

PART 1. DESIGNATED BENEFICIARY

The individual for whom this account is being established

Name First _____
Name Middle _____
Name Last _____
Address Line 1 _____
Address Line 2 _____
City/State/ZIP _____
Social Security Number _____
Date of Birth _____

PART 3. DEPOSITOR

The individual establishing this account

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

PART 5. SUCCESSOR RESPONSIBLE INDIVIDUAL

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

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

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

PART 2. COVERDELL ESA CUSTODIAN

To be completed by the Coverdell ESA custodian

Name _____ Argent Institutional Trust Company
Address Line 1 _____ Operations Center
Address Line 2 _____ 5901 Peachtree Dunwoody Road, Suite C-495
City/State/ZIP _____ Atlanta, GA 30328
Phone _____ 800-241-5568

☐ This is an amendment to an existing Coverdell ESA.

PART 4. RESPONSIBLE INDIVIDUAL

The individual responsible for managing this account

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

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

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

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

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

PART 6. CONTRIBUTION INFORMATION

Contribution Amount _____ Contribution Date _____

CONTRIBUTION TYPE (Select one)

☐ **1. Regular**

Contribution for Tax Year _____

☐ **2. Rollover** (Distribution from a Coverdell ESA that is being deposited into this Coverdell ESA)

By selecting this transaction, I irrevocably designate this contribution as a rollover.

☐ **3. Transfer** (Direct movement of assets from a Coverdell ESA into this Coverdell ESA)

Name of Coverdell ESA Designated Beneficiary _____, Account Number _____

PART 7. DEPOSIT INFORMATION

DEPOSIT METHOD

☐ **Check, ACH or Wire** (If the contribution type is transfer, the check must be from a financial organization made payable to the custodian for this Coverdell ESA.)

☐ **Internal Account**

Account Number _____

☐ **External Account** (e.g., EFT, ACH, wire) (Additional documentation may be required and fees may apply.)

Name of Organization Sending the Assets _____ Routing Number (Optional) _____

Account Number _____ Type (e.g., checking, savings, Coverdell ESA) _____

PART 8. DEATH BENEFICIARY DESIGNATION

Upon the designated beneficiary's death, the assets in this account will be paid to the death beneficiaries named below. The interest of any death beneficiary that predeceases the designated beneficiary terminates completely. If all primary death beneficiaries predecease the designated beneficiary, the balance in the account will be payable to the contingent death beneficiaries. If no death beneficiaries are named, the designated beneficiary's estate will be the death beneficiary. All required information must be populated to be considered a valid beneficiary designation.

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

PRIMARY DEATH BENEFICIARY

Name _____

Address _____

City/State/ZIP _____

Date of Birth _____

Relationship to Designated Beneficiary _____

Tax ID (SSN/TIN) _____ Percent Designated _____

(The total percentage designated must equal 100%. If more than one death beneficiary is designated and no percentages are indicated, the death beneficiaries will be deemed to own equal share percentages in the Coverdell ESA.)

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

CONTINGENT DEATH BENEFICIARY

Name _____

Address _____

City/State/ZIP _____

Date of Birth _____

Relationship to Designated Beneficiary _____

Tax ID (SSN/TIN) _____ Percent Designated _____

(The total percentage designated must equal 100%. If more than one death beneficiary is designated and no percentages are indicated, the death beneficiaries will be deemed to own equal share percentages in the Coverdell ESA.)

PART 9. SIGNATURES

Important: Please read before signing.

The depositor and responsible individual have received a copy of the Coverdell ESA Application, the 5305-EA Coverdell ESA Custodial Account Agreement, and the Disclosure Statement. The depositor and responsible individual understand that the terms and conditions that apply to this Coverdell ESA are contained in this Application and the Coverdell ESA Custodial Account Agreement, and agree to be bound by those terms and conditions.

The depositor assumes responsibility for determining that he or she is eligible to make this contribution and that the contribution is within the limits set forth by the tax laws.

