

Coverdell Education Savings Account Custodial Agreement and Disclosures

Effective January 1, 2020

Investment and Insurance Products are:

- **Not Insured by the FDIC or Any Federal Government Agency**
- **Not a Deposit or Other Obligation of, or Guaranteed by, the Bank or Any Bank Affiliate**
- **Subject to Investment Risks, Including Possible Loss of the Principal Amount Invested**

Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC (WFCS), Member SIPC, a registered broker-dealer and non-bank affiliate of Wells Fargo & Company. WellsTrade brokerage accounts are offered through WFCS.

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WFCS Coverdell Education Savings Account (ESA) Disclosure Statement & Custodial Agreement

Effective January 1, 2020

Section I: Disclosure Statement

A. Introduction

Wells Fargo Clearing Services, LLC (WFCS) is the custodian of this ESA. WFCS and its affiliates are also referred to in this Disclosure Statement as "we," "us" or "our." The custodian of an ESA must be a bank or an entity meeting standards established by the Secretary of the Treasury. We have been approved by the Internal Revenue Service ("IRS") to act as the custodian of the WFCS Coverdell Education Savings Account ("WFCS Coverdell Education Savings Account" or "Education Savings Account"). Please note that Wells Fargo Clearing Services, LLC was originally known as Wachovia Securities, LLC. In 2009, Wachovia Securities, LLC was renamed Wells Fargo Advisors, LLC. In 2016, Wells Fargo Advisors, LLC was renamed Wells Fargo Clearing Services, LLC due to a subsequent merger.

Please read this Disclosure Statement and the attached materials carefully. Please note that the rules regarding ESA are subject to frequent change. Before entering into any major transactions involving the ESA, please make sure that you have the most current information available. If you have any legal or tax questions concerning the ESA, we urge you to discuss them with your attorney or personal tax consultant. The representatives of the Custodian, will, of course, be happy to answer any questions concerning the operation and financial aspects of the ESA, but cannot give you legal or tax advice.

A1. What is an Education Savings Account (ESA)?

An ESA is a trust or custodial account that is created for the purpose of paying the qualified education expenses of the Designated Beneficiary. An ESA is not a retirement arrangement. See *Section E: Withdrawals from an ESA for a description of qualified education expenses*.

Establishment of or subsequent contribution to this ESA is not intended to be a transfer or gift under any state Uniform Transfers to Minors Act or any comparable act under the laws of any state that may have jurisdiction over the ESA. We do not consent to the assumption of any duties other than those explicitly specified in the WFCS Coverdell ESA Custodial Agreement ("Custodial Agreement") contained in the second part of this booklet.

A2. For whom may an ESA be established and who may establish the ESA?

An ESA may be established by any person eligible to make contributions to an ESA for the benefit of any person under age 18. The person who opens the ESA is referred to as the "Depositor." There is no requirement that the Depositor be related to the Designated Beneficiary. An ESA may be opened for the benefit of a Designated Beneficiary even after the Designated Beneficiary is no longer eligible for a contribution.

Once established, other individuals (including the Designated Beneficiary) may also make contributions to the ESA for the benefit of the Designated Beneficiary. Contributions to the ESA will not be accepted after the Designated Beneficiary reaches his/her 18th birthday, unless the Designated Beneficiary qualifies as a "Special Needs Beneficiary". A Special Needs Beneficiary includes individuals who, as defined by the IRS, require additional time to complete their education because of a physical, mental or emotional condition (including a learning disability). See *Section C: Annual Contributions* for more information on contributions.

A3. How is an ESA opened?

An ESA application/enrollment form must be completed and signed by the Depositor. If help is needed in completing the form or if there are any questions, please contact us.

A4. May the ESA be canceled?

Yes, but to receive a full refund without penalty on the initial contribution, the Depositor or Responsible Individual must cancel the ESA on or before the seventh (7th) day after they receive the Custodial Agreement and Disclosure Statement. If the Custodial Agreement is mailed to you, you will be deemed to have received it seven days after the postmark date absent evidence to the contrary. To cancel the ESA, the Depositor or Responsible Individual must either deliver or mail a written notice of cancellation to the address below before the end of the seven day period. If an important change is made to this Disclosure Statement or the ESA during the seven day period, we will notify the Responsible Individual of the change and there will be an additional seven days from the date the notice is received to revoke the ESA.

If you revoke your ESA within the seven-day period, we will return to you the entire amount of the contributions or the actual property contributed before your revocation. You will not earn interest on the contribution if you revoke. There will be no adjustments for administrative expenses, or changes in the market value. When you revoke your ESA, the initial contribution and return of the contribution are reported to the IRS. You should consult your tax advisor if you have any questions about taxes.

Wells Fargo Clearing Services, LLC
Attn: IRA Department MAC H0006-083
One North Jefferson Ave.
St. Louis, MO 63103

If the notice is sent by first-class mail, the revocation will be deemed mailed as of the date of the postmark. Until the seven day period for revoking the ESA has lapsed, contributions may be accepted, but investment instructions for the ESA may be restricted.

A5. Who has the power to manage the ESA, including the power to designate the Designated Beneficiary?

The Depositor has the initial authority to make all decisions regarding the establishment of the ESA including, but not limited to, the power to decide how to invest the initial deposit to the ESA, choose the Designated Beneficiary and the Responsible Individual, and designate the individual to receive the ESA upon the Designated Beneficiary's death (the "Death Beneficiary"). The Depositor and the Responsible Individual may be the same person, if the Depositor is the parent or guardian of the Designated Beneficiary.

After the ESA is established the Responsible Individual named by the Depositor in the ESA application/enrollment form will have the authority to administer the ESA, instead of the Depositor. The Responsible Individual's authority to administer the ESA includes, but is not limited to, directing the investment of assets held under the ESA, changing the Designated Beneficiary, changing the Death Beneficiary and requesting distributions from the ESA (including the refund of any "excess" contributions as described in *Section F: Excess Contributions and Prohibited Transactions*). All statements and reports related to the ESA will be sent to the Responsible Individual. Written notice must be given to us to change the Designated Beneficiary. Any successor Designated Beneficiary must be an eligible family member of the former Designated Beneficiary and must be under age 30 at the time of the designation, except in the case of a Special Needs Beneficiary. See Question D1 for a description of eligible family members.

The Responsible Individual may name a successor Responsible Individual in the event that he or she becomes incapacitated or dies while the Designated Beneficiary is a minor under state law. If no such successor is named, then the successor Responsible Individual will be the Designated Beneficiary's other parent or successor guardian. The Responsible Individual will continue to serve after the Designated Beneficiary attains the age of majority under state law and until all assets have been distributed from the ESA and the ESA terminates. If the Responsible Individual becomes incapacitated or dies after the Designated Beneficiary reaches the age of majority under state law, the Designated Beneficiary will act as the Responsible Individual for the ESA.

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 will be the Designated Beneficiary's parent or guardian.

A6. Is the ESA nonforfeitable?

The ESA is nonforfeitable at all times.

A7. Is the ESA approved by the Internal Revenue Service?

Since the Custodial Agreement establishing the ESA uses IRS Form 5305-EA, as currently provided by the IRS, the ESA will be treated as approved as to form. IRS approval is a determination as to the form of the ESA but does not represent a determination of its merits.

In the event that the laws governing ESA are amended or changed and cause differences between our current Custodial Agreement and the new laws, we will administer the ESA in accordance with the new laws and amend the Custodial Agreement when revised IRS forms are published.

