevents you from cashing or liquidating the Roth IRA assets, or even depositing the assets anywhere except in the receiving Roth IRA. Transfers are not taxable or reportable, and the IRS does not impose timing or frequency restrictions on transfers. You may be required to complete a transfer authorization form prior to transferring your Roth IRA assets.
- Roth IRA-to-Roth IRA Rollovers.** A Roth IRA rollover is another way to move assets tax-free between Roth IRAs. You may roll over all or a portion of your Roth IRA assets by taking a distribution from a Roth IRA and recontributing part or all of it as a rollover contribution into the same or another Roth IRA. A rollover contribution is irrevocable. You must report your Roth IRA rollover to the IRS on your federal income tax return. Your contribution may only be designated as a rollover if the Roth IRA distribution is deposited within 60 calendar days following the date you receive the distributed assets. Any portion not rolled over will be subject to the Roth IRA ordering rules to determine income taxes and penalty taxes. The 60-day period may be extended to 120 days for a first-time homebuyer distribution where there is a delay or cancellation in the purchase or construction of the home. You are limited to one rollover per 1-year (12-month) period. You may only roll over one IRA distribution per 1-year period aggregated between all of your IRAs. For this purpose IRA includes rollovers among traditional (including SEP), SIMPLE, and Roth IRAs. For example, if you have IRA 1, IRA 2, and IRA 3, and take a distribution from IRA 1 and roll it over into a new IRA 4, you will have to wait 1 year from the date of that distribution to take another distribution from any of your IRAs and subsequently roll it over into an IRA. The 1-year limitation does not apply to rollovers related to first-time homebuyer distributions, distributions converted to a Roth IRA, and rollovers from an employer-sponsored eligible retirement plan.
- MyRA-to-Roth IRA Rollovers and Transfers.** You may elect to roll over or transfer MyRA assets to a Roth IRA. You are required to roll over or transfer the entire balance of your MyRA when the balance reaches \$15,000 or after the assets have been held in the account for 30 years.
- Waiver of the 60-Day Period.** The Secretary of the Treasury may waive the 60-day period for completing rollovers in certain situations such as casualty, disaster, or other events beyond the reasonable control of the individual who is subject to the 60-day period.
- Transfers Due to Divorce.** Your former spouse, pursuant to a divorce decree or legal separation order, may transfer assets from your Roth IRA to his/her Roth IRA.
- Qualified Reservist Contributions.** If you are a qualified reservist ordered or called to active duty after September 11, 2001 for more than 179 days (or for an indefinite period), and take an IRA distribution or take certain elective deferrals from an eligible retirement plan after September 11, 2001, and before the end of your active duty, you may make one or more contributions of these assets to your Roth IRA within two years of the end of your active duty.

## **Movement of Assets Between Traditional and Roth IRAs.**

- 1. Traditional IRA to Roth IRA Conversions.** You may convert all or a portion of your traditional IRA assets to a Roth IRA. Your conversion assets (excluding prorated nondeductible contributions) are subject to federal income tax. Your conversion must be reported to the IRS. The 10 percent early-distribution penalty tax does not apply to conversions. If you elect to convert your assets using a rollover transaction, the 60-day rule applies. The one per 1-year limitation does not apply to conversions.
- 2. Traditional IRA and Roth IRA Recharacterizations.** You may recharacterize, or choose to treat all or a portion of your regular (including catch-up) traditional IRA contribution as a regular Roth IRA contribution. Similarly, you may recharacterize all or a portion of your regular (including catch-up) Roth IRA contribution as a regular traditional IRA contribution. You may cancel a conversion through a recharacterization of all or a portion of the amount converted from a traditional IRA to a Roth IRA. You may also recharacterize the amount rolled or directly rolled over to a Roth IRA from an eligible retirement plan, or other recharacterization, as provided by law. A recharacterization election is irrevocable. You must complete a recharacterization no later than your federal income tax filing due date, including extensions, for the year you make the initial contribution. If you timely file your federal income tax return, you may still recharacterize as late as October 15 for calendar year filers. Recharacterizations must occur by transfer, which means that the assets, adjusted for gains and losses on the recharacterized amount, must be transferred into another IRA. The recharacterized contribution is treated as though you deposited it into the second IRA on the same day you actually deposited it in the first IRA. Recharacterization transactions are reported to the IRS. The election to recharacterize may be completed on your behalf after your death. A written notice of recharacterization, as defined in Treasury Regulation 1.408A-5, Q&A 6(a) is required for recharacterization transactions.
- 3. Traditional IRA to Roth IRA Reconversions.** A reconversion occurs when all or a portion of traditional IRA assets previously converted to a Roth IRA are recharacterized back to a traditional IRA and then converted again. After recharacterizing a conversion, you cannot reconvert until the later of: (1) the beginning of the year following the year the amount was converted, or (2) the end of the 30-day period following the day of the recharacterization. In other words, you cannot reconvert in the same year as the first conversion. Reconversion transactions are reported to the IRS.

## **Movement of Other Assets to Roth IRAs.**

- 1. Conversions from SIMPLE IRAs.** You may not convert assets from a SIMPLE IRA to a Roth IRA until two years have passed since the date on which you first participated in an employer's SIMPLE IRA plan, which is the initial contribution date. If you participated in SIMPLE IRA plans of different employers, the initial contribution date and two-year period are determined separately for SIMPLE IRA assets from each employer.
- 2. Rollovers or Direct Rollovers from Eligible Retirement Plans.** You may directly or indirectly roll over assets from an eligible retirement plan sponsored by your employer into your Roth IRA (also referred to as qualified rollovers). You are responsible for the consequences of rolling over assets, including designated Roth account assets, to a Roth IRA. Your plan administrator or employer is responsible for determining the amount of your assets in its eligible retirement plan that is eligible for rollover to a Roth IRA. Assets in a Roth IRA are not eligible to be rolled over to an eligible retirement plan.
  - a. Eligible Retirement Plan (ERP).** Eligible retirement plans include qualified trusts under IRC Section 401(a), annuity plans under IRC Section 403(a), annuity contracts under IRC Section 403(b), and certain governmental IRC Section 457(b) plans. Common names for these plans include 401(k), profit sharing, pension, money purchase, federal thrift savings, and tax-sheltered annuity plans.
  - b. Designated Roth Account.** This is an account within an ERP under either IRC Sections 401(a), or 403(b), or 457(b) that

holds Roth contributions and earnings. Roth contributions are made by elective deferral with after-tax dollars.

- c. Eligible Distributions.** Not all distributions from an ERP are eligible for rollover to a Roth IRA. The most common amounts which are not eligible for rollover include required minimum distributions, defaulted loans, substantially equal periodic payments defined in IRC Section 402(c)(4)(A), and hardship distributions. Your employer determines which assets may not be rolled over and must provide you with an IRC Section 402(f) notice of taxation which explains the tax issues and rollover eligibility concerning the distribution.
  - d. Direct Rollover.** A direct rollover moves eligible distribution assets from your eligible retirement plan to your Roth IRA in a manner that prevents you from cashing or liquidating the plan assets, or even depositing the assets anywhere except in the receiving Roth IRA. A direct rollover is reported to the IRS. There are no IRS limitations, such as the 60-day period or one per 1-year limitation, on direct rollovers.
  - e. Indirect Rollover and Withholding.** An indirect rollover begins with a plan distribution made payable to you. In general, your employer is required to withhold 20 percent on the taxable portion of your eligible distribution as a prepayment of federal income taxes on distributions. You may make up the 20 percent withholding from your own funds at the time you deposit the distribution into a Roth IRA. If you are younger than age 59 1/2, you are subject to a 10 percent early-distribution penalty tax on the taxable amount of the distribution that is not rolled over, unless a penalty tax exception applies. Your eligible distribution may be contributed to a Roth IRA during the 60 days following your receipt of a plan distribution. Your decision to contribute the assets to a Roth IRA as a rollover contribution is irrevocable. The one per 1-year limitation does not apply to rollovers from eligible retirement plans. State withholding may apply to eligible distributions. The Secretary of the Treasury may waive the 60-day period for completing rollovers in certain situations such as casualty, disaster, or other events beyond the reasonable control of the individual who is subject to the 60-day period.
  - f. Taxes and Treatment of Qualified Rollover Contributions.** The rollover and direct rollover contribution amounts from an eligible retirement plan are referred to as "qualified rollover contributions." The taxable portion that is rolled or directly rolled over to a Roth IRA is subject to federal income tax. The 10 percent premature-distribution penalty tax does not apply to these taxable amounts. However, if the taxable portion of the qualified rollover contribution is distributed from the Roth IRA within five years and an exception does not apply, the 10 percent penalty tax would apply in this later year. With respect to subsequent distributions from this Roth IRA that are nonqualified distributions, the qualified rollover contribution amount is considered as part of the nontaxable conversion category for purposes of the ordering rules.
  - g. Rollover or Direct Rollover of Designated Roth Account Assets.** Rollovers of designated Roth account assets to a Roth IRA are not taxable. The plan administrator will inform you if the distribution amount from the designated Roth account is qualified or nonqualified. Qualified distributions rolled over from designated Roth accounts are considered regular contributions for the Roth IRA "nonqualified distribution" ordering rules. The earnings portion of nonqualified distributions rolled over from designated Roth accounts is considered earnings for the Roth IRA ordering rules while the remainder is considered a regular contribution.
- 3. Rollover of Military Death Gratuity.** If a person serving in the military dies from injuries received in such service and you are the beneficiary of either a military death gratuity or an amount under a Servicemembers Group Life Insurance (SGLI) program for such person, you may roll over part or all of these amounts to a Roth IRA.