The responsible individual assumes responsibility for

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

X

Signature of Coverdell ESA Depositor

Date (mm/dd/yyyy)

X

Signature of Coverdell ESA Responsible Individual

Date (mm/dd/yyyy)

X

Signature of Custodian

Date (mm/dd/yyyy)

Custodian Account Number _____

COVERDELL ESA CUSTODIAL ACCOUNT AGREEMENT

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

FORM (Rev. October 2016)

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

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

The depositor and the custodian make the following agreement:

ARTICLE I

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

ARTICLE II

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

ARTICLE III

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

ARTICLE IV

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

ARTICLE V

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

ARTICLE VI

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

ARTICLE VII

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

ARTICLE VIII

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

ARTICLE IX

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

ARTICLE X

- 10.01 **Notices and Change of Address** – Any required notice regarding this Coverdell ESA will be considered effective when the custodian sends it to the intended recipient at the last address that the custodian has in its records. Any notice to be given to the custodian will be considered effective when the custodian actually receives it. The responsible individual must notify the custodian of any change of address.
- 10.02 **Representations and Responsibilities** – The depositor and the responsible individual represent and warrant to the custodian that any information the depositor and responsible individual have given or will give the custodian with respect to this agreement is complete and accurate. Further, the depositor and the responsible individual agree that any directions they give the custodian, or action they take will be proper under this agreement, and that the custodian is entitled to rely upon any such information or directions. If the custodian fails to receive directions regarding any transaction, receives ambiguous directions regarding any transaction, or if the custodian, in good faith, believes that any transaction requested is in dispute, the custodian reserves the right to take no action until further

clarification acceptable to the custodian is received from the responsible individual or the appropriate government or judicial authority. The custodian will not be liable for acting upon any instructions given by the responsible individual named on the application prior to the time the custodian receives appropriate written notice that the designated beneficiary has met the requirements for assuming control of the Coverdell ESA, or that a new responsible individual has been appointed. The custodian will not be responsible for losses of any kind that may result from the depositor's and responsible individual's directions to it or the depositor's and responsible individual's actions, or failures to act. The depositor and responsible individual agree to reimburse the custodian for any loss the custodian may incur as a result of such directions, actions or failures to act. The custodian will not be responsible for any penalties, taxes, judgments, or expenses incurred in connection with this Coverdell ESA. The custodian has no duty to determine whether the contributions or distributions comply with the Code, regulations, rulings, or this agreement.

The responsible individual will have 60 days after receiving any documents, statements, or other information from the custodian to notify the custodian in writing of any errors or inaccuracies reflected in these documents, statements, or other information. If the custodian is not notified within 60 days, the documents, statements, or other information will be deemed correct and accurate, and the custodian will have no further liability or obligation for such documents, statements, other information, or the transactions described therein.

By performing services under this agreement the custodian is acting as the responsible individual's agent. The depositor, responsible individual, and designated beneficiary acknowledge and agree that nothing in this agreement will be construed as conferring fiduciary status upon the custodian. The custodian will not be required to perform any additional services unless specifically agreed to under the terms and conditions of this agreement, or as required under the Code and the regulations promulgated thereunder with respect to Coverdell ESAs. The designated beneficiary, depositor, and responsible individual agree to indemnify and hold the custodian harmless for any and all claims, actions, proceedings, damages, judgments, liabilities, costs, and expenses, including attorney's fees arising from or in connection with this agreement.

Notwithstanding anything in this agreement to the contrary, the custodian may establish a policy permitting someone other than the designated beneficiary's parent or legal guardian to serve as responsible individual, provided the individual is not prohibited by law from serving in that capacity and fulfilling his or her obligations under this agreement.

To the extent written instructions or notices are required under this agreement, the custodian may accept or provide such information in any other form permitted by the Code or applicable regulations including, but not limited to, electronic communication.

10.03 Disclosure of Account Information – The custodian may use agents and/or subcontractors to assist in administering this Coverdell ESA. The custodian may release nonpublic personal information regarding this Coverdell ESA to such providers as necessary to provide the products and services made available under this agreement, and to evaluate its business operations and analyze potential product, service, or process improvements.

10.04 Service Fees – The custodian has the right to charge an annual service fee or other designated fees (e.g., a transfer, rollover, or termination fee) for maintaining this Coverdell ESA. In addition, the custodian has the right to be reimbursed for all reasonable

expenses, including legal expenses, incurred in connection with the administration of this Coverdell ESA. The custodian may charge the depositor or responsible individual separately for any fees or expenses, or may deduct the amount of the fees or expenses from the assets in this Coverdell ESA at the custodian's discretion. The custodian reserves the right to charge any additional fee after giving the responsible individual 30 days' notice. Fees such as subtransfer agent fees or commissions may be paid to the custodian by third parties for assistance in performing certain transactions with respect to this Coverdell ESA.

Any brokerage commissions attributable to the assets in the Coverdell ESA will be charged to the Coverdell ESA. The responsible individual, depositor or designated beneficiary cannot reimburse the Coverdell ESA for those commissions.