B. Contributions to an ESA

B1. What is an ESA contribution?

There are two types of ESA contributions:

- An "annual contribution" is a non-deductible cash deposit to the ESA.
- A "rollover contribution" is a deposit to the ESA of funds received from another ESA. A rollover from an ESA is generally not taxable if certain requirements are met. Rollovers are subject to special rules discussed in *Section D: Rollover Contributions*.

B2. When may contributions be made to an ESA?

ESA contributions for a calendar year may be made at any time during the calendar year or no later than typically April 15th of the following year. Contributions may be made at any time during the tax year and until the Depositor's tax filing deadline (not including extensions) for the prior tax year, generally April 15th. If you make a contribution after the end of the calendar year (but no later than April 15th), you must inform us at the time of your deposit if the contribution is intended to be a contribution for the prior year.

C. Annual Contributions

C1. How much may I contribute?

Federal tax laws determine how much an individual may contribute on behalf of the same Designated Beneficiary. In any year, cash contributions up to the annual contribution limit may be made for any one Designated Beneficiary by the same contributor. The contributor's limit is reduced by all other ESA contributions made on behalf of the same Designated Beneficiary. If the contributor's Modified Adjusted Gross Income ("MAGI") is above a certain level, the

contribution limit will be reduced further. See Question C2 below.

In addition, the total of all contributions made to all ESAs set up for the benefit of any one Designated Beneficiary cannot be more than the annual contribution limit for a tax year. This includes contributions (other than properly made rollovers) to all the Designated Beneficiary's ESAs from all sources. Individuals may always contribute less than the maximum amount and do not have to contribute every year.

If, however, an individual contributes more than is allowed for a tax year, an excise tax may be incurred for an "excess contribution". This tax is explained in *Section F: Excess Contributions and Prohibited Transactions*.

C2. How will a contributor's Modified Adjusted Gross Income affect his or her contribution?

If a contributor's MAGI is above a specified level, the amount of the contribution that the contributor may make to an ESA is phased down and eventually eliminated.

- (a) Modified Adjusted Gross Income (MAGI): A contributor must look at his or her MAGI for the year (if the contributor and the contributor's spouse file a joint return their combined MAGI is used) to determine whether the contributor may make an ESA contribution. The contributor's federal income tax return should show how to calculate MAGI for this purpose. If a contributor is at or below a certain MAGI level, called the "threshold level," the contributor will be able to make a contribution.
- (b) Contribution Limits: Taxpayers may make a contribution to an ESA based on their income thresholds. Contact us or reference irs.gov for current contribution limits.

C3. May deductible contributions be made to an ESA?

No. Only non-deductible contributions may be made to an ESA.

C4. May other persons establish an ESA for the Designated Beneficiary?

Yes. But the total contributions under all ESAs for the same Designated Beneficiary for any year may not exceed the annual contribution limit. A business (such as a corporation or partnership) that makes a contribution for a Designated Beneficiary is not subject to the MAGI income restrictions. However, a contribution made by a business may be treated as wages, a dividend, or other taxable income.

C5. May contributions be made to both a qualified state tuition program and an ESA on behalf of the same Designated Beneficiary in the same taxable year?

Yes. You can make contributions to ESAs and qualified state tuition programs in the same year for the same Designated Beneficiary.

C6. May contributions of military death gratuities be made?

If you received a military death gratuity or Servicemembers' Group Life Insurance payment with respect to a death from injury that occurred after October 6, 2001, you can contribute all or part of the amount received (reduced by any part you contributed to another ESA or Roth IRA) to your ESA as a rollover contribution. The rollover must be completed within one year of receiving the payment. The amount contributed is treated as part of your cost basis and not taxable when distributed.

D. Rollover Contributions

D1. Is a distribution from an ESA taxable if the distribution is contributed to another ESA?

If certain requirements are met, an amount distributed from an ESA and rolled over to another ESA for the benefit of the same Designated Beneficiary or a certain member of the Designated Beneficiary's family who is under age 30 (or who is a Special Needs Beneficiary) is not taxable. Members of the Designated Beneficiary's family eligible for the tax-free rollovers include the Designated Beneficiary's spouse and the following individuals (and their spouses):

- The Designated Beneficiary's child, grandchild, or stepchild;
- A brother, sister, half-brother, half-sister, stepbrother, or stepsister of the Designated Beneficiary;
- The father, mother, grandfather, grandmother, stepfather, or stepmother of the Designated Beneficiary;
- A brother or sister of the Designated Beneficiary's father or mother;
- A son or daughter of the Designated Beneficiary's brother or sister;
- A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the Designated Beneficiary; and
- A first cousin (but not his or her spouse).

The annual contribution limit to ESAs do not apply to these rollover contributions.

For example, an older brother who has \$12,000 left in his ESA after he graduates from college can roll over the full \$12,000 balance to an ESA for his younger sister who is still in high school without paying any tax on the transfer. Amounts may be rolled over from the ESA to another ESA as long as those amounts have not been rolled over in the previous twelve months. A rollover is often complex and we suggest seeking professional tax advice before receiving and rolling over a distribution.

D2. May a distribution from a Traditional or Roth IRA be rolled over into an ESA?

No. No amounts withdrawn from a Traditional or Roth IRA may be rolled over into an ESA or vice versa.

D3. Is there a deadline for making a rollover contribution?

Yes, a rollover contribution must be completed within 60 days after a distribution is made from an ESA. If the rollover is not completed within the 60-day period, the taxable portion of the distribution will be taxed as ordinary income for the year in which it was received and may be subject to the 10% additional tax as explained in Question E5.

E. Withdrawals from an ESA

E1. What happens when a withdrawal is made from an ESA?

Generally, the withdrawal is tax-free to the Designated Beneficiary to the extent the amount of the withdrawal does not exceed the Designated Beneficiary's qualified education expenses.

E2. What are "qualified education expenses"?

The definition of qualified education expenses includes "qualified higher education expenses" and "qualified elementary and secondary school expenses." "Qualified higher education expenses" means expenses for tuition, fees, books, supplies, and equipment and expenses for special needs services in the case of a Special Needs Beneficiary required for the enrollment or attendance of the Designated Beneficiary at an eligible educational institution. Qualified higher education expenses also include amounts contributed to a qualified state tuition program and include certain room and board expenses if the Designated Beneficiary is at least a half-time student at an eligible educational institution.

"Qualified elementary and secondary school expenses" means expense directly connected to the attendance and enrollment at an elementary or secondary public, private, or religious school. Qualified elementary and secondary school expenses include expenses for tuition, fees, academic tutoring, special needs services in the case of a Special Needs Beneficiary, books, supplies, and other equipment. Qualified elementary and secondary school expenses also include expenses for room and board, uniforms, transportation, and supplementary items and services (including extended day programs) that are required or provided by a public, private, or religious school. The purchase of any computer technology, equipment, or internet access and related services are also considered qualified expenses if such technology, equipment or services are to be used by the Designated Beneficiary and the Designated Beneficiary's family during any of the years the Designated Beneficiary is in school. Computer software designed for sports, games, or hobbies is not considered a qualified expense unless the software is predominantly educational in nature.

Qualified education expenses are reduced for certain scholarships, and the limits are coordinated with other tax favored education programs. See Question E7.

This information is intended to be general in nature; we do not provide individual tax information. The determination of qualified education expenses is complex, so please consult with your tax advisor to determine the amount of the Designated Beneficiary's qualified education expenses for the ESA.

E3. What is an eligible educational institution?