If the death occurred on or after June 17, 2008, the rollover contribution must be completed within one year of when each amount was received. These contributions are qualified rollover contributions.

4. **Rollovers Due to Airline Carrier Bankruptcy.** If you are a qualified airline employee and receive an "airline payment amount" as defined by law, this amount may be rolled over to a Roth IRA. You must roll over the airline payment amount within 180 days of its receipt.
5. **Qualified Settlement Income.** You may roll over certain qualified settlement income (e.g., an amount received in connection with the Exxon Valdez litigation) to your IRA under limits provided by law. Generally, the one per 1-year limitation does not apply to such rollovers. It is in your best interest to seek the guidance of a tax or legal professional before taking advantage of such rollover and/or taking such assets from the IRA.

**Roth IRA Distributions.** You, or after your death your beneficiary, may take a Roth IRA distribution at any time. Income and penalty taxes may be avoided by taking qualified distributions.

1. **Five-Year Holding Period.** The five-year holding period begins with the earlier of the first year for which you made any regular Roth IRA contribution, the first year in which you made a conversion from a traditional IRA to any Roth IRA, the first year of a rollover or direct rollover of designated Roth account assets to any Roth IRA, or the first year of a rollover or direct rollover of ERP assets to any Roth IRA, the first year of a qualified distribution repayment to any Roth IRA, or the first year of any other contribution treated as a qualified rollover contribution.
2. **Qualified Distributions.** A qualified distribution is a distribution which is made after the expiration of the five-year holding period and as the result of certain events. The events, which will create a qualified distribution after the expiration of the five-year holding period are as follows:
  - a. Distributions made on or after the date on which you attain age 59 1/2;
  - b. Distributions made to your beneficiary after your death;
  - c. Distributions attributable to you being disabled; and
  - d. Qualified first-time homebuyer distributions.
3. **Nonqualified Distributions and the Ordering Rules.** If your distribution is not a qualified distribution, any earnings you withdraw from your Roth IRA will be included in your gross income for federal income tax purposes. Additionally, for each conversion or qualified rollover completed while you are younger than age 59 1/2, a separate five-year holding period will be applied solely for determining if you owe a 10 percent early-distribution penalty. The ordering rules for Roth IRAs determine what portion of your distribution will be subject to income and penalty taxes. The ordering rules, which take into account all of your Roth IRAs, state that you are deemed to take your Roth IRA asset types in the following order: (1) all regular or annual contributions and amounts treated as such, (2) conversion and qualified rollover contributions and amounts treated as such on a first in first out basis, and (3) your earnings. All of your assets within a certain type must be removed before you may move on to the next asset type. For each conversion or qualified rollover contribution removed, the originally taxable portion is removed first and the nontaxable portion is removed last.
4. **Removal of Excess Contributions.** You may withdraw all or a portion of your excess contribution and attributable earnings before your federal income tax return due date, including extensions, for the taxable year for which you made the contribution. The excess contribution amount distributed will not be taxable but the attributable earnings on the contribution will be taxable in the year in which you made the contribution and may be subject to the 10 percent early-distribution penalty tax. In certain situations, you may treat your excess as a regular (including catch-up) contribution for the next year. If you timely file your federal income tax return, you may still remove your excess contribution, plus attributable earnings, as late as October 15 for calendar year filers.
5. **Distributions of Unwanted Roth IRA Contributions by Tax-Filing Date.** You may withdraw all or a portion of your regular (including

catch-up) Roth IRA contribution and attributable earnings in the same manner as an excess contribution. However, you cannot apply your unwanted contribution as a regular Roth IRA contribution for a future year. The unwanted contribution amount distributed will not be taxable, but the attributable earnings on the contribution will be taxable in the year in which you made the contribution, and may be subject to the 10 percent early-distribution penalty tax. If you timely file your federal income tax return, you may still remove your unwanted contribution, plus attributable earnings, as late as October 15 for calendar year filers.

6. **Qualified Health Savings Account (HSA) Funding Distribution.** If you are an HSA eligible individual, you may elect to take a qualified HSA funding distribution from your Roth IRA to the extent such distribution is contributed to your HSA in a trustee-to-trustee transfer. This amount is aggregated with all other annual HSA contributions and is subject to your annual HSA contribution limit. A qualified HSA funding distribution election is irrevocable and is generally available once in your lifetime. A testing period applies. The testing period for this provision begins with the month of the contribution to your HSA and ends on the last day of the 12th month following such month. If you are not an eligible individual for the entire testing period, unless you die or become disabled, the amount of the distribution made under this provision may be includable in gross income for the tax year of the month you are not an eligible individual, and may be subject to a 10 percent penalty tax.
7. **Tax-Free Distributions to Charities.** If you have attained age 70 1/2, you may be able to make tax-free distributions directly from your Roth IRA to a qualified charitable organization if permitted by law. Tax-free distributions have been limited to \$100,000 in past years. Consult with your tax or legal professional to determine the availability of this tax-free distribution.

#### **Required Minimum Distributions.**

1. **After Age 70 1/2.** You are not required to take RMDs from your Roth IRA when you reach age 70 1/2. Furthermore, you cannot satisfy any RMDs for your traditional IRAs or SIMPLE IRAs by taking a distribution from any of your Roth IRAs.
2. **Failure to Withdraw an RMD.** If your beneficiary does not withdraw an RMD by his/her required distribution date, he/she will owe a 50 percent excess accumulation penalty tax on the amount not withdrawn. Your beneficiary can always take more than his/her RMD in any year but no additional amounts can be credited to a subsequent year's RMDs.

**RMDs for Your Beneficiaries.** Your beneficiaries of this Roth IRA will generally have until December 31 of the year following your death year to begin RMDs. Exceptions exist for your surviving spouse and for any beneficiary who must distribute or chooses to distribute his/her share of your Roth IRA within a five year period.

1. **Distribution Calculations In General.** Beneficiaries will generally use a single life expectancy method to satisfy these RMDs unless they elect the five-year rule. The five-year rule requires your beneficiary to completely withdraw your Roth IRA assets by the end of the fifth year following your death year. The single life expectancy factor, using the IRS's single life table, will be determined by using the age on December 31 in the year following death of the oldest designated beneficiary unless multiple beneficiaries exist and separate accounting applies. This initially determined factor is reduced by one for each subsequent year's calculation. This general rule of using the single life expectancy method applies if your Roth IRA has at least one designated beneficiary.
2. **Designated Beneficiary.** A designated beneficiary is any named beneficiary who has an interest in your Roth IRA on the determination date, which is September 30 of the year following your death year. Named beneficiaries who completely distribute their interests in your Roth IRA, or completely disclaim their interests in your Roth IRA under IRC Section 2518, will not be considered when designated beneficiaries are determined. Named beneficiaries who die after your death but before the determination date will be considered for the sake of determining the distribution period. If any named beneficiary that is

not an individual, such as an estate or charity, has an interest in your Roth IRA on the determination date, and separate accounting does not apply, your Roth IRA will be treated as having no designated beneficiary.

If you name a qualified trust, which is defined in Treasury Regulation 1.401(a)(9)-4, Q&A 5, as your Roth IRA beneficiary, the beneficiaries of the qualified trust are treated as the beneficiaries of your Roth IRA for purposes of determining designated beneficiaries and the appropriate life expectancy period after your death.