10.05 Investment of Amounts in the Coverdell ESA –

a. **Direction of Investment** – The Responsible Individual will have exclusive responsibility for and control over the investment of the assets of this Coverdell ESA. All transactions shall be subject to any and all restrictions or limitations, direct or indirect, which are imposed by the Custodian's charter, articles of incorporation, or bylaws; any and all applicable federal and state laws and regulations; the rules, regulations, customs and usages of any exchange, market or clearing house where the transaction is executed; the Custodian's policies and practices; and this Agreement. After the designated beneficiary's death, the designated death beneficiary(ies) shall have the right to direct the investment of the Coverdell ESA assets, subject to the same conditions that applied to the Responsible Individual during the designated beneficiary's lifetime under this Agreement (including, without limitation, Section 10.02 of this article). The Custodian shall have no discretion to direct any investment in the Coverdell ESA. The Custodian assumes no responsibility for rendering investment advice with respect to the Coverdell ESA, nor will the Custodian offer any opinion or judgment to you on matters concerning the value or suitability of any investment or proposed investment for the Coverdell ESA.

The amount of each contribution to the Coverdell ESA shall be applied to the purchase of investments as directed by the Responsible Individual. However, Custodian may decline to participate or continue to hold any investment if it is not a qualified investment or is not consistent with our current policies and procedures. Custodian has no duty to investigate or determine whether the contribution or investment is appropriate, qualified or permissible. For purposes of the Agreement, a "qualified investment" shall mean any investment acceptable to Custodian other than an investment which if purchased, sold, or held for use in the Coverdell ESA created herein, would cause or contribute to the failure of said Coverdell ESA and this Custodial Agreement to qualify under Section 530 of the Code or to otherwise comply with other applicable laws and regulations, or would otherwise cause the requirement of tax returns to be filed or cause adverse tax consequences to Depositor, Custodian, or the Custodial Account (ESA) created herein.

Depositor and Custodian acknowledge and agree that, notwithstanding anything contained in this Agreement to the contrary (except Article VIII which shall be controlling); the Responsible Individual, and not Custodian is responsible for investigating and monitoring the performance of the investments in the Coverdell ESA without limitation, directed investments, investment distributions and yields from such investments; the Responsible Individual shall be responsible for timely filing of any tax returns due, (e.g. unrelated business taxable income returns, etc.) on behalf of this Coverdell ESA; and the Responsible

Individual directs that any tax, penalty, interest or other charges, expense or liability owed by the Coverdell ESA shall be deducted from the Coverdell ESA or from the proceeds of any distribution therefrom, and any penalty, charge, expense or other liability owed by Custodian arising from such Coverdell ESA investment or distribution shall be deducted from the proceeds of any distribution or transfer from the Coverdell ESA. Custodian shall hold such investments as part of the Coverdell ESA and shall receive, if any, the interest, dividends other distributions and/or other proceeds ("proceeds") from the investments so long as such proceeds constitute qualified investments, and hold the same as part of the Coverdell ESA. Coverdell ESA assets including such qualifying proceeds shall be invested by Custodian as directed from time to time by the Responsible Individual. Absent pending such direction, such Coverdell ESA assets may be held uninvested or Custodian shall be entitled on a daily basis to sweep all Coverdell ESA account cash balances. Such balances shall be invested in short-term trust quality investments including, but not limited to, insured savings accounts, savings certificates, federal funds, any common trust fund managed by Custodian for investment of similar Coverdell ESA assets, insured money market accounts, government securities and/or agencies, and mutual funds comprised of such investments. For providing certain administrative or shareholder services to the funds used as the cash sweep vehicle, the Custodian will receive an administrative fee directly from the fund. The Custodian shall have all powers and authority necessary to the holding, administering, voting (in person or by proxy), and/or negotiating of such government securities, insured bonds, savings deposits, savings certificates, federal funds, and other qualified investments as Custodian thereof, so as to enforce every right and benefit thereunder on behalf of the Coverdell ESA, including, but not limited to, the following:

To retain the Coverdell ESA property uninvested for such period of times as in the opinion of Custodian, is reasonable and appropriate in order to comply with directions of the Responsible Individual and to assure availability of funds, and such time will be no greater than specified by law for deposits made by check;

To invest contributions through broker-dealers or brokerage firms or other qualified agents as designated by the Responsible Individual in the Application or otherwise in writing to Custodian, and to act or not act in accordance with directions from any agent(s) so designated by the Responsible Individual;