An eligible educational institution is any college, university, vocational school, or other post-secondary educational institution that is described in section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088) and, therefore, eligible to participate in the student aid programs administered by the Department of Education. This category includes virtually all accredited public, non-profit, and proprietary post-secondary institutions.

Eligible educational institutions also include kindergartens, elementary, and secondary schools that provide education as determined by state law (public, private, or parochial schools). The educational institution should be able to tell you if it is an eligible educational institution.

E4. What happens if a withdrawal is made from an ESA but the Designated Beneficiary does not have any qualified educational expenses to pay in the taxable year of the withdrawal?

Generally, if a withdrawal is made from an ESA for a tax year and the Designated Beneficiary does not have any qualified educational expense to pay in that tax year, a portion of the distribution is taxable and the Designated Beneficiary must include it in income. The taxable portion is the amount of withdrawn earnings that have accumulated tax-free in the account.

Please consult your tax advisor for more information regarding how to determine the taxable portion of a distribution from an ESA. You may also find *IRS Publication 970* helpful for purposes of this calculation.

E5. Do any other taxes apply when a taxable withdrawal is made from an ESA?

The taxable portion of the distribution is also subject to an additional tax for early distributions (10% additional tax) unless an exception applies. The additional tax will not apply if the distribution is:

- made on or after the death of the Designated Beneficiary;
- made on account of disability (within the meaning of Code section 72(m)(7)) of the Designated Beneficiary;
- made on account of a scholarship, allowance, or payment described in Code section 25A(g)(2) received by the Designated Beneficiary to the extent the amount of the payment or distribution does not exceed the amount of the scholarship, allowance or payment;
- made on account of the attendance of the Designated Beneficiary at a U.S. military academy, to the extent that the amount of the payment or distribution does not exceed the costs of advanced education attributable to such attendance;

- includible in gross income solely because expenses were reduced by the amount claimed as a American Opportunity Tax Credit or Lifetime Learning Credit; or
- an excess contribution (and related earnings) and such distribution occurred before the first day of the sixth month of the taxable year following the taxable year in which the contribution was made.

E6. What happens to the assets remaining in an ESA after the Designated Beneficiary finishes his/her post-secondary education?

There are two options. First, the Designated Beneficiary could take the remaining assets as a distribution. In this case, any amount remaining in the ESA must be withdrawn for the Designated Beneficiary within 30 days after the Designated Beneficiary's 30th birthday except in the case of a Special Needs Beneficiary. Any balance remaining at the end of the 30-day period will be considered distributed at that time and the earnings portion of the deemed distribution is includible in the Designated Beneficiary's gross income. If the amounts are distributed (or considered distributed) to the Designated Beneficiary, the Designated Beneficiary will be subject to both income tax and the additional 10% tax on the portion of the amount withdrawn that represents earnings, if the Designated Beneficiary does not have any qualified education expenses in the same taxable year he/she makes the withdrawal.

Alternatively, prior to the Designated Beneficiary's 30th birthday, the Responsible Individual could designate a successor Designated Beneficiary to be effective on the Designated Beneficiary's 30th birthday. The successor Designated Beneficiary must be an eligible family member who has not reached age 30 as of the date of the original Designated Beneficiary's 30th birthday, except in the case of a Special Needs Beneficiary. If a successor Designated Beneficiary is designated or if the amount in the Designated Beneficiary's ESA is withdrawn and rolled over (as described in Question D1) to another ESA for the benefit of an eligible member of the Designated Beneficiary's family, no tax should be imposed due to the Designated Beneficiary's 30th birthday.

E7. May the Designated Beneficiary or the Designated Beneficiary's parents claim the American Opportunity Tax Credit or the Lifetime Learning Credit for the Designated Beneficiary's expenses in a taxable year in which the Designated Beneficiary receives money from an ESA on a tax-free basis?

A Designated Beneficiary (or his or her parents) may claim an American Opportunity Tax Credit or Lifetime Learning Credit in the same taxable year that he or she takes a tax-free distribution from an ESA, provided that the distribution from the ESA is not used for the same expenses for which the credit is claimed.

E8. What about income tax withholding?

Federal and/or state withholding is not allowed on distributions from ESA accounts.

E9. What are the methods of withdrawal from the ESA?

You may make a withdrawal from your ESA at any time, although restrictions and taxes applicable to the investments you have chosen for your ESA may apply. All withdrawals must be paid either by check or by deposit to a designated account.

E10. What happens to the ESA when the Designated Beneficiary dies?

In the event that the Designated Beneficiary dies while assets remain in the ESA, the Responsible Individual may direct that one of two things be done with the remaining assets. The assets may be paid to the Death Beneficiary, or the Death Beneficiary may become the successor Designated Beneficiary, if the Death Beneficiary is an eligible member of the family and under 30 years of age or is a Special Needs Beneficiary.

The Death Beneficiary is the person designated by the Depositor when the ESA is opened. The Responsible Individual may change the Death Beneficiary designation at any time by contacting us and submitting a written designation in a form acceptable to us. Each death beneficiary designation filed with us will cancel all previous designations. If there are no surviving Death Beneficiaries or there is no record of a Death Beneficiary, the account will be paid to the Designated Beneficiary's spouse. If the Designated Beneficiary is not survived by a spouse, the account will be paid to the Designated Beneficiary's surviving children as determined under state law. In such case, a legal or personal representative is required to provide us with a written certification listing the names of the Designated Beneficiary's surviving children as determined under state law. If there is no legal or personal representative, a court order may be required. If the Designated Beneficiary is not survived by a spouse or by any children, as certified by the legal or personal representative, then the ESA will be paid to the Designated Beneficiary's estate.

Any balance remaining at the end of the 30-day period will be considered distributed at that time and the earnings portion of the deemed distribution is includible in the Designated Beneficiary's estate.

The Custodian may pay to the Designated Beneficiary's surviving spouse the amount of the ESA to which he or she demonstrates to the satisfaction of the Custodian that he or she is entitled under marital or community property laws to the extent that the Responsible Individual has not designated the surviving spouse to receive such amount as a death beneficiary, unless the Designated Beneficiary's spouse has properly consented in writing otherwise. The Responsible Individual understands that we may reasonably delay payment to the beneficiaries to the extent necessary for us to determine whom to pay and the proper amounts. It is the responsibility of the Responsible Individual to determine whether such laws apply and to request the Designated Beneficiary spouse to consent to the beneficiary designations if appropriate. The Responsible Individual understands that we are not responsible if we have made any payment in good faith to a party other than the Designated Beneficiary's surviving spouse and the surviving spouse may not recover such amount paid from the Custodian or its affiliates.

F. Excess Contributions and Prohibited Transactions

F1. What happens if more than the permitted amount is contributed in an ESA on behalf of the Designated Beneficiary in a taxable year?

Aggregate contributions to all of a Designated Beneficiary's ESA(s) in excess of the annual contribution limit (or, if less, the total of each contributor's limit) for a taxable year are treated as excess contributions. Excess contributions are subject to a 6% excise tax for each year the excess amount remains in the ESA.

F2. How may the 6% excise tax be avoided?

If excess contributions are withdrawn (and any earnings on them) from the ESA(s) by the first day of the sixth month after the taxable year, the excess contribution excise tax will not apply. The withdrawn earnings must be included in the Designated Beneficiary's income for the year in which the excess contribution is made. If the excess contributions are not withdrawn by that date, the 6% excise tax will be charged for that year. The 6% excise tax does not apply to any properly made rollover contribution.