3. **Death With No Designated Beneficiary.** If you die and your Roth IRA is treated as having no designated beneficiary, your named beneficiaries will be required to completely withdraw your Roth IRA assets by the end of the fifth year following your death year.
4. **Spouse Beneficiary.** If your spouse is your only designated beneficiary on the determination date, or if there are multiple designated beneficiaries and separate accounting applies, he/she will use his/her age each year to determine the life expectancy factor for calculating that year's RMD. If your spouse is the only designated beneficiary, or if there are multiple designated beneficiaries and separate accounting applies, he/she can postpone commencement of his/her RMDs until the end of the year in which you would have attained age 70 1/2. If your spouse is the only designated beneficiary, or if there are multiple designated beneficiaries and separate accounting applies, he/she can treat your Roth IRA as his/her own Roth IRA after your death.

Your spouse beneficiary could take a distribution of his/her share of your Roth IRA and roll it over to a Roth IRA of his/her own.

5. **Separate Accounting.** Our policies may permit separate accounting to be applied to your Roth IRA for the benefit of your beneficiaries. If permitted, separate accounting must be applied in accordance with Treasury Regulation 1.401(a)(9)-8, Q&A 2 and 3. A beneficiary is considered the only designated beneficiary of his/her share of the Roth IRA assets if separate accounting applies.

#### **Federal Income Tax Status of Your Roth IRA.**

1. **No Deduction for Contributions.** Roth IRA contributions are not deductible on your federal income tax return at any time.
2. **Tax-free Earnings.** The earnings, including gains and losses, on your Roth IRA contributions accumulate tax-deferred. At the time of your distribution, the earnings will be free from federal income tax if your distribution is a qualified distribution.
3. **Taxation of Distributions.** The taxation of your Roth IRA distribution, which is not rolled over, is dependent upon whether your distribution is a qualified distribution or nonqualified distribution and is subject to the ordering rules. Roth IRA distributions are not subject to federal income tax withholding. You may be subject to state or local taxes on your Roth IRA distributions.
4. **No Special Tax Treatment.** Roth IRA distributions are not eligible for special tax treatments, such as ten year averaging, that may apply to other employer-sponsored retirement plan distributions.

**Estate and Gift Tax.** The designation of a beneficiary to receive Roth IRA distributions upon your death will not be considered a transfer of property for federal gift tax purposes. Upon your death, the value of all assets remaining in your Roth IRA will usually be included in your gross estate for estate tax purposes, regardless of the named beneficiary or manner of distribution. There is no specific estate tax exclusion for assets held within a Roth IRA. After your death, beneficiaries should pay careful attention to the rules for the disclaiming any portion of your Roth IRA under IRC Section 2518.

**Annual Statements.** Each year we will furnish you and the IRS with statements reflecting the activity, including rollovers, conversions, and

recharacterizations, in your Roth IRA. You and the IRS will receive IRS Forms 5498 and 1099-R. IRS Form 5498 or an appropriate substitute indicates the fair market value of the account, including Roth IRA contributions, for the year. IRS Form 1099-R reflects your Roth IRA distributions for the year.

**Federal Tax Penalties and IRS Form 5329.** Several tax penalties may apply to your various Roth IRA transactions, and are in addition to any federal, state, or local taxes. Federal penalties and excise taxes are generally reported and remitted to the IRS by completing IRS Form 5329, and attaching the form to your federal income tax return. The penalties may include any of the following taxes:

1. **Early-Distribution Penalty Tax.** If you take a distribution from your Roth IRA before reaching age 59 1/2, you are subject to a 10 percent early-distribution penalty tax on the taxable portion of the distribution and certain converted or qualified rollover contribution assets distributed during the five-year holding period. However, certain exceptions apply. Exceptions to the 10 percent penalty tax include: the qualified distributions reasons previously listed, distributions due to eligible higher education expenses, medical expenses exceeding a certain percentage of adjusted gross income, health insurance premiums due to your extended unemployment, a series of substantially equal periodic payments, IRS levy, traditional IRA conversions, qualified reservist distributions, and qualified HSA funding distributions. Additional exceptions include distributions taken during the five year holding period as a result of your attaining age 59 1/2, death, disability, or a first-time home purchase. Properly completed rollovers, transfers, and recharacterizations, are not subject to the 10 percent penalty tax.
2. **Excess Contribution Penalty Tax.** If you contribute more to your Roth IRA than you are eligible to contribute, you have created an excess contribution, which is subject to a 6 percent excise tax. The excise tax applies each year that the excess contribution remains in your Roth IRA. If you timely file your federal income tax return, you may still remove your excess contribution, plus attributable earnings, as late as October 15 for calendar year filers.
3. **Excess Accumulation Penalty Tax.** Any portion of an RMD that is not distributed to your beneficiary by its deadline is subject to a 50 percent excess accumulation penalty tax. The IRS may waive this penalty upon proof of reasonable error and that reasonable steps were taken to correct the error, including remedying the shortfall. A beneficiary should review IRS Form 5329 instructions when requesting a waiver.

**Disaster Tax Relief.** Subject to IRC Section 1400Q, individuals in certain federally-declared disaster areas may be given the opportunity to take qualified distributions (subject to applicable time periods defined by law) in aggregation from IRAs and other eligible retirement plans up to the prescribed limit (e.g., \$100,000 for Midwestern Disaster). Typically, these rules permit an individual to prorate any amounts required to be included in gross income over a three tax year period or include it all in the year of distribution. In addition, an individual may be allowed three years after the date of receipt to roll over or repay all or part of the qualified distribution without being subject to the one rollover per 1-year limitation or the 60-day requirement. Certain first-time homebuyer or hardship distributions may be eligible for rollover within a prescribed time period. Also, for additional disaster area information and IRS guidance on associated tax relief, refer to IRS notices and publications, or visit the IRS's web site at [www.irs.gov](http://www.irs.gov).

## FINANCIAL DISCLOSURE

IRS regulations require us to provide you with a financial projection of the growth of your Roth IRA account based upon certain assumptions where possible. Because your account is a self-directed Roth IRA giving you access to a wide range of equity investments including stocks, ETFs and mutual funds, such a projection is not possible.

Growth in the value of your Roth IRA is neither guaranteed nor projected. The value of your Roth IRA will be computed by totaling the fair market value of the assets credited to your account. At least once a year we will send you a written report stating the current value of your Roth IRA assets. We will disclose separately a description of:

- (a) The type and amount of each charge to your account;
- (b) the method of computing and allocating earnings from investments in your account, and

- (c) any portion of your contributions, if any, which may be used for the purchase of life insurance.

### Custodian Fees:

The custodian may charge reasonable fees or compensation for its services and may deduct all reasonable expenses incurred in the administration of your Roth IRA, including any legal, accounting, distribution, transfer, termination or other designated fees. Such fees may be charged to you or directly to your Roth IRA account. In addition, depending on your choice of investment vehicles, you may incur brokerage commissions or other costs attributable to the purchase or sale of assets.

Dear SIMPLE IRA Owner:

Notice: Folio Investments, Inc. ("Folio") is the sponsor of your SIMPLE IRA. Folio is a self clearing registered broker/dealer, and also provides certain administrative and investment services for your SIMPLE IRA. The Kingdom Trust Company ("Kingdom Trust", "we", "us", "our"), a South Dakota trust company, is the custodian of your SIMPLE IRA using Folio's Platform as sub-custodian to hold your assets.

## SIMPLE Individual Retirement Custodial Account

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

Form **5305-SA** (March 2002) Department of the Treasury Internal Revenue Service  
The participant and the custodian make the following agreement:

**Do not File**  
With the Internal  
Revenue Service

Check if transfer SIMPLE IRA .....

**Article I.** The custodian will accept cash contributions made on behalf of the participant by the participant's employer under the terms of a SIMPLE IRA plan described in section 408(p). In addition, the custodian will accept transfers or rollovers from other SIMPLE IRAs of the participant. No other contributions will be accepted by the custodian.

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

- (a) A single sum or
- (b) Payments over a period not longer than the life of the participant or the joint lives of the participant and his or her designated beneficiary.