To do all such acts, take all such proceedings, and exercise all such rights and privileges whether herein before specifically referred to or not, with relation to any property, as could be done, taken or exercised by the absolute owner thereof, pursuant to direction of the Responsible Individual or pursuant to any statute of Texas or the decision of its courts, by a custodian with respect to any Coverdell ESA assets;

In the event any statute of Texas shall confer any right, authority, discretion or power on a Custodian and such statute shall provide that it shall not take effect until a specified date or shall apply only to Coverdell ESA created after a specified date, the Coverdell ESA shall, irrespective of the date of the actual creation of the Coverdell ESA, be deemed for the purpose of conferring any such right, authority, discretion or power on the Custodian, to have been created after such specified date; and

In making all investments, Custodian shall not be limited to investments now or hereinafter designated by statute or decision of a court as "legal investments" for funds held by fiduciaries.

Depositor and the Responsible Individual acknowledge and agrees that Custodian shall not exercise any discretionary power with respect to the Coverdell ESA or vote on any action, decision, question or any other matter whatsoever regarding the investment(s) or other assets held in relation to the Coverdell ESA and its assets, except as specifically directed by the Responsible Individual and conditioned upon the Responsible Individual's providing Custodian the required ballot(s), direction letter and proxies necessary to cast such vote. A service charge will be imposed for each such service as set forth in the Schedule of Fees. Notwithstanding the foregoing, the Responsible Individual agrees that Custodian may, at its sole discretion, but shall not be required (unless required under applicable law), inform the Responsible Individual by forwarding materials or otherwise communicating with the Responsible Individual under the provisions of Article 10.02 as to any questions, decisions or other matters for which a vote may be necessary or helpful and Custodian shall thereafter have no responsibility whatsoever with respect thereto except as set forth above. A service charge will be imposed in accordance with the Schedule of Fees for each instance on which such materials are forwarded to the Responsible Individual. Depositor and the Responsible Individual acknowledge and agrees that unless required by applicable law, Custodian is not responsible for communicating, forwarding or notifying any party, including the Responsible Individual, with respect to any communication or matter which comes to the attention of or is received by Custodian with respect to Coverdell ESA investments, and the Responsible Individual is responsible for making separate arrangements for receiving such communications. Depositor and the Responsible Individual acknowledge and agrees that the Coverdell ESA may consist of securities (including the securities of Custodian), savings and other qualified investments as herein above described, and that the distributions set forth in Article III may consist of securities, other qualified investments in kind and/or cash. Furthermore, the Responsible Individual recognizes and agrees that unqualified distributions or certain investment directions may result in penalties, loss of equity or other consequences adverse to the Coverdell ESA assets, and Custodian is relieved from responsibility therefore. For example, Depositor may not pledge the Coverdell ESA assets as security for a loan. Custodian shall also be relieved of any duty to Depositor or the Responsible Individual or his or her agent or to review the Coverdell ESA or otherwise assent to review any direction of the Responsible Individual or his/her agent as to Coverdell ESA property. Custodian is relieved from making or filing any inventory, appraisal or accounting to any court or from posting bond or from filing any returns or reports with any court. Custodian may delay any action or adopt from time to time other procedures which Custodian will follow to assure the availability of funds prior to any investment of deposits made by check or to assure the legality and validity of or compliance with the terms of this Coverdell ESA as to any action directed by the Responsible Individual or otherwise contemplated by Custodian.

In the absence of instructions from the Responsible Individual, or if the Responsible Individual's instructions are not in a form acceptable to the Custodian, the Custodian shall have the right to hold any uninvested amounts in cash, and the Custodian shall have no responsibility to invest uninvested cash unless and until directed by the Responsible Individual. The Custodian will not exercise the voting rights and other shareholder rights with respect to investments in the Coverdell ESA unless the Responsible Individual provides timely written directions acceptable to us.

All transactions shall be subject to any and all applicable Federal and State laws and regulations and the rules, regulations, customs and usage of any exchange, market or clearing house where the transaction is executed and to the Custodian's policies and practices.

The Depositor or the Responsible Individual will select the type of investment for the Coverdell ESA assets, provided, however, that the selection of investments shall be limited to those types of investments that the Custodian is authorized by the Custodian's charter, articles of incorporation, or bylaws to hold and do in fact permit to be held in a Coverdell ESA for which we act as custodian, including publicly traded securities, mutual funds, money market instruments and other investments that are obtainable by the Custodian and that the Custodian is capable of holding in the ordinary course of the Custodian's business.