In order to avoid the excise tax in subsequent years:

- a) contribute less than the maximum allowable contribution in later years, or
- b) withdraw the excess contributions in accordance with applicable rules.

F3. What is a prohibited transaction?

Generally, a prohibited transaction is any improper use of the ESA by the Depositor, Responsible Individual, or any disqualified person. Prohibited transactions include such actions as the Depositor or Responsible Individual selling property to the ESA or buying property from it. To learn more about prohibited transactions and who are disqualified persons, refer to *IRS Publication 970*.

F4. What happens if the Depositor, or Responsible Individual engages in a prohibited transaction?

The ESA will lose its tax-exempt status and the entire taxable balance will be includible in income for that year. Furthermore, the 10% additional tax on the taxable balance may be imposed, unless an exception to the additional tax described in Question E5 applies. If someone other than a contributor to the ESA or the Designated Beneficiary engages in a prohibited transaction with respect to the ESA, that person may be liable for certain excise taxes.

F5. May anyone use the ESA as security for a loan?

No. If anyone uses all or part of the ESA as security for a loan, the amount used would be considered a taxable withdrawal in that year. The withdrawal would be subject to the 10% additional tax on the taxable balance unless an exception to the additional tax applies.

G. Investments

G1. Who is responsible for investing the ESA assets?

The Depositor with respect to the initial contribution. All other contributions and the reinvestment of the initial contribution are solely the responsibility of the Responsible Individual. The Depositor and the Responsible Individual (as applicable) may designate someone other than themselves to direct the investment of the assets in the ESA by executing a valid third party trading authorization or power of attorney on a form acceptable to us and by naming a person or entity acceptable to us. The Responsible Individual may separately contract with the Custodian or an affiliate to manage the ESA, to the extent permitted. The assets in the ESA generally are not limited to any particular type of investment, and therefore it is impossible to determine what the investment return will be or what the ESA assets will look like in future years.

All investment directions shall be given in a form that complies with the reasonable requirements and procedures imposed by us. Such requirement may include that certain representations and warranties accompany certain directions, including indemnification.

G2. What assets may not be held in the ESA?

We, in our sole discretion, may refuse to hold any investment. The ESA may not be invested in life insurance contracts and, except for investments pooled in a common trust fund or common investment fund, may not be commingled with other property. Further, assets in your ESA may not be invested in commodities, "collectibles," alcoholic beverages, or any other tangible personal property. The term "collectibles" includes works of art, rugs, antiques, metals, gems, stamps, coins (other than certain gold, silver or platinum coins of the United States or a state and certain bullion, if on our approved list of investments). The ESA also may not be invested in any investment that we determine, in our sole discretion, is administratively or operationally burdensome.

We have no responsibility for monitoring the ESA investments. Thus, if the Depositor or Responsible Individual, or their duly authorized representatives, engage in any non-qualifying investment or prohibited transaction with respect to the ESA, neither we nor any of our employees will be liable for any adverse investment, tax or other legal consequences that may result from such purchase. Also, if the Depositor's or Responsible Individual's investment direction results in a prohibited transaction, the tax-favored status of the ESA will be affected. See Section F: Excess Contributions and Prohibited Transactions for more information regarding prohibited transactions.

G3. Are margin loans permitted?

No. Margin loans are not permitted in the ESA.

G4. Is any interest earned on amounts awaiting investment or disbursement?

We, or an affiliate of us, may retain any interest earned on assets awaiting investment or disbursement. The Depositor and Responsible Individual understand and agree that this interest (generally referred to as "float") will be retained by us as additional compensation for our provision of services with respect to the ESA. Such interest shall generally be at a prevailing interest rate.

Assets awaiting investment include:

- a) new deposits to the ESA, including interest and dividends, and
- b) any uninvested assets held by the ESA caused by an instruction to us to purchase or sell securities where investment instructions are received too late in the day to be completed.

We also earn float on distributions from the time funds are distributed from your ESA until you cash the check or other payment method is completed.

H. Other Questions and Answers

H1. Are any tax forms required to be filed by the Depositor, Responsible Individual, or Designated Beneficiary for the ESA?

Generally, no special forms will need to be filed for the ESA. However, *IRS Form 5329 Additional Taxes on Qualified Plans (including IRAs) and Other Tax Favored Accounts*, must be filed with the IRS by or on behalf of the Designated Beneficiary for any year in which the 6% excise for excess contributions applies, or the 10% additional tax for distributions applies for amounts not used for qualified education expenses. In addition, Form 5329 must be filed if a taxable distribution is taken from the ESA.

H2. Do we report any information about the ESA to the Internal Revenue Service?

Yes. All ESA custodians are required to report various ESA transactions to the IRS, Social Security Administration, and the applicable state revenue department.

In addition, IRS Form 5498-ESA will be used to report both annual and rollover contributions, plus the December 31 fair market value of the account. Partial withdrawals and total distributions are reported on Form 1099-Q. Unrelated business taxable income is reported on Form 990-T.

H3. Can tax reporting requirements change?

Yes, both federal and state tax reporting requirements for your ESA are subject to change, and you should consult with your professional tax advisor to ensure proper treatment. The Custodian is not obligated to notify you of any or all changes to the tax reporting requirements.

H4. Are state tax laws the same as federal tax laws for ESAs?

You should consult your professional tax advisor about the tax treatment in your state. This is especially important if you are subject to taxation by a state that does not automatically conform to the provisions found in the federal tax code.

H5. Can the ESA be changed?

Yes. We may amend the ESA Agreement by sending the Responsible Individual a copy of the changes. The Responsible Individual and the Depositor will be deemed to have consented to any amendment, unless we receive written notice to the contrary within 30 days after a copy of the amendment is first sent to the Responsible Individual. Any notice we send will be delivered to the last address that we have for the Responsible Individual in our records. Although other amendments may be made, generally amendments will be made to comply with changes in the law. No amendment can take any part of the ESA away from the Designated Beneficiary.

H6. Will the ESA be charged any fees?

All fees that may apply to the account are outlined in the fee schedule and account opening documents. You will be notified in writing of any changes in fees. If fees are not paid by their due date, we may deduct these fees from the ESA.

H7. What other rules apply to the ESA?

If we receive any process, summons, levy or similar order, the Depositor and Responsible Individual authorize us either to comply with the order or refuse to honor the order, in our sole discretion. We have no obligation to contest the order.

Any controversy regarding the ESA is subject to arbitration. The account opening documentation contains the complete text of the arbitration information and it should be read carefully before any documents are signed.

Section II: WFCS Coverdell ESA Custodial Agreement

Under section 530 of the Internal Revenue Code
Form 5305-EA (Rev. October 2010)
Department of the Treasury, Internal Revenue Service

The Depositor whose name appears on the Depositor's ESA application/enrollment form is establishing a Coverdell Education Savings Account under section 530 for the benefit of an individual designated on the ESA application/enrollment form (the "Designated Beneficiary") 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 shown on the Depositor's Contribution Form in cash.

The Depositor and the Custodian make the following agreement (the "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 above-listed amount 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. 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. The Responsible Individual shall 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. 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.

Article VI

The Responsible Individual may change the beneficiary designated under this Agreement to another member of the Designated Beneficiary's family described in section 529(e)(2) in accordance with the Custodian's procedures.

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 from time to time to comply with the provisions of the Code and the related regulations. Other amendments may be made with the consent of the Depositor and the Custodian whose signatures appear on the ESA application/enrollment form.