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

- (a) If the participant dies on or after the required beginning date and:
  - (i) the designated beneficiary is the participant'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 participant'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 participant 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 participant as determined in the year of the participant's death and reduced by 1 for each subsequent year.
- (b) If the participant 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 participant's death. If, however, the designated beneficiary is the participant's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the participant would have reached age 70 1/2. But, in such case, if the participant'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 participant's death.
4. If the participant dies before his or her entire interest has been distributed and if the designated beneficiary is not the participant'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 participant'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 participant reaches age 70 1/2, is the participant'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 participant's designated beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the participant'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 participant's (or, if applicable, the participant 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 participant's death (or the year the participant would have reached age 70 1/2, if applicable under paragraph 3(b)(i)) is the account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table in Regulations section 1.401(a)(9)-9) of the individual specified in such paragraphs 3(a) and 3(b)(i).
  - (c) The required minimum distribution for the year the participant reaches age 70 1/2 can be made as late as April 1 of the following year. The required minimum distribution for any other year must be made by the end of such year.
6. The owner of two or more IRAs (other than Roth IRAs) may satisfy the minimum distribution requirements described above by taking from one IRA the amount required to satisfy the requirement for another in accordance with the regulations under section 408(a)(6).

## Article V.

1. The participant agrees to provide the custodian with all information necessary to prepare any reports required by sections 408(i) and 408(l)(2) and Regulations sections 1.408-5 and 1.408-6.

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

3. The custodian also agrees to provide the participant's employer the summary description described in section 408(l)(2) unless this SIMPLE IRA is a transfer SIMPLE IRA.

**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 sections 408(a) and 408(p) and the related regulations will be invalid.

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

## Article VIII.

**8.01 Your SIMPLE IRA Documents.** This Internal Revenue Service (IRS) Forms 5305 series agreement for SIMPLE IRAs, and any amendments or additional provisions to such agreement (the "Agreement") set forth the terms and conditions governing your Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) individual retirement account (IRA) and your relationship with us. This agreement is accompanied by a disclosure statement, which sets forth various SIMPLE IRA rules in simpler language, a financial disclosure, and may be accompanied by other documents such as an application, beneficiary designation, or our procedures for withdrawal.

**8.02 Definitions.** This IRS Forms 5305 series agreement contains a detailed definitions section. The definitions found in such section apply to this Agreement. The IRS refers to you as the participant, and us as the custodian. References to "you," "your," and "SIMPLE IRA owner" will mean the participant, and "we," "us," and "our" will mean the custodian. The terms "you" and "your" will apply to you. In the event you appoint a third party, or have a third party appointed on your behalf, to handle certain transactions affecting your SIMPLE IRA, such agent will be considered "you" for purposes of this Agreement. Additionally, references to "SIMPLE IRA" will mean the custodial account.

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

**8.04 Designated Financial Institution.** Your employer may have named us as the designated financial institution (DFI). If we are a DFI, you must maintain your SIMPLE IRA with us to receive your employer's SIMPLE IRA contributions. Our procedures for withdrawal, which is part of your employer's SIMPLE documents, provides you with information on how you can transfer your SIMPLE IRA assets to another custodian or trustee without cost or penalty during the year.

**8.05 Our Fees and Expenses.** We may charge reasonable fees and are entitled to reimbursement for any expenses we incur in establishing and maintaining your SIMPLE IRA unless, as a DFI, we must transfer your SIMPLE IRA assets without cost or penalty. We may change the fees at any time by providing you with notice of such changes. We will provide you with fee disclosures and policies. Fees may be deducted directly from your SIMPLE IRA assets, and/or billed separately to you. Fees billed separately to you and paid by you may be claimed on your federal income tax return as miscellaneous itemized deductions. The payment of fees has no effect on your contributions. Additionally, we have the right to liquidate your SIMPLE IRA assets to pay such fees and expenses. If you do not direct us on the liquidation, we will liquidate the assets of our choice, and will not be responsible for any losses or claims that may arise out of the liquidation.

**8.06 Amendments.** We may amend your SIMPLE IRA in any respect and at any time, including retroactively, to comply with applicable laws governing retirement plans and the corresponding regulations. Any

other amendments shall require your consent, by action or no action, and will be preceded by written notice to you. Unless otherwise required, you are deemed to automatically consent to an amendment, which means that your written approval is not required for the amendment to apply to the SIMPLE IRA. In certain instances the governing law or our policies may require us to secure your written consent before an amendment can be applied to the SIMPLE IRA. If you want to withhold your consent to an amendment you must provide us with a written objection within 30 days of the receipt date of the amendment.

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

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

**8.09 Disqualifying Provisions.** Any provision of this Agreement that would disqualify the SIMPLE IRA will be disregarded to the extent necessary to maintain the account as a SIMPLE IRA.

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

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

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

## 8.12 Investment of SIMPLE IRA Assets.

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

(1) **Deposit Investments Only.** If your SIMPLE IRA allows for deposit investments only, the deposit investments provided by us will be limited to demand deposits, free credit deposits, savings, share and/or money market accounts, certificates of deposit (CDs), or similar bank/brokerage firm deposits.

- (2) **Self-directed SIMPLE IRA Investments.** If your SIMPLE IRA is self-directed, you may invest your contributions and SIMPLE IRA assets in various non-deposit investments. Non-deposit investments are offered through Folio Investments, Inc. as the designated broker/dealer and include investments in all forms of securities such as mutual funds, stock, and Exchange Traded Funds. All the investments offered are subject to investment risks, including possible loss of the principal amount invested.
- (b) **Investment of Contributions.** We will invest SIMPLE IRA contributions and reinvest your SIMPLE IRA assets as directed by you based on our then-current investment policies and procedures. If you fail to provide us with investment direction for a contribution, we will return to your employer or hold all or part of such contribution based on our policies and procedures. We will not be responsible for any loss of SIMPLE IRA income associated with your failure to provide appropriate investment direction.
- (c) **Directing Investments.** All investment directions must be in a format or manner acceptable to us. You may invest in any SIMPLE IRA investments that you are qualified to purchase, and that we are authorized to offer and do offer at the time of the investment selection, and that are acceptable under the applicable laws governing retirement plans. Your SIMPLE IRA investments will generally be registered in our name or our nominee's name for the benefit of your SIMPLE IRA. Specific investment information may be provided at the time of the investment. Based on our policies, we may allow you to delegate the investment responsibility of your SIMPLE IRA to an agent by providing us with written notice of delegation in a format acceptable to us. We will not review or guide your agent's decisions, and you are responsible for the agent's actions or failure to act. We are not responsible for directing your investments, or providing investment advice, including guidance on the suitability or potential market value of various investments. For investments in securities, we will exercise voting rights and other similar rights only at your direction, and according to our then-current policies and procedures.
- (d) **Investment Fees and Asset Liquidation.** Certain investment-related fees, which apply to your SIMPLE IRA, may be charged to your SIMPLE IRA and cannot be paid by you. We have the right to liquidate your SIMPLE IRA assets to pay fees and expenses, federal tax levies, or other assessments on your SIMPLE IRA investments. If you do not direct us on the liquidation, we will liquidate the assets of our choice and will not be responsible for any losses or claims that may arise out of the liquidation.
- (e) **Important Information about Procedures for Opening your Account.** To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. Accordingly, when you open an account with us, we will ask for your name, address, date of birth, taxpayer identification number and other information that will allow us to identify you. We may also ask to see a copy of your driver's license or other identifying documents.
- (f) **Qualifying Longevity Annuity Contract (QLAC).** A QLAC is an investment vehicle and payout option we may choose to allow or purchase on your behalf. In summary, a QLAC is an annuity contract purchased from an insurance company that provides a delayed annuity payment starting date which will be after your required beginning date (RBD) but must begin no later than the first day of the month following your 85th birthday. Premiums paid from your IRA to purchase a QLAC are limited to the lesser of: \$125,000 (subject to annual cost-of-living adjustments) or 25%

of your aggregated traditional (including SEP) and SIMPLE IRA balances. The \$125,000 limit is also reduced by the amount of premium you paid from an employer-sponsored retirement plan (i.e., 401(k) plan) to purchase a QLAC. We may rely on your representations that premiums paid for your QLAC(s) in other IRAs or employer plans do not exceed the \$125,000 limit nor exceed 25% of aggregated IRA balances. Please refer to the Disclosure Statement for additional QLAC information.

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

Required minimum distributions will be based on Treasury Regulations 1.401(a)(9) and 1.408-8 in addition to our then-current policies and procedures. The required minimum distribution regulations are described within the Disclosure Statement. In the event you fail to take a required minimum distribution we may do nothing, distribute your entire SIMPLE IRA balance, or distribute the amount of your required minimum distribution based on our own calculation.