- b. **Brokerage/Trade Execution Process** – the Custodian's trading personnel will attempt to obtain best execution for customers when a transaction request is received, whether from a discretionary or non-discretionary account. This simply means working in our customer's behalf to obtain the most favorable price terms for a transaction reasonably available under the circumstances. Unless specifically directed, the Custodian will use its discretion on how to best effect the transaction, including the utilization of electronic trading platforms and through reputable broker/dealer organizations known for their trading and research capabilities. Factors considered by the Custodian's trading personnel in the placement of the trade include, but are not limited to, the size of the order relative to the trading activity and liquidity in the security, the difference between the indicated bid/offer price and the depth of broker/dealer activity in the security.

Based on market surveys, the Custodian has determined that the transaction fee schedules associated with each type of account relationship maintained are considered to be fair, reasonable and in line with comparative organizations providing similar services. Clients may direct the Custodian to use particular broker/dealers to execute portfolio transactions. In these instances, the Custodian will not attempt to negotiate commissions with the designated broker/dealer and clients may pay higher commissions than they might have paid if they had not made such a designation.

Since commission rates are negotiated between the Custodian and the broker/dealer firms utilized, trade related charges to the account for fulfilling a transaction request may be greater than the direct costs incurred for executing the trade. In the investment business these differences are known as "soft dollars". If and when soft dollars are generated, the Custodian uses these funds for the purchase and research products and/or services which benefit you and other customers. Products and services included within these categories include trading systems, real time quote and pricing services, on line news and research services (including company/industry research, investment strategy, economic and technical analysis, mutual fund databases), investment related technology (software and hardware), performance measurement and financial publications.

Ongoing maintenance of your account at TMI Trust Company indicates your acceptance of the above. If the Responsible Individual should have need for more detailed information on this issue including commission schedules, products or services purchased, please call the administrator assigned to this account.

- c. **Valuation of Assets** – According to IRS Code Section 530, the Coverdell ESA custodian must provide the account holder with annual statements that show the account balance as of the close of the calendar year. In order to produce accurate annual reporting, all assets held within the Coverdell ESA need to be valued annually. If this value can not be obtained through the Custodian's standard pricing resources, it will be the responsibility of the depositor and/or the Responsible Individual to supply such values. The asset value will remain at the cost or book value of the investment until an updated price can be obtained. If an asset does not have a readily ascertainable market value and the Responsible Individual does not provide us with valuation information, values reported by us to the Internal Revenue Service may be inaccurate and result in adverse tax consequences to the account owner. The market value of the assets listed on the account statement cannot be relied upon as the current selling price of the asset or as an indication that the asset is readily marketable or that a market for the asset exists.

- 10.06 **Beneficiaries** – Unless indicated otherwise on the application, the responsible individual may not change the designated beneficiary. If the depositor has indicated on the application that the responsible individual may change the beneficiary designated under this agreement and the responsible individual chooses to do so, the responsible individual must designate a member of the family (as defined in IRC Section 529(e)(2)) of the existing designated beneficiary. This designation can only be made on a form prescribed by the custodian.

The depositor or responsible individual may designate one or more persons or entities as death beneficiaries of this Coverdell ESA. This designation can only be made on a form provided by or acceptable to the custodian, and it will only be effective when it is filed with the custodian during the lifetime of the designated beneficiary. Each beneficiary designation filed with the custodian will cancel all previous designations. The consent of a death beneficiary will not be required in order to revoke a death beneficiary designation. If both primary and contingent death beneficiaries have been named, and no primary death beneficiary survives the designated beneficiary, the contingent death beneficiaries will acquire the designated share of this Coverdell ESA. If a death beneficiary is not designated with respect to this Coverdell ESA, or if all of the primary and contingent death beneficiaries predecease the designated beneficiary, the designated beneficiary's estate will be the death beneficiary.

If the designated beneficiary dies before receiving all of the amounts in this Coverdell ESA, the custodian will have no obligation to pay to the death beneficiaries until such time the custodian is notified of the designated beneficiary's death by receiving a valid death certificate. Any balance remaining in the Coverdell ESA upon the death of the designated beneficiary will be distributed within 30 days of the designated beneficiary's death, unless a qualified family member under age 30 is named as a death beneficiary. If the death beneficiary is a qualified family member under age 30, that individual will become the designated beneficiary as of the original designated beneficiary's date of death. Qualified family members are defined in IRC Section 529(e)(2).