Article X

1. Definitions.

- a) "Broker" means the Introducing Firm and any other broker-dealer providing investment services in connection with the WFCS Coverdell ESA.
- b) "Code" means the Internal Revenue Code of 1986, as amended.
- c) "Death Beneficiary" means the person or persons designated in accordance with paragraph 7.
- d) "WFCS" means Wells Fargo Clearing Services, LLC acting in its capacity as Custodian, its successors, permitted assigns, and any affiliated organization, all acting in a custodial capacity.
- e) "Introducing Firm" means each broker-dealer who has entered into an agreement with WFCS pursuant to which WFCS, as agent for such broker-dealer, is contractually assigned the responsibility for the performance of certain back office, trade processing and custody, books and records and margin credit functions.
- f) "Member of the Family" means the members of the Designated Beneficiary's family who are: the Designated Beneficiary's spouse, children, grandchildren, sibling, step-brother or step-sister, parent, step-parent, grandparent, aunt or uncle, 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 "Member of the Family."
- g) "Special Needs Beneficiary" means a Designated Beneficiary with special needs as determined under regulations prescribed by the Secretary of the Treasury.
- h) "Spouse" or "spouse" means the person lawfully married to the Designated Beneficiary. The Designated Beneficiary's surviving spouse is the spouse remaining or deemed by law to remain alive after the Designated Beneficiary's death.

2. Administration.

In accordance with Article V, the Depositor authorizes and directs the Custodian to take direction from the Responsible Individual with respect to the matters indicated therein and with respect to any additional matters indicated in this Agreement as the responsibility of the Responsible Individual. References in this Article X to the Depositor and the Responsible Individual shall apply only to the extent of their respective authorities and responsibilities as indicated in this Agreement.

Notwithstanding anything herein to the contrary, if this ESA is the amendment and restatement of another ESA and that ESA did not provide for the designation of a Responsible Individual, the Depositor shall be deemed to be the Responsible Individual for all purposes under this Agreement, unless and until the Depositor designates a Responsible Individual in a form and manner acceptable to the Custodian. If the Responsible Individual dies or becomes incapacitated after the Designated Beneficiary has reached the age of majority, the Designated Beneficiary shall be deemed to be the successor Responsible Individual.

3. Resignation of Custodian/Designation of New Custodian.

- a) The Custodian may resign as custodian of the ESA upon giving at least thirty (30) days prior written notice to the Responsible Individual. Prior to its resignation, the Custodian may, but shall not be required to appoint a successor custodian. If the resigning Custodian does not appoint a successor custodian or if the Responsible Individual does not consent to such appointment, the Responsible Individual shall, prior to the effective date of such resignation, appoint a successor custodian to receive funds held in the ESA and deliver evidence to the Custodian of the acceptance of such appointment by such successor. The Custodian shall then deliver the balance held in the ESA to its successor, or to the Responsible Individual for his delivery to its successor, on the effective date of the resignation or as soon thereafter as practical.

In the event that the Responsible Individual or the Custodian shall fail or refuse to appoint a successor custodian during such thirty (30)-day period, the Custodian may make distribution directly to the Responsible Individual of the balance held in the ESA. The Custodian may reserve such funds as it deems necessary to cover any fees or charges against the ESA.

- b) The Custodian may at any time and in its sole discretion appoint a successor custodian of the ESA, provided that such successor is an affiliate of the Custodian.
- c) If the Custodian is merged with or purchased (in part, including your ESA or in whole) by another organization authorized to serve as custodian, then that organization may automatically become the custodian of the ESA.

4. Contributions.

- a) **Annual Contributions.** A nondeductible cash contribution, not to exceed the amount as specified in Code section 530(b)(1)(A) for a taxable year, may be made by any contributor on behalf of a Designated Beneficiary until the Designated Beneficiary attains his or her 18th birthday. If the Designated Beneficiary is deemed to be a Special Needs Beneficiary, as defined by the IRS, contributions may continue to be made after age 18.
- b) **Excess Contributions.** If it is determined that any part or all of a contribution to the ESA for the contributor's taxable year is an excess contribution as defined in section 4973(e) of the Code, the Responsible Individual may give the Custodian a written request that the Custodian refund the amount of the excess contribution to the Designated Beneficiary for such taxable year and the amount of net income or loss attributable to such excess contribution.
- c) **Timing of Contributions.** Contributions may be made at any time during the tax year and until the contributor's tax filing deadline (not including extensions) for that tax year.

5. Distributions.

- a) **Payment of Distributions.** Except as provided below, distributions shall be made from the ESA upon the direction of the Responsible Individual. In its sole discretion, the Custodian may require that such direction from the Responsible Individual be in writing. The Custodian shall be under no duty or obligation to inquire as to the propriety of any distribution instruction, including any distribution instructions relating to the resignation of the Custodian or whether any distribution is in connection with a "qualified education expense" within the meaning of Section 530(b)(2) of the Code. The Responsible Individual is solely responsible for determining whether his election to withdraw all or a portion of the ESA will result in the imposition of taxes. The Custodian is not obligated to make a distribution without being provided the tax identification number of the recipient.
- b) **Payment Directions.** All payment directions, including rollovers or transfers to another ESA, shall be made exclusively by the Responsible Individual, or his or her designee. If the Responsible Individual dies or becomes incapacitated, all payment, transfer or rollover directions shall be made by the party determined under Article V.
- c) **Distributions on Death.** The Responsible Individual shall, in a form and manner acceptable to the Custodian, notify the Custodian of the Designated Beneficiary's death and instruct the Custodian, in accordance with Article IV, to either:
 - (i) terminate the ESA and distribute its assets pursuant to the latest Death Beneficiary Designation within 30 days of the Designated Beneficiary's death, or
 - (ii) if the Death Beneficiary is a Member of the Family, revise the ESA to reflect the Death Beneficiary as the successor Designated Beneficiary of the ESA.

If there are no surviving Death Beneficiaries or there is no record of a Death Beneficiary, the account will be paid to the Designated Beneficiary's spouse. If the Designated Beneficiary is not survived by a spouse, the account will be paid to the Designated Beneficiary's surviving children as determined under state law. In such case, a legal or personal representative is required to provide us with a written certification listing the names of the Designated Beneficiary's surviving children as determined under state law. If there is no legal or personal representative, a court order may be required. If the Designated Beneficiary is not survived by a spouse or by any children, as certified by the legal or personal representative, then the ESA will be paid to the Designated Beneficiary's estate.

If a distribution upon the death of a Designated Beneficiary is payable to a person known by the Custodian to be under a legal disability, the Custodian may, in its absolute discretion, make all, or any part of the distribution to such other person as may be acting as a parent of such Death Beneficiary, or legal guardian, conservator, trustee, or other legal representative, wherever appointed, of such Death Beneficiary, and the receipt by such person shall be a full and complete discharge by the Custodian of any sum so paid.

- d) **Mandatory Distributions.** Unless the Designated Beneficiary is a Special Needs Beneficiary, the Responsible Individual shall in a form and manner acceptable to the Custodian, provide prior notice to the Custodian of the Designated Beneficiary's 30th birthday and instruct the Custodian, in accordance with Article IV, to either:
 - (i) terminate the ESA and distribute its assets to the Designated Beneficiary within 30 days of the Designated Beneficiary's 30th birthday, or
 - (ii) revise the ESA prior to the Designated Beneficiary's 30th birthday to reflect the designation of a Member of the Family as the successor Designated Beneficiary of the ESA as of the prior Designated Beneficiary's 30th birthday.

e) **Form of Distributions.** All distributions from the ESA shall be made in the form of a single sum distribution.