**8.14 Cash or In-Kind Contributions.** We may accept transfers, rollovers, recharacterizations, or other similar transactions in cash or in kind from other SIMPLE IRAs and as allowed by law. Prior to completing such transactions we may require that you provide certain information in a format acceptable to us. In-kind contributions will be valued according to our policies and procedures at the time of the contribution.

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

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

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

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

**8.19 Folio as Broker/Dealer.** As part of establishing this custodial account, you are designating Folio as the broker/dealer for your custodial account and you agree to execute a broker/dealer Customer Agreement with Folio. You will direct the investment of your SIMPLE IRA by providing investment instructions to Folio in the form and manner acceptable to Folio. Neither we, any agent of ours, nor Folio has any responsibility for any loss or diminution in value occasioned by your exercise of investment control.

**8.20 Custodian's Agent(s).** Kingdom Trust, a South Dakota-chartered trust company, may designate one or more agents to perform certain services on its behalf. As of the date this document was provided, Folio has been designated as our agent. Folio, as applicable, shall maintain adequate and legally required records of account documentation, transactions

and tax reporting. All assets of the account shall be registered for your benefit under Kingdom Trust's name as custodian, Folio as agent of the designated nominee custodian. Folio shall be responsible for safekeeping of custodial account assets and the books and records of Folio (or such other agents designated by Kingdom Trust), shall be deemed to satisfy our custodial record keeping responsibilities.

**8.21 Authority of Sponsor.** As sponsor, Folio has the authority to remove and appoint a new custodian of your SIMPLE IRA upon 30 days advance notice to you. As sponsor, Folio also has the authority to amend your SIMPLE IRA in any respect and at any time consistent with the existing terms of this SIMPLE IRA Custodial Account Agreement.

## IRS FORM 5305-SA INSTRUCTIONS (Rev. 3-2002)

### General Instructions

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

### Purpose of Form

Form 5305-SA is a model custodial account agreement that meets the requirements of sections 408(a) and 408(p) and has been pre-approved by the IRS. A SIMPLE individual retirement account (SIMPLE IRA) is established after the form is fully executed by both the individual (participant) and the custodian. This account must be created in the United States for the exclusive benefit of the participant and his or her beneficiaries.

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

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

### Definitions

**Participant.** The participant is the person who establishes the custodial account.

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

### Transfer SIMPLE IRA

This SIMPLE IRA is a "transfer SIMPLE IRA" if it is not the original recipient of contributions under any SIMPLE IRA plan. The summary description requirements of section 408(l)(2) do not apply to transfer SIMPLE IRAs.

### Specific Instructions

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

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

# SIMPLE IRA DISCLOSURE STATEMENT

**Right to Revoke Your SIMPLE IRA.** With some exceptions, you have the right to revoke this Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) individual retirement account (IRA) within seven days of receiving this Disclosure Statement. If you revoke your SIMPLE IRA, we will return your entire SIMPLE IRA contribution without any adjustment for items such as sales commissions, administrative expenses, or fluctuation in market value. Exceptions to your right of revocation include that you may not revoke an IRA established with a recharacterized contribution, nor do you have the right to revoke upon amendment of this Agreement.

You may revoke your SIMPLE IRA by providing us with written notice. The revocation notice may be mailed by first-class mail, or hand delivered to us. If your notice is mailed by first-class, postage pre-paid mail, the revocation will be deemed mailed on the date of the postmark.

If you have any questions or concerns regarding the revocation of your SIMPLE IRA, please contact us as follows: Folio Customer Service, McLean, VA 22102, 1-888-973-7890 or support@folioinvesting.com.

**This Disclosure Statement.** This disclosure statement provides you, and your beneficiaries after your death, with a summary of the rules and regulations governing your SIMPLE IRA.

**Definitions.** The IRS Forms 5305 series agreement contains a detailed definitions section. The definitions found in such section apply to this Agreement. The IRS refers to you as the participant, and us as the custodian. References to "you," "your," and "SIMPLE IRA owner" will mean the participant, and "we," "us," and "our" will mean the custodian. The terms "you" and "your" will apply to you. In the event you appoint a third party, or have a third party appointed on your behalf, to handle certain transactions affecting your SIMPLE IRA, such agent will be considered "you" for purposes of this Agreement. Additionally, references to "SIMPLE IRA" will mean the custodial account.

**For Additional Guidance.** It is in your best interest to seek the guidance of a tax or legal professional before completing any SIMPLE IRA establishment documents. Your first reference for questions concerning your SIMPLE IRA should be the accompanying IRS Forms 5305 series agreement, any additional provisions or amendments to such document, and this Disclosure Statement. For more information, you can also refer to your employer's SIMPLE documents, IRS Publication 590, *Individual Retirement Arrangements (IRAs)*, IRS Publication 560, *Retirement Plans for Small Business (SEP, SIMPLE and Qualified Plans)*, instructions to your federal income tax return, your local IRS office, or the IRS's web site at [www.irs.gov](http://www.irs.gov).

**Your Employer's SIMPLE.** SIMPLE IRAs are established for the sole purpose of receiving and maintaining contributions made on your behalf according to your employer's SIMPLE plan. Questions concerning your employer's plan provisions, including eligibility and contribution restrictions, should be directed to your employer and plan administrator. The summary description provided to you by your employer may also provide valuable information.

## SIMPLE IRA Restrictions and Approval.

- 1. IRS Form 5305-SA or 5305-S Agreement.** This Disclosure Statement and the IRS Forms 5305 series agreement, amendments, application, and additional provisions set forth the terms and conditions governing your SIMPLE IRA. Such documents are the "Agreement."
- 2. Individual Benefit.** This SIMPLE IRA must be for the exclusive benefit of you, and upon your death, your beneficiaries. The SIMPLE IRA must be in your name and not in the name of your beneficiary, living trust, or another party or entity.
- 3. Beneficiary Designation.** By completing the appropriate section on the corresponding SIMPLE IRA application you may designate any person(s) as your beneficiary to receive your SIMPLE IRA assets upon your death. You may also change or revoke an existing designation in such manner and in accordance with such rules as we prescribe for this purpose. If there is no beneficiary designation on file at the time of your death, or if none of the beneficiaries on file are alive at the time of your death, your SIMPLE IRA assets will be paid to your estate. We may rely on the latest beneficiary designation on file at the time of your death, will be fully protected in doing so, and will have no liability whatsoever to any person making a claim to the SIMPLE IRA assets under a subsequently filed designation or for any other reason.

- 4. Cash Contributions.** SIMPLE IRA contributions must be in cash, which may include a check, money order or wire transfer, unless the contributions are rollover, transfer, or other similar transactions. It is within our discretion to accept in-kind contributions for rollovers, transfers, or recharacterizations.
- 5. SIMPLE IRA Custodian.** A SIMPLE IRA custodian must be a bank, federally insured credit union, savings and loan association, trust company, or other entity, which is approved by the Secretary of the Treasury to act as a SIMPLE IRA custodian.
- 6. Prohibition Against Life Insurance and Commingling.** None of your SIMPLE IRA assets may be invested in life insurance contracts, or commingled with other property except in a common trust fund or common investment fund.
- 7. Nonforfeitable.** The assets in your SIMPLE IRA are not forfeitable.
- 8. Collectibles.** Generally, none of your SIMPLE IRA assets may be invested in collectibles, including any work of art, rug, or antique, metal or gem, stamp or coin, alcoholic beverage, or any other tangible personal property. If we allow, you may invest your SIMPLE IRA assets in the following coins and bullion: certain gold, silver, and platinum coins minted by the United States; a coin issued under the laws of any State; and any gold, silver, platinum and palladium bullion of a certain fineness, and only if such bullion is held by us.
- 9. Cash or In-Kind Rollovers.** You may be eligible to make a rollover contribution of your SIMPLE IRA distribution, in cash or in kind, to a SIMPLE IRA or certain employer-sponsored eligible retirement plans. Rollovers to and from SIMPLE IRAs and eligible retirement plans are described in greater detail elsewhere in this Disclosure Statement.
- 10. Required Minimum Distribution (RMD) Rules.** Your SIMPLE IRA is subject to the RMD rules summarized in this Agreement.
- 11. No Prohibited Transactions.** If you engage in a prohibited transaction, the SIMPLE IRA loses its tax exemption as of the first day of the year. You must include the fair market value of your SIMPLE IRA as of that first day in your gross income for the year during which the prohibited transaction occurred, and pay all applicable taxes and penalties.
- 12. No Pledging.** If you pledge all or a portion of your SIMPLE IRA as security for a loan, the portion pledged will be treated as a distribution to you, included in gross income, and may be subject to the 10 percent early-distribution penalty tax.
- 13. IRS Approval of Form.** This Agreement includes an IRS Form 5305 series agreement. This IRS document has been approved by the IRS. This approval is not a determination of its merits, and not an endorsement of the investments provided by us, or the operation of the SIMPLE IRA.
- 14. State Laws.** State laws may affect your SIMPLE IRA in certain situations, including payroll deductions, deferrals, beneficiary designations, agency relationships, consent, taxes, tax withholding, and reporting.