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

10.07 Termination of Agreement, Resignation, or Removal of Custodian – Either the custodian or the responsible individual may terminate this agreement at any time by giving written notice to the other. The custodian can resign as custodian at any time effective 30 days after sending written notice of its resignation to the responsible individual. Upon receipt of that notice, the responsible individual must make arrangements to transfer the Coverdell ESA to another financial organization. If the responsible individual does not complete a transfer of the Coverdell ESA within 30 days from the date the custodian sends the notice to the responsible individual, the custodian has the right to transfer the Coverdell ESA assets to a successor Coverdell ESA trustee or custodian that the custodian chooses in its sole discretion, or the custodian may pay the Coverdell ESA balance to the designated beneficiary in a single sum. The custodian will not be liable for any actions or failures to act on the part of any successor trustee or custodian, nor for any tax consequences the designated beneficiary may incur that result from the transfer or distribution of the Coverdell ESA assets pursuant to this section.

If this agreement is terminated, the custodian may charge the Coverdell ESA a reasonable amount of money that it believes is necessary to cover any associated costs, including but not limited to one or more of the following.

Any fees, expenses, or taxes chargeable against the Coverdell ESA
Any penalties or surrender charges associated with the early withdrawal of any savings instrument or other investment in the Coverdell ESA

If the custodian is a nonbank custodian required to comply with Regulations section 1.408-2(e) and fails to do so or the custodian is not keeping the records, making the returns or sending the statements as are required by forms or regulations, the IRS may require the custodian to substitute another trustee or custodian.

The custodian may establish a policy requiring distribution of the entire balance of this Coverdell ESA to the designated beneficiary in cash or property if the balance of this Coverdell ESA drops below the minimum balance required under the applicable investment or policy established.

10.08 Successor Custodian – If the custodian's organization changes its name, reorganizes, merges with another organization (or comes under the control of any federal or state agency), or if the entire organization (or any portion that includes this Coverdell ESA) is bought by another organization, that organization (or agency) will automatically become the trustee or custodian of this Coverdell ESA, but only if it is the type of organization authorized to serve as a Coverdell ESA trustee or custodian.

10.09 Amendments – The custodian has the right to amend this agreement at any time. Any amendment the custodian makes to comply with the Internal Revenue Code and related regulations does not require the consent of either the responsible individual or the depositor. The responsible individual will be deemed to have consented to any other amendment unless, within 30 days from the date the custodian sends the amendment, the responsible individual notifies the custodian in writing that the responsible individual does not consent.

10.10 Withdrawals or Transfers – All requests for withdrawal or transfer will be in writing on a form provided by or acceptable to the custodian. The method of distribution must be specified in writing or in any other method acceptable to the custodian. The tax identification number of the designated beneficiary or death beneficiary must be provided to the custodian before the custodian is obligated to make a distribution. Withdrawals will be subject to all applicable tax and other laws and regulations,

including but not limited to possible early distribution penalty taxes, surrender charges, and withholding requirements.

10.11 Transfers From Other Plans – The custodian can receive amounts transferred to the Coverdell ESA from the trustee or custodian of another Coverdell ESA.

10.12 Liquidation of Assets – The custodian has the right to liquidate assets in the Coverdell ESA if necessary to make distributions or to pay fees, expenses, taxes, penalties, or surrender charges properly chargeable against the Coverdell ESA. If the responsible individual fails to direct the custodian as to which assets to liquidate, the custodian will decide, in its complete and sole discretion, and the responsible individual agrees not to hold the custodian liable for any adverse consequences that result from the custodian's decision.

10.13 Restrictions on the Fund – Neither the responsible individual, the designated beneficiary (nor anyone acting on behalf of the designated beneficiary), the depositor nor any contributor may sell, transfer or pledge any interest in the Coverdell ESA in any manner whatsoever, except as provided by law or this agreement.

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

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

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

10.15 Dispute Resolution – Custodian will attempt to resolve all disputes arising out of this Agreement in a spirit of cooperation without formal proceedings. Any dispute which cannot be so resolved (other than the collection of money due on unpaid invoices and other than injunctive relief) will be settled by binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association as supplemented (unless the parties to the dispute otherwise agree) by the American Arbitration Association's Supplementary Procedures For Consumer-Related Disputes. Any such controversy or claim shall be arbitrated on an individual basis, and shall not be consolidated in any arbitration with any claim or controversy of any other party. Any dispute as to whether an issue is to be resolved by arbitration shall be submitted as part of the arbitration proceeding. The arbitration shall be conducted in Fort Worth, Texas, and judgment on the arbitration award may be entered in any court having jurisdiction. Any party to a dispute may seek any interim or preliminary relief from a court of competent jurisdiction in Fort Worth, Texas necessary to protect the rights or property of Custodian, Depositor or any beneficiary(ies) pending the completion of arbitration. Should any legal action permissible under this Agreement be instituted to enforce the terms and conditions of this Agreement, in particular the right to collect money due on unpaid invoices and legal action to enforce any arbitration award, the prevailing party will be entitled to recover reasonable attorney's fees and expenses incurred at both the trial and appellate levels.