6. Moving ESA Assets to Another ESA.

All or any part of this ESA may be rolled over or transferred into another ESA for the same Designated Beneficiary or a Member of the Family, who has not attained age 30 as of the rollover or transfer date. At the direction of the Responsible Individual or Depositor, rollovers or transfers from another ESA may be made to this ESA.

In addition, in a form and manner prescribed by the Custodian, the Responsible Individual may change the Designated Beneficiary, as described in section 530(d)(6) of the Code, to a Member of the Family who has not attained age 30 as of the date of the change.

7. Death Beneficiary.

The Depositor shall designate in writing the person or persons (or entity or entities) to receive any distribution to be made by reason of the Designated Beneficiary's death or to become the successor Designated Beneficiary. Each such designation shall be filed with the Custodian on a form acceptable to the Custodian (the "Death Beneficiary Designation") and may be changed from time to time by the Responsible Individual filing a new Death Beneficiary Designation with the Custodian. The Custodian reserves the right to limit the number of Death Beneficiaries or other directions designated for the ESA.

In the event there is no surviving Death Beneficiary or there is no Death Beneficiary Designation on file at the time of the Designated Beneficiary's death, the Death Beneficiary shall be the Designated Beneficiary's spouse. In the event the Designated Beneficiary does not have a spouse or the Designated Beneficiary's spouse predeceases the Designated Beneficiary, the Death Beneficiary shall be the Designated Beneficiary's children as determined under state law. In such a case, a legal or personal representative shall provide the Custodian a written certification listing the names of the Designated Beneficiary's surviving children. If there is no legal or personal representative, a court order may be required to determine the appropriate Death Beneficiaries. Under the foregoing circumstances, if the Designated Beneficiary is not survived by children as determined under state law, the ESA shall be paid to the Designated Beneficiary's estate.

The Custodian may pay to the Designated Beneficiary's surviving spouse the amount of the ESA to which he or she demonstrates to the satisfaction of the Custodian that he or she is entitled under marital or community property laws to the extent that the Responsible Individual has not designated the surviving spouse to receive such amount as a death beneficiary, unless the Designated Beneficiary's spouse has properly consented in writing otherwise. The Responsible Individual understands that we may reasonably delay payment to the beneficiaries to the extent necessary for us to determine whom to pay and the proper amounts. It is the responsibility of the Responsible Individual to determine whether such laws apply and to request the Designated Beneficiary spouse to consent to the beneficiary designations if appropriate. The Responsible Individual understands that we are not responsible if we have made any payment in good faith to a party other than the Designated Beneficiary's surviving spouse and the surviving spouse may not recover such amount paid from the Custodian or its affiliates.

8. Investments.

a) **Direction by Depositor and Responsible Individual.** The ESA shall be invested, as instructed by the Depositor initially and the Responsible Individual subsequently, in one or more of the investment options made available by Custodian. Such investments shall be subject to the terms and conditions of this Agreement and relevant new account documents. All investment directions shall be given in a form that complies with the reasonable requirements and procedures imposed by the Custodian. Such requirements may include that certain representations and warranties and agreements accompany such directions, including indemnification. The Responsible Individual or, with respect to the initial contribution, Depositor may designate someone else to direct the investment of the assets of the ESA by executing a valid third party trading authorization or power of attorney on a form acceptable to the Custodian and by naming a person or entity acceptable to the Custodian.

We shall not be liable for any loss, liability, or penalty, which results from the Depositor's or the Responsible Individual's (or either of such individual's duly authorized representative's) exercise of control (whether as a result of action or inaction) over the ESA.

b) **Errors or Omissions.** If an error or omission is made by the Custodian in debiting or crediting the ESA, the liability of the Custodian for any such error or omission is limited to debiting or crediting the ESA as appropriate. In no event shall the Custodian incur any additional liability for any such error or omission.

c) **Permitted Investments.** Investments may be made in instruments and investment vehicles that are permitted by the Custodian and are compatible with its administrative and operational requirements. We or our affiliates shall not be liable for any liabilities, including tax liabilities, resulting from investments not compatible with its administrative and operational requirements. The Custodian, at its discretion, may refuse to hold any investment or investment type, including, but not limited to, gold, silver and platinum coins issued under the laws of any state and bullion. The Custodian also has the right to refuse to accept any transfer or rollover of assets other than cash.

The Custodian will not be liable for failure to notify the Responsible Individual of any corporate actions regarding securities held in the ESA that are not provided by any service to which the Custodian subscribes. The Responsible Individual also agrees that the Custodian shall have no duty to forward to the Responsible Individual any class action lawsuit or other legal information unless compensated by the parties to the legal action for research and distribution expenses.

The Responsible Individual acknowledges and agrees to arbitrate controversies as described in other account opening documents.

- d) **Voting.** The Custodian shall follow Responsible Individual's (or his duly authorized representative's) written instructions for voting shares and exercising other rights of ownership for investments held in the ESA. In absence of direction, the Custodian will not exercise any rights and will not be responsible for failing to take action.
- e) **Investment Advisory Services.** If made available, the Depositor or Responsible Individual may enter into an agreement with an affiliate of the Custodian to provide investment advisory services. Investment advisory services may not be available to all accounts.
- f) **Use of Introducing Firm.** If the ESA is opened through an Introducing Firm, the Depositor and Responsible Individual agree that, unless otherwise prohibited by law, any benefits, rights or protections of the Custodian under this Agreement are extended to and may be exercised by, or assigned to, the Introducing Firm and may be enforced independently or jointly by the Custodian and/or the Introducing Firm.

9. Taxes.

The Custodian shall have the power and right to pay from the ESA any estate, inheritance, income, backup withholding or other taxes, and any interest or penalties assessed or levied with respect to the ESA or the Designated Beneficiary's or Death Beneficiary's interest therein. The Custodian may liquidate assets held in the ESA to make withdrawals, distributions, transfers, or pay taxes assessed against the ESA. The Custodian is not obligated to liquidate assets and is not responsible for any tax liabilities if assets are liquidated or if they are not liquidated.

The Depositor, by signing the ESA application/enrollment form and under penalties of perjury certifies that:

- a) The social security numbers shown on the ESA application/enrollment form along with any other account opening forms is the correct taxpayer identification number.
- b) The distributee is not subject to backup withholding because:
 - (i) the distributee is exempt from backup withholding, or
 - (ii) the distributee has not been notified by the IRS he or she is subject to backup withholding as a result of failure to report all interest or dividends, or
 - (iii) the IRS has notified the distributee that he or she is no longer subject to back up withholding. Or, the distributee has notified the Custodian in writing that he or she is subject to backup withholding.

10. Amendment.

Subject to the provisions of Article IX, the Custodian may amend the provisions of the ESA at any time by giving written notice of the amendment to the Responsible Individual. The Responsible Individual and Depositor are deemed to have automatically consented to any amendment unless the Responsible Individual notifies the Custodian in writing that said parties do not consent to the amendment and provides written notice of the ESA termination within 30 days after the Custodian sends a copy of the amendment to the Responsible Individual. Any and all amendments made to comply with any changes in applicable laws or regulations shall not require the Depositor's or Responsible Individual's consent.