## SIMPLE IRA Eligibility and Contributions.

**Employer Contributions.** Your employer is responsible for establishing the SIMPLE eligibility requirements and determining if you are eligible to participate in its SIMPLE. You may elect salary (including catch-up) deferral contributions that together with your employer's matching and/or non-elective contributions, as dictated by the employer's SIMPLE plan, may be made to this SIMPLE IRA. Your SIMPLE IRA cannot accept traditional IRA or Roth IRA contributions. Your employer is responsible for verifying the SIMPLE eligibility requirements and determining the SIMPLE contribution amounts.

**Nonrefundable Tax Credit.** You may be eligible to take a tax credit for salary deferrals to your employer's SIMPLE. The credit is equal to a percentage of your qualified contributions up to \$2,000. The credit cannot exceed \$1,000 for any tax year, and is in addition to any deduction that may apply. To be eligible for the tax credit, you must be age 18 or older by the end of the applicable tax year, not a dependent of another taxpayer, not a full-time student, and satisfy certain restrictions on distributions.

**Moving Assets To and From SIMPLE IRAs.** There are a variety of transactions that allow you to move your SIMPLE IRA assets to and from SIMPLE IRAs and certain other eligible retirement plans in cash or in kind based on our policies. We have sole discretion on whether we will accept, and how we will process, movements of assets to and from SIMPLE IRAs. We or any other financial organizations involved in the transaction, may require additional documentation for such activities.

- 1. SIMPLE IRA-to-SIMPLE IRA Transfers.** You may transfer all or a portion of your SIMPLE IRA assets from one SIMPLE IRA to another SIMPLE IRA. A SIMPLE IRA transfer means that the SIMPLE IRA assets move from one SIMPLE IRA to another in a manner that prevents you from cashing or liquidating the SIMPLE IRA assets, or even depositing the assets anywhere except in the receiving SIMPLE IRA. Transfers are not taxable or reportable, and the IRS does not impose timing or frequency restrictions on transfers. You may be required to complete a transfer authorization form prior to transferring your SIMPLE IRA assets.
- 2. SIMPLE IRA-to-SIMPLE IRA Rollovers.** A SIMPLE IRA rollover is another way to move assets tax-free between SIMPLE IRAs. You may roll over all or a portion of your SIMPLE IRA assets by taking a distribution from a SIMPLE IRA and recontributing it as a rollover contribution into the same or another SIMPLE IRA. A rollover contribution is irrevocable. You must report your SIMPLE IRA rollover to the IRS on your federal income tax return. Your contribution may only be designated as a rollover if the SIMPLE IRA distribution is deposited within 60 calendar days following the date you receive the distributed assets. The 60-day period may be extended to 120 days for a first-time homebuyer distribution where there is a delay or cancellation in the purchase or construction of the home. You are limited to one rollover per 1-year (12-month) period. You may only roll over one IRA distribution per 1-year period aggregated between all of your IRAs. For this purpose IRA includes rollovers among traditional (including SEP), SIMPLE, and Roth IRAs. For example, if you have IRA 1, IRA 2, and IRA 3, and take a distribution from IRA 1 and roll it over into a new IRA 4, you will have to wait 1 year from the date of that distribution to take another distribution from any of your IRAs and subsequently roll it over into an IRA. The 1-year limitation does not apply to rollovers related to first-time homebuyer distributions, distributions converted to a Roth IRA, and rollovers to or from an employer-sponsored eligible retirement plan.
- 3. Two-Year Holding Period.** You, or your beneficiary upon your death, may not roll over or transfer assets from a SIMPLE IRA to a traditional IRA or other eligible retirement plan until two years have passed since the date on which you first participated in your employer's SIMPLE, which is the initial contribution date. This document refers to such time frame as the two-year holding period. If you participated in SIMPLEs of different employers, the initial contribution date and two-year period are determined separately for SIMPLE assets from each employer.
- 4. Transfers Due to Divorce.** Your former spouse, pursuant to a divorce decree or legal separation order, may transfer assets from your SIMPLE IRA to his/her SIMPLE or traditional IRA.
- 5. Rollovers and Transfers to Traditional IRAs.** You may not roll over or transfer assets from a SIMPLE IRA to a traditional IRA until the two-year holding period has expired. The one per 1-year limitation applies to rollovers to traditional IRAs after the two-year holding period has expired.
- 6. Eligible Retirement Plan.** Eligible retirement plans include qualified trusts under IRC Section 401(a), annuity plans under IRC Section 403(a), annuity contracts under IRC Section 403(b), and certain governmental IRC Section 457(b) plans. Common names for these plans include 401(k), profit sharing, pension, money purchase, federal thrift savings, and tax-sheltered annuity plans.
- 7. No Rollovers from Employer-Sponsored Eligible Retirement Plans.** You may not directly or indirectly roll over assets from an eligible retirement plan, sponsored by your employer, into your SIMPLE IRA.
- 8. Waiver of the 60-Day Period.** The Secretary of the Treasury may waive the 60-day period for completing rollovers in certain situations such as casualty, disaster, or other events beyond the reasonable control of the individual who is subject to the 60-day period.

- 9. SIMPLE IRA to Employer-Sponsored Eligible Retirement Plans.** If the two-year holding period has expired, you may directly or indirectly roll over a taxable distribution from your SIMPLE IRA to an employer-sponsored eligible retirement plan, which accepts rollover contributions. You can generally roll over, to employer-sponsored eligible retirement plans, only the aggregate taxable balance in all of your traditional IRAs and SIMPLE IRAs. The one per 1-year limitation does not apply to these rollovers.

- 10. Qualified Reservist Contributions.** If you are a qualified reservist ordered or called to active duty after September 11, 2001 for more than 179 days (or an indefinite period), and take a SIMPLE IRA distribution after September 11, 2001, and before the end of your active duty, you may make one or more contributions of these assets to an IRA within two years of the end of your active duty.

#### **Movement of Assets Between SIMPLE and Roth IRAs.**

- 1. SIMPLE IRA to Roth IRA Conversions.** You may convert all or a portion of your SIMPLE IRA assets to a Roth IRA. Your conversion assets are subject to federal income tax. Your conversion must be reported to the IRS. You may not convert SIMPLE IRA assets to a Roth IRA until the two-year holding period has expired. The 10 percent early-distribution penalty tax does not apply to conversions. If you elect to convert your assets using a rollover transaction, the 60-day rule applies. The one per 1-year limitation does not apply to conversions.
- 2. SIMPLE IRA and Roth IRA Recharacterizations.** You may cancel a conversion through a recharacterization of all or a portion of the amount converted from the SIMPLE IRA to the Roth IRA. A recharacterization election is irrevocable. You must complete a recharacterization no later than your federal income tax filing due date, including extensions, for the year you make the conversion contribution. If you timely file your federal income tax return, you may still recharacterize as late as October 15 for calendar year filers. Recharacterizations must occur by transfer, which means that the assets, adjusted for gains and losses on the recharacterized amount, must be transferred into another SIMPLE IRA. The recharacterized contribution is treated as though you deposited it into the SIMPLE IRA on the same day you actually deposited it in the Roth IRA. Recharacterization transactions are reported to the IRS. The election to recharacterize may be completed on your behalf after your death. A written notice of recharacterization is required for recharacterization transactions.
- 3. SIMPLE IRA to Roth IRA Reconversions.** A reconversion occurs when all or a portion of SIMPLE IRA assets previously converted to a Roth IRA are recharacterized back to a SIMPLE IRA and then converted again. After recharacterizing a conversion, you cannot reconvert until the later of (1) the beginning of the year following the year the amount was converted, or (2) the end of the 30-day period following the day of the recharacterization. In other words, you cannot reconvert in the same year as the first conversion. Reconversion transactions are reported to the IRS.