GENERAL INSTRUCTIONS

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

WHAT'S NEW

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

PURPOSE OF FORM

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

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

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

DEFINITIONS

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

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

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

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

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

IDENTIFICATION NUMBERS

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

SPECIFIC INSTRUCTIONS

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

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

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

DISCLOSURE STATEMENT

REQUIREMENTS OF A COVERDELL ESA

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

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

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

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

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

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

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

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

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

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

F. **Collectibles** – The assets of the Coverdell ESA may not be invested in collectibles (within the meaning of Internal Revenue Code (IRC) Sec. 408(m)). A collectible is defined as any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or other tangible personal property specified by the Internal Revenue Service (IRS). However, specially minted United States gold and silver coins, and certain state-issued coins are permissible investments. Platinum coins and certain gold, silver, platinum or palladium bullion (as described in IRC Sec. 408(m)(3)) are also permitted as Coverdell ESA investments.

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

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

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

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

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

INCOME TAX CONSEQUENCES OF ESTABLISHING A COVERDELL ESA

A. **Contributions Not Deducted** – No deduction is allowed for Coverdell ESA contributions, including transfer and rollover contributions.

B. **Contribution Deadline** – The deadline for making a Coverdell ESA contribution is the depositor's tax return due date (not including extensions). The depositor may designate a contribution as a contribution for the preceding taxable year in a manner acceptable to the custodian. For example, if the depositor is a calendar-year filer and makes a Coverdell ESA contribution on or before the tax filing deadline, the contribution is considered to have been made for the previous tax year if the depositor designates it as such.

C. **Excess Contributions** – An excess contribution is any amount that is contributed to the Coverdell ESA that exceeds the eligible contribution limit. If the excess is not corrected timely, an additional penalty tax of six percent will be imposed on the excess amount. The procedure for correcting the excess is determined by the timeliness of the correction as identified below.

1. **Removal Before the Deadline.** The responsible individual should remove the excess contribution along with the earnings attributable to the excess, before June 1 of the year following the year for which the excess was made. An excess withdrawn by this deadline is not taxable upon distribution, but the designated beneficiary must include the earnings attributable to the excess in his or her taxable income for the year in which the excess contribution was made. The six percent excess contribution penalty tax will be avoided.

2. **Failure to Remove Before the Deadline.** Excess Coverdell ESA contributions that are not removed before June 1 of the year following the year for which the excess was made, are treated as contributions for the next calendar year. If, however, additional contributions are made for that year and the total amount results in an excess, the excess amount will be subject to a six percent penalty tax if not removed timely.

If additional contributions have been made for the next year, the amount of the excess equals the excess contribution for the current year, plus the excess contributions remaining from the preceding year, reduced by any distributions made during the current year.

The designated beneficiary must file IRS form 5329 to report and remit any additional penalty taxes to the IRS.

D. **Tax-Deferred Earnings** – The investment earnings of the Coverdell ESA are not subject to federal income tax as they accumulate in the Coverdell ESA. In addition, distributions of the Coverdell ESA earnings will be free from federal income tax if the distributions are taken to pay for qualified education expenses, as discussed below.

E. **Taxation of Distributions** – The taxation of distributions from the Coverdell ESA depends on whether or not the distributions are used for qualified education expenses.

1. **Qualified Education Expenses.** The designated beneficiary may take tax-free distributions from a Coverdell ESA to pay for elementary, secondary or post-secondary education expenses at an eligible educational institution. Such expenses include tuition, fees, books, supplies, special needs services, room and board, uniforms, transportation, academic tutoring and supplementary items or services (including extended day programs). Also qualifying are expenses for the purchase of computer technology or equipment, Internet access and related services, if such technology, equipment or services are to be used by the designated beneficiary or designated beneficiary's family during any of the years the designated beneficiary is in school. Qualified expenses may also include amounts contributed to a qualified tuition program.

2. **Nonqualifying Distributions.** If a designated beneficiary withdraws amounts from a Coverdell ESA that exceed the qualified education expenses for the same year, or the distributions are not used for qualified education expenses, a portion of the distributions will be taxable. The amount in excess of the qualified education expenses is taxable pro rata, based on the earnings and the basis in the account.