11. Termination.

The ESA shall terminate when the Custodian receives required instructions acceptable in a manner required by the Custodian from the Responsible Individual to transfer all of the assets of the ESA to the trustee or custodian of another ESA or directly to the Responsible Individual or upon the distribution of all of the assets of the ESA in accordance with Article III hereof. In order for the Responsible Individual to transfer all of the assets of the ESA, the Responsible Individual must give the Custodian written instructions to make the transfer at least fifteen (15) days prior to the date the transfer is to be made. If the Custodian is notified by the Commissioner of the Internal Revenue Service that another custodian must be substituted for the Custodian because the Custodian has failed to comply with the requirements of Treasury regulation section 1.408-2(e) or is not keeping the records, making returns or rendering statements as required by the Internal Revenue Service's forms or regulations, the Custodian will substitute another custodian and will notify the Responsible Individual of this fact. The Responsible Individual agrees upon such notification or upon notification from the Commissioner of the Internal Revenue Service to transfer the account's assets to another ESA or to substitute another custodian for the Custodian. The Custodian shall not be liable for any actions or failures to act on the part of any successor custodian or trustee nor for any tax consequences resulting from the transfer or distribution of assets pursuant to this section.

The ESA may not receive interest or dividends that have accrued but that have not been credited on a terminated ESA. A quarterly minimum balance fee of up to \$10 (or the balance of the account if less than \$10) may apply if your balance falls below \$50. If the fee should bring the ESA to a zero balance, the Custodian will terminate the ESA. If any installment payment or any other event will cause, or causes, the remaining balance in the IRA to fall below \$100 (or such other minimum amount that we may establish from time to time), we may terminate the ESA and distribute the balance of the ESA in a single sum.

12. General Provisions.

The following general provisions apply to this Agreement.

- a) **Non-assignable Interests.** The Depositor, Responsible Individual, Designated Beneficiary, and Death Beneficiary shall not have any right to pledge any part of the ESA as security for a loan or to assign, transfer, or in any way create a lien on the ESA or any payments to be made under this ESA. The ESA shall not be subject to any execution, attachment, assignment, garnishment, or other legal process by any creditor of the Depositor, Responsible Individual, Designated Beneficiary, and Death Beneficiary except to the extent allowed by applicable law, including, but not limited to, the terms of a domestic relations order. Any interest transferred pursuant to a domestic relations order or as otherwise permitted under applicable law to Designated Beneficiary's spouse shall be treated as an ESA for the benefit of the former spouse and such spouse shall be treated as the Designated Beneficiary of such ESA. The Custodian may require any additional instruction it deems reasonable and necessary to accomplish the transfer. We will not be liable for any adverse consequences resulting from such transfer. Any indemnification agreement, cross-collateralization agreement or other grant of a security interest in favor of the Custodian or its affiliates, in any other agreement the Responsible Individual and/or Designated Beneficiary may have with us, as set forth in any other agreement, which guarantees the payment of debits to (or by) the Custodial Account under this Agreement by (or to) a Related Account is hereby null, void, and unenforceable with respect to the Custodial Account under this Agreement, notwithstanding any contrary provisions in the Related Account agreement. For this paragraph, a "Related Account" is another account established with us where such account is subject to an agreement with us that also covers the Custodial Account and /or guarantees the payment of debits to the Plan Account. This paragraph shall be interpreted in a manner consistent with the Department of Labor's Prohibited Transaction Class exemption 80-26 and shall not limit our ability to seek any and all legal remedies against you with regard to any indebtedness.
- b) **Construction.** If any part of the agreements governing this account is held to be illegal or invalid, the remaining parts shall not be affected. Neither the Depositor's, 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 the governing agreements constitutes a waiver of such provisions, or the rights of either party to enforce each and every provision thereafter. The Depositor and the Responsible Individual further agree to be bound by the regulations of the Custodian or any governmental agency regarding the operation of this ESA or any investment held hereunder.
- c) **Gender.** Wherever in the language of this ESA the masculine gender is used, it shall be deemed equally to refer to the feminine gender.
- d) **Commissions, Expenses, and Fees.**
- (i) All expenses incurred in connection with the administration of the ESA, including fees for legal services, and such reasonable compensation to the Custodian as may be established by the Custodian, may be paid from the ESA by the Custodian. The Depositor and Responsible Individual acknowledge that the ESA may be charged commissions or fees for execution, custody, account or security transfers or for other service provided, and agree to pay such commissions and fees at the then prevailing rates. Reimbursement for any expenses shall be due and payable upon demand. When the Custodial Account is established, the Depositor will be furnished with a compensation schedule and thereafter the Responsible Individual will receive written notice of any changes in that schedule. Other fees and expenses incurred due to the management of the ESA, including but not limited to investment advisory fees, may also be paid from the ESA by the Custodian at the direction of the Responsible Individual.
 - (ii) If applicable, all annual fees for a calendar year shall be due and payable when invoiced by us. The Custodian may charge any annual fees previously disclosed without any further notification to the Depositor or Responsible Individual. In the event that the ESA is terminated or transferred, a termination and/or transfer fee and any outstanding annual fees (including current year's annual fee), if applicable, shall be due and payable on the date of the termination or transfer. The Custodian may liquidate assets held in the ESA to make withdrawals, distributions or transfers or pay fees, expenses, liabilities, charges or taxes assessed against the ESA. The Custodian is not obligated to liquidate assets and is not responsible for any tax liabilities if assets are liquidated or if they are not liquidated.
 - (iii) We, or an affiliate of the Custodian, may retain any interest earned on assets awaiting investment or disbursement. The Depositor and Responsible Individual understand and agree that this interest (generally referred to as "float") will be retained by us as additional compensation for our provision of services with respect to the ESA. Such interest shall generally be a prevailing interest rate. Assets awaiting investment include:
 - 1) new deposits to the ESA, including interest and dividends,
 - 2) any uninvested assets held by the ESA caused by an instruction to us to purchase or sell securities where investment instructions are received too late in the day to be completed, and
 - 3) we may also earn float on distributions from the time funds are distributed from the ESA until the check is cashed or other payment method is completed.
- e) **Reports.** The Depositor and Responsible Individual agree to provide information to the Custodian at such time and in such a manner as may be necessary to prepare any reports required pursuant to the Code and the regulations thereunder. The Depositor and Responsible Individual agree to hold the Custodian harmless against any liability arising from any inaccuracies or omissions with respect to such information.

- f) **No Representations.** Depositor and Responsible Individual shall not rely on any oral or written representations of the Custodian, its agents, affiliates, officers, directors, and employees as to the tax or other effect of any transaction relating to the ESA.
- g) **Power of Attorney.** The Depositor or Responsible Individual may designate one or more individuals to act as the Depositor's or Responsible Individual's attorney-in-fact, subject to the provisions set out in Article V. Such written designations shall be made in a manner acceptable to the Custodian. The Custodian may rely on such designation until the Custodian has received written notification to the contrary. The Custodian shall be under no liability for any loss of any kind occasioned by its actions in accordance with the directions of the Depositor's or Responsible Individual's attorney-in-fact, and shall be under no duty to question any direction of the Depositor's or Responsible Individual's attorney-in-fact. The Custodian may, in its sole discretion, prohibit any transaction and/or acts requested by the attorney-in-fact.
- h) **Authority to Contract.** The Depositor and Responsible Individual acknowledge that this document and any accompanying documents constitute a contract between the Depositor, the Responsible Individual, and the Custodian. By entering into this contract, the Depositor and Responsible Individual agree that they have full legal power and authority to enter into any transaction with or through the Custodian and to provide instructions related to the ESA. The Depositor and Responsible Individual agree to promptly notify the Custodian in writing if their authority described above materially changes. The Depositor and Responsible Individual agree to be bound by any and all rules and regulations of us or any government agency regarding the operation of the ESA or any investment held hereunder.
- i) **Effective Date.** The effective date shall be the date that the Custodian accepts the Depositor's ESA application/enrollment form.
- j) **Notice.** Notices to us concerning the ESA must be in writing and must be delivered in person or sent by registered or certified mail to the mailing address specified in Question A4 of the Disclosure Document, as that address may be changed from time to time, or to any other address specified by us. We may honor any instructions in writing from the Depositor or Responsible Individual sent by mail yet shall not be responsible for failure to follow any instructions not sent by certified or registered mail. Notices from us shall be in writing and sent to the Responsible Individual's address listed in the Depositor's ESA Application/Enrollment Form, or other address specified by the Responsible Individual.
- k) **Extraordinary Events.** The Depositor and Responsible Individual agree that the Custodian and its affiliates shall not be liable for any loss or delay caused directly or indirectly by government restrictions, exchange or market rulings, suspension of trading, war, acts of terrorism, strikes, failure of the mail or other communication systems, mechanical or electronic failure, failure of third parties to follow instructions, or other conditions beyond the control of the Custodian.