**SIMPLE IRA Distributions.** You, or after your death your beneficiary, may take a SIMPLE IRA distribution, in cash or in kind based on our policies, at any time. However, depending on the timing and amount of your distribution you may be subject to income taxes and/or penalty taxes.

- 1. SIMPLE IRA Excess Contributions.** Excess contributions to your SIMPLE IRA may be the result of your elective (including catch-up) deferrals exceeding the calendar year dollar amount limits, your employer making matching or nonelective contributions which exceed the limits for these contributions, or your employer making contributions to your SIMPLE IRA after the date your employer determines it was not eligible to maintain the SIMPLE plan. In order for you to avoid a 6 percent excess contribution penalty, excess contributions must generally be removed with earnings by your tax-filing due date, including extensions. If you timely file your federal income tax return, you may still be able to remove your excess contribution, plus attributable earnings, as late as October 15 for calendar year filers. Excess contributions are generally included in your income. Your SIMPLE IRA excesses cannot be recharacterized and cannot be used as a traditional IRA contribution. Your employer should inform you when an excess contribution has occurred along with the steps needed to correct it.

2. **Distribution of Nondeductible and Nontaxable Contributions.** If any of your traditional IRAs contain nondeductible contributions, rollovers of nontaxable distributions from employer sponsored eligible retirement plans, or other nontaxable basis amounts, any distributions you take from any of your traditional IRAs or SIMPLE IRAs, that are not rolled over, will return to you a proportionate share of the taxable and nontaxable balances in all of your traditional IRAs and SIMPLE IRAs at the end of the tax year of your distributions. IRS Form 8606, Nondeductible IRAs, has been specifically designed to calculate this proportionate return. You must complete IRS Form 8606 each year you take distributions under these circumstances and attach it to your tax return for that year to validate the taxable portion of your SIMPLE IRA distributions reported for that year.

**Required Minimum Distributions (RMDs) For You.**

1. **After Age 70 1/2.** Your first RMD must be taken by April 1 following the year you attain age 70 1/2, which is your required beginning date (RBD). Second year and subsequent distributions must be taken by December 31 of each such year. An RMD is taxable in the calendar year you receive it.
2. **Distribution Calculations.** Your RMD will generally be calculated by dividing your previous year-end adjusted balance in your SIMPLE IRA by a factor from the uniform lifetime table provided by the IRS. This table is indexed to your age attained during a distribution year. This table is used whether you have named a beneficiary and regardless of the age or type of beneficiary you may have named. However, if for any distribution year, you have as your only named beneficiary for the entire year, your spouse, who is more than ten years younger than you, the uniform lifetime table will not be used. To calculate your RMD for that year you will use the ages of you and your spouse at the end of that year to determine a joint life expectancy factor from the IRS's joint and last survivor table. This will be the case even if your spouse dies, or you become divorced and do not change your beneficiary, during that year. The fair market value of a qualifying longevity annuity contract (QLAC) is not included in the adjusted balance for RMD calculations.
3. **Failure to Withdraw an RMD.** If you do not withdraw your RMD by its required distribution date, you will owe a 50 percent excess accumulation penalty tax on the amount not withdrawn. You can always take more than your RMD in any year but no additional amounts can be credited to a subsequent year's RMD.
4. **Multiple IRAs.** If you have more than one traditional IRA or SIMPLE IRA you must calculate a separate RMD for each one. You may, however, take the aggregate total of your RMDs from any one or more of your personal traditional IRAs or SIMPLE IRAs.
5. **No Rollovers of RMDs.** An RMD must be satisfied before you can roll over any portion of your SIMPLE IRA account balance. The first distributions made during a year will be considered RMDs and can be satisfied by earlier distributions from your other traditional IRAs or SIMPLE IRAs that are aggregated. Any RMD that is rolled over will be subject to taxation and considered an excess contribution until corrected.
6. **Transfers of RMDs.** Transfers are not considered distributions. You can transfer any portion of your traditional IRA or SIMPLE IRA at any time during the year provided you satisfy your aggregate RMDs before the end of the distribution year.
7. **Qualifying Longevity Annuity Contract (QLAC).** The fair market value of any QLAC you hold in this IRA is not included in determining your adjusted account balance when calculating your RMD. If however, you make an excess premium payment (premium payment that causes you to exceed the \$125,000 (as adjusted) or 25% of balance limitations) and the excess premium is returned to the non-QLAC portion of your IRA after the valuation date to determine the next year's RMD, such amount is added to the adjusted account balance used for the year of the return to calculate your RMD.

**RMDs For Your Beneficiaries.** Your beneficiaries will generally have until December 31 of the year following your death year to begin taking RMDs. Exceptions exist for your surviving spouse and for any beneficiary who must distribute or chooses to distribute his/her share of your SIMPLE IRA within a five-year period. If your death occurs on or

after your RBD, your beneficiaries must withdraw any of your RMD that you had not received during the year of your death.

1. **Distribution Calculations In General.** Most beneficiaries will use a single life expectancy method to satisfy these RMDs unless they elect the five-year rule. The five-year rule requires your beneficiary to completely withdraw your SIMPLE IRA assets by the end of the fifth year following your death year. The single life expectancy factor, using the IRS's single life table, will be determined by using the age on December 31 in the year following death of the oldest designated beneficiary, unless multiple beneficiaries exist and separate accounting applies. This initially determined factor is reduced by one for each subsequent year's calculation.

This general rule for determining life expectancy applies, if your SIMPLE IRA has at least one designated beneficiary, whether your death occurs before or on or after your RBD. However, if you die on or after your RBD, your remaining life expectancy, determined in your death year and reduced by one in each subsequent year, may be used to determine the distribution each year. This is true if your remaining life expectancy is longer than the beneficiary's life expectancy that same year, determined in the year after your death and reduced by one in each subsequent year, or if your SIMPLE IRA is treated as having no designated beneficiary.

2. **Designated Beneficiary.** A designated beneficiary is any named beneficiary who has an interest in your SIMPLE IRA on the determination date, which is September 30 of the year following your death year. Named beneficiaries who completely distribute their interests in your SIMPLE IRA, or completely disclaim their interests in your SIMPLE IRA under IRC Section 2518, will not be considered when designated beneficiaries are determined. Named beneficiaries who die after your death but before the determination date will still be considered for the sake of determining the distribution period. If any named beneficiary that is not an individual, such as an estate or charity, has an interest in your SIMPLE IRA on the determination date, and separate accounting does not apply, your SIMPLE IRA will be treated as having no designated beneficiary.

If you name a qualified trust, which is defined in Treasury Regulation 1.401(a)(9)-4, Q&A 5, as your SIMPLE IRA beneficiary, the beneficiaries of the qualified trust are treated as the beneficiaries of your SIMPLE IRA for purposes of determining designated beneficiaries and the appropriate life expectancy period after your death. A qualified trust provides documentation of its beneficiaries to the custodian.

3. **Death Before Your Required Beginning Date (RBD) With No Designated Beneficiary.** If you die before your RBD and your SIMPLE IRA is treated as having no designated beneficiary, your named beneficiaries will be required to completely withdraw your SIMPLE IRA assets by the end of the fifth year following your death year.
4. **Death On or After Your RBD With No Designated Beneficiary.** If you die on or after your RBD and your SIMPLE IRA is treated as having no designated beneficiary, RMDs will continue to your named beneficiaries over your remaining single expectancy as determined in your death year. Once determined, this life expectancy factor will be reduced by one for each subsequent year of the distribution period.
5. **Spouse Beneficiary.** If your spouse is your only designated beneficiary on the determination date, or if there are multiple designated beneficiaries and separate accounting applies, he/she will use his/her age each year to determine the life expectancy factor for calculating that year's RMD. If your spouse is the only designated beneficiary, or if there are multiple designated beneficiaries and separate accounting applies, and you die before your RBD, your surviving spouse can postpone commencement of his/her RMDs until the end of the year in which you would have attained age 70 1/2. If you die on or after your RBD, your surviving spouse will use the longer of his/her single life expectancy, determined each year after the death year using his/her attained age, or your remaining single life expectancy determined in your death year and reduced by one each subsequent year.