In most cases of a nonqualified distribution, the taxable portion of a Coverdell ESA distribution is also subject to an additional 10 percent penalty tax. There are several exceptions to the 10 percent penalty tax including distributions made payable

- a. to a designated death beneficiary of the Coverdell ESA or to the estate of the designated beneficiary following the death of the designated beneficiary;
- b. to the designated beneficiary if the designated beneficiary is disabled;
- c. to the designated beneficiary if the designated beneficiary received a qualified scholarship, an educational assistance allowance or an excludable payment exception, but only to the extent the distribution is not more than the amount of the scholarship, allowance or excludable payment, and
- d. to the designated beneficiary as a removal of excess along with the net income attributable.

3. **American Opportunity or Lifetime Learning Credits.** A designated beneficiary may claim the American Opportunity Credit (formerly the Hope Credit) or Lifetime Learning Credit on his or her federal income tax return in the same taxable year that a tax-free distribution from a Coverdell ESA is claimed, as long as the distribution(s) does not cover the same expenses claimed for the American Opportunity or Lifetime Learning Credit.

F. **Income Tax Withholding** – Any withdrawal from the Coverdell ESA is not subject to federal income tax withholding.

G. **Rollovers** – Coverdell ESA amounts may be rolled over to another Coverdell ESA of the same designated beneficiary or that of a qualified family member, provided that all of the applicable rollover rules are followed. Rollover is a term used to describe a tax-free movement of cash to a Coverdell ESA from another Coverdell ESA. The rollover rules are generally summarized below. These transactions are often complex. For questions regarding a rollover, please see a competent tax advisor.

1. **Coverdell ESA-to-Coverdell ESA Rollovers.** Assets distributed from a Coverdell ESA may be rolled over to another Coverdell ESA of the same designated beneficiary or that of a qualifying family member if the requirements of IRC Sec. 530(d)(5) are met. A proper Coverdell ESA-to-Coverdell ESA rollover is completed if all or part of the distribution is rolled over not later than 60 days after the distribution is received.

Effective for distributions occurring on or after January 1, 2015, the responsible individual is permitted to roll over only one distribution from a Coverdell ESA in a 12-month period, regardless of the number of Coverdell ESAs owned by the designated beneficiary. A distribution may be rolled over to the same Coverdell ESA or to another Coverdell ESA that is eligible to receive the rollover. For more information on rollover limitations, you may wish to obtain IRS Publication 970, *Tax Benefits for Education*, from the IRS or refer to the IRS website at www.irs.gov.

2. **Qualified Family Member.** A Coverdell ESA may be rolled to another Coverdell ESA of the same designated beneficiary or to a Coverdell ESA maintained for the benefit of a qualified family member of the designated beneficiary, who is under the age of 30. The age 30 limitation does not apply to qualified family members who are special needs beneficiaries. Qualified family members of the designated beneficiary include the designated beneficiary's child, grandchild, or stepchild, brother, sister, stepbrother, or stepsister, nephew or niece, parents, stepparents, or grandparents, uncle or aunt, spouses of all the family members listed above, cousin, and designated beneficiary's spouse.

3. **Rollover of Military Death Benefits.** If a designated beneficiary receives or has received a military death gratuity or a payment from the Servicemembers' Group Life Insurance (SGLI) program, the designated beneficiary may be able to roll over the proceeds to the Coverdell ESA. The rollover contribution amount is limited to the sum of the death benefits or SGLI payment received, less any such amount that was rolled over to a Roth IRA. Proceeds must be rolled over within one year of receipt of the gratuity or SGLI payment for deaths occurring on or after June 17, 2008. Any amount that is rolled over under this provision is considered nontaxable basis in the Coverdell ESA.

LIMITATIONS AND RESTRICTIONS

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

OTHER

- A. **IRS Plan Approval** – The agreement used to establish this Coverdell ESA has been approved by the IRS. The IRS approval is a determination only as to form. It is not an endorsement of the plan in operation or of the investments offered.
- B. **Additional Information** – Additional information on Coverdell ESAs may be obtained from the District Office of the IRS. In particular IRS Publication 970, *Tax Benefits for Education*, may be obtained by calling 1-800-TAX-FORM, or by visiting www.irs.gov on the Internet.
- C. **Important Information About Procedures for Opening a New Account** – To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial organizations to obtain, verify, and record information that identifies each person who opens an account. Therefore, when the depositor opens an account, he or she is required to provide his or her name, residential address, date of birth, and identification number. The custodian may require other information that will allow them to identify the depositor.