If your spouse is the only designated beneficiary, or if there are multiple designated beneficiaries and separate accounting applies, he/she can treat your SIMPLE IRA as his/her own SIMPLE IRA after your death. This generally happens after any of your remaining RMD amount for the year of your death has been distributed.

Your spouse beneficiary could take a distribution of his/her share of your SIMPLE IRA and roll it over to a SIMPLE IRA of his/her own.

6. **Beneficiaries Naming Successor Beneficiaries.** Our policy may allow your beneficiaries to name their own successor beneficiaries to your SIMPLE IRA. A successor beneficiary would receive any of your SIMPLE IRA assets that remain after your death and the subsequent death of your beneficiaries. This distribution would be in accordance with Article IV.3 of the Agreement, and generally would not allow a successor beneficiary to calculate RMDs based on his/her own life expectancy.
7. **Separate Accounting.** Our policies may permit separate accounting to be applied to your SIMPLE IRA for the benefit of your beneficiaries. If permitted, separate accounting must be applied in accordance with Treasury Regulation 1.401(a)(9)-8, Q&A 2 and 3. A beneficiary is considered the only designated beneficiary of his/her share of the SIMPLE IRA assets if separate accounting applies.
8. **Qualifying Longevity Annuity Contract (QLAC).** The terms of a QLAC you hold in this IRA may or may not provide a death benefit. If your QLAC has a return of premium feature as a death benefit, the premium returned to your beneficiary(ies) is the RMD amount if your death occurs after the RBD. The return of premium amount is the difference between the premiums paid for the QLAC and the amounts paid to the IRA owner or spouse beneficiary (annuitant) if less. The return of premium amount must be distributed to the beneficiary by the end of the calendar year following the year of death. If your death occurs before the RBD, a return of premium death benefit will be added to your IRA and must be taken in accordance with the beneficiary rules described earlier. If the death benefit under the terms of the QLAC is a life annuity, your beneficiary will receive annuity payments for life.

#### **Federal Income Tax Status of Distributions.**

1. **Taxation.** SIMPLE IRA distributions which are not rolled over, will be taxed as income in the year distributed except for the portion of your aggregate SIMPLE IRA and traditional IRA distributions that represents your nondeductible contributions, nontaxable rollover amounts, or other nontaxable basis amounts. You may also be subject to state or local taxes and withholding on your SIMPLE IRA distributions.
2. **Earnings.** Earnings, including gains and losses, on your SIMPLE IRA will not be subject to federal income taxes until they are considered distributed.
3. **Ordinary Income Taxation.** Your taxable SIMPLE IRA distribution is usually included in gross income in the distribution year. SIMPLE IRA distributions are not eligible for special tax treatments, such as ten-year averaging, that may apply to other employer-sponsored retirement plan distributions.
4. **Estate and Gift Tax.** The designation of a beneficiary to receive SIMPLE IRA distributions upon your death, will not be considered a transfer of property for federal gift tax purposes. Upon your death, the value of all assets remaining in your SIMPLE IRA will be included in your gross estate for estate tax purposes, regardless of the named beneficiary or manner of distribution. There is no specific estate tax exclusion for assets held within a SIMPLE IRA. After your death, beneficiaries should pay careful attention to the rules for the disclaiming any portion of your SIMPLE IRA under IRC Section 2518.
5. **Federal Income Tax Withholding.** SIMPLE IRA distributions are subject to federal income tax withholding unless you or, upon your death, your beneficiary affirmatively elect not to have withholding apply. The required federal income tax withholding rate is 10 percent of the distribution. Upon your request for a distribution we will notify you, by providing IRS Form W-4P or an appropriate substitute, of your right to waive withholding or elect to have greater than 10 percent withheld.

**Annual Statements.** Each year we will furnish you and the IRS with statements reflecting the activity in your SIMPLE IRA. You and the IRS will receive IRS Forms 5498 and 1099-R. IRS Form 5498 or an appropriate substitute indicates the fair market value of the account, including SIMPLE IRA contributions, for the year. IRS Form 1099-R reflects your SIMPLE IRA distributions for the year.

By January 31 of each year, you will receive a report of your fair market value as of the previous calendar year end. If applicable, you will also receive a report concerning your annual RMD.

**Federal Tax Penalties and IRS Form 5329.** Several tax penalties may apply to your various SIMPLE IRA transactions, and are in addition to any federal, state or local taxes. Federal penalties and excise taxes are generally reported and remitted to the IRS by completing IRS Form 5329, and attaching the form to your federal income tax return. The penalties may include any of the following taxes:

1. **Early-Distribution Penalty Tax.** If you take a distribution from your SIMPLE IRA before reaching age 59 1/2, you are subject to a 10 percent early-distribution penalty tax on the taxable portion of the distribution. However, certain exceptions apply. Exceptions to the 10 percent penalty tax are distributions due to death, disability, first-time home purchase, eligible higher education expenses, medical expenses exceeding a certain percentage of adjusted gross income, health insurance premiums due to your extended unemployment, a series of substantially equal periodic payments, IRS levy, Roth IRA conversions, and qualified reservist distributions. Properly completed rollovers and transfers are not subject to the 10 percent penalty tax. The 10 percent penalty tax is increased to 25 percent until two-year holding period has expired.
2. **Excess Contribution Penalty Tax.** Excess contributions to your SIMPLE IRA may be the result of your elective (including catch-up) deferrals exceeding the calendar year dollar amount limits, your employer making matching or nonelective contributions which exceed the limits for these contributions, or your employer making contributions to your SIMPLE IRA after the date your employer determines it was not eligible to maintain the SIMPLE plan. The excise tax applies each year that the excess contribution remains in your SIMPLE IRA.

In order for you to avoid a 6 percent excess contribution penalty, excess contributions must generally be removed with earnings by your tax-filing due date, including extensions. If you timely file your federal income tax return, you may still be able to remove your excess contribution, plus attributable earnings, as late as October 15 for calendar year filers. Excess contributions are generally included in your income. Your SIMPLE IRA excesses cannot be recharacterized and cannot be used as a traditional IRA contribution.

Your employer should inform you when an excess contribution has occurred along with the steps needed to correct it.

3. **Excess Accumulation Penalty Tax.** Any portion of an RMD that is not distributed by its deadline is subject to a 50 percent excess accumulation penalty tax. The IRS may waive this penalty upon your proof of reasonable error and that reasonable steps were taken to correct the error, including remedying the shortfall. See IRS Form 5329 instructions when requesting a waiver.

**Disaster Tax Relief.** Subject to IRC Section 1400Q, individuals in certain federally-declared disaster areas may be given the opportunity to take qualified distributions (subject to applicable time periods defined by law) in aggregation from IRAs and other eligible retirement plans up to the prescribed limit (e.g. \$100,000 for Midwestern Disaster). Typically, these rules permit an individual to prorate any amounts required to be included in gross income over a three tax year period or include it all in the year of distribution. In addition, an individual may be allowed three years after the date of receipt to roll over or repay all or part of the qualified distribution without being subject to the one rollover per 1-year limitation or the 60-day requirement. Certain first-time homebuyer or hardship distributions may be eligible for rollover within a prescribed time period. Also, for additional disaster area information and IRS guidance on associated tax relief, refer to IRS notices and publications, or visit the IRS's web site at [www.irs.gov](http://www.irs.gov).

## FINANCIAL DISCLOSURE

IRS regulations require us to provide you with a financial projection of the growth of your SIMPLE IRA account based upon certain assumptions where possible. Because your account is a self-directed SIMPLE IRA giving you access to a wide range of equity investments including stocks, ETFs and mutual funds, such a projection is not possible.

Growth in the value of your SIMPLE IRA is neither guaranteed nor projected. The value of your SIMPLE IRA will be computed by totaling the fair market value of the assets credited to your account. At least once a year we will send you a written report stating the current value of your SIMPLE IRA assets. We will disclose separately a description of:

- (a) The type and amount of each charge to your account;
- (b) the method of computing and allocating earnings from investments in your account; and

- (c) any portion of your contributions, if any, which may be used for the purchase of life insurance.

### Custodian Fees:

The custodian may charge reasonable fees or compensation for its services and may deduct all reasonable expenses incurred in the administration of your SIMPLE IRA, including any legal, accounting, distribution, transfer, termination or other designated fees. Such fees may be charged to you or directly to your SIMPLE IRA account. In addition, depending on your choice of investment vehicles, you may incur brokerage commissions or other costs attributable to the purchase or sale of assets.