13. Sharing Information.

The Depositor and the Responsible Individual expressly agree that the Custodian is authorized to share such ESA information which it may lawfully share with its affiliated entities, including Broker, for such purposes as the Custodian, in its sole discretion, may deem necessary or appropriate.

The Custodian or its agent may submit the Designated Beneficiary's and/or Responsible Individual's name, address, and security positions to the agent of the issuer of the securities held in the name of the Designated Beneficiary or to the Custodian's agent for corporate communications unless we receive written notification from the Responsible Individual to the contrary.

14. Limitations on Custodial Liability and Indemnification.

The Depositor, Responsible Individual, and Custodian intend that the Custodian shall have and exercise no discretion, authority, or responsibility as to any investment in connection with the ESA, and the Custodian shall not be responsible in any way for the purpose, propriety, or tax treatment of any contribution, or of any distribution, or any other action or inaction taken pursuant to the Depositor's or Responsible Individual's (or either of such individual's duly authorized representative's) direction. The Depositor and Responsible Individual agree that the acceptance of any contribution by us is not an opinion that any party will be entitled to a tax deduction or "rollover" treatment on such amount. The Depositor and Responsible Individual understand that we have no responsibility or obligation to calculate the amount of any distribution or to make any election for the Depositor or Responsible Individual. The Depositor and Responsible Individual shall bear sole responsibility for the suitability of any investment and for any adverse consequences arising from such an investment, including, without limitation, the inability of the Custodian to value or to sell an investment, or the generation of unrelated business taxable income with respect to an investment. To the fullest extent permitted by law, the Depositor and Responsible Individual, jointly and individually, shall at all times fully indemnify and save harmless us and our agents, affiliates, successors, and assigns and its officers, directors, and employees, from any and all liability arising from the Depositor's or Responsible Individual's (or either of such individual's duly authorized representative's) investment direction under this ESA and from any and all other liability whatsoever which may arise in connection with this ESA, except liability arising under applicable law or liability arising from the gross negligence or willful misconduct on the part of the indemnified person.

We will be responsible only for the cash and property actually received by it under the terms of the ESA and will not be responsible for the collection of contributions to the ESA. Establishment of or subsequent contribution to this ESA is not intended to be a transfer or gift under any state Uniform Transfers to Minors Act or any comparable act under the laws of any state which may have jurisdiction over this ESA. Our only duties and responsibilities with respect to the ESA shall be those specifically set forth in this ESA.

15. Recording Conversations.

The Depositor and Responsible Individual understand and agree that the Custodian and an affiliate (to the extent permissible under applicable law) may electronically record any of the Depositor's and Responsible Individual's telephone conversations with the Custodian or an affiliate. The Depositor and Responsible Individual waive all rights to object to the admissibility into evidence of such recording in any legal or other proceeding between the Depositor and/or Responsible Individual and the Custodian, its employees, or its affiliates, or in any proceeding brought by an exchange or governmental agency to which the Custodian, its employees, or its affiliates, are party or in which records are subpoenaed.

16. Holding Account Assets.

The Depositor and Responsible Individual hereby authorize us to comply with any process, summary, order, injunction, execution, distribution, levy, lien, or notice of any kind ("Process") received by or served upon us that, in our sole opinion affects the ESA. The Depositor and Responsible Individual authorize us to, at its option and without liability, thereupon refuse to honor orders to pay or withdraw monies from the ESA and to either hold the balance therein until the Process is disposed of to our satisfaction, or to pay the balance over to the source of the Process. The Custodian may also require additional clarification or support for any court order or other document if it deems that the terms or effectiveness of the order or document are unclear. In any event, the Custodian shall have no obligation to contest the service of any such Process, or the jurisdiction of said service. In addition, the Custodian has a right to freeze or hold an account balance in the event that it believes that ownership of the account or any proceeds therein are in dispute and may continue to hold or freeze the account until the dispute is resolved to its satisfaction.

17. Counterparts.

The ESA application/enrollment form may be executed in any number of counterparts, each one of which shall be deemed to be the original although the others have not been produced.

Section III: Appendix

IRS Approval Notification Letter *(See next page for IRS Approval Notification Letter)*



**TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION**

**DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224**

July 1, 2003

Wachovia Securities LLC
901 East Byrd Street
Richmond, VA 23219

EIN Number: 34-1542819

Ladies and Gentlemen:

In a letter dated March 21, 2003, as supplemented by a facsimile transmitted on June 23, 2003, your authorized representative requested a written notice of approval that Wachovia Securities LLC may act as a nonbank custodian of medical savings accounts established under section 220 of the Internal Revenue Code, plans qualified under section 401, accounts described in section 403(b)(7), individual retirement accounts (IRAs) established under sections 408, 408A (dealing with Roth IRAs), and 530 (dealing with Coverdell education savings accounts), and eligible deferred compensation plans described in section 457(b).

Section 220(d)(1)(B) of the Code (dealing with Archer MSAs (medical savings accounts)) provides, in pertinent part, that the trustee of a medical savings account must be a bank (as defined in section 408(n)), an Insurance company (as defined in section 816), or another person who demonstrates to the satisfaction of the Secretary that the manner in which such person will administer the trust will be consistent with the requirements of this section. Q & A-10 of Notice 96-53, 1996-2 C.B. 219 provides, in pertinent part, that persons other than banks, insurance companies, or previously approved IRA trustees or custodians may request approval to be a trustee or custodian in accordance with the procedures set forth in section 1.408-2(e) of the Income Tax Regulations.

Section 401(f)(1) of the Code provides that a custodial account shall be treated as a qualified trust under this section if, such custodial account would, except for the fact it is not a trust, constitute a qualified trust under this section. Section 401(f)(2) provides that the custodian must be a bank (as defined in section 408(n)) or another person who demonstrates to the satisfaction of the Secretary that the manner in which such other person will hold the assets will be consistent with the requirements of section 401 of the Code. Section 401(f) also provides that in the case of a custodial account treated as a qualified trust, the person holding the assets of such account shall be treated as the trustee thereof.

Section 403(b)(7)(A) of the Code requires, in part, that for amounts paid by an employer to a custodial account to be treated as amounts contributed to an annuity contract for his employee, the custodial account must satisfy the requirements of section 401(f)(2). That section also requires, in order for the amounts paid by an employer to be treated as amounts contributed to an annuity contract for his employee, that the amounts are to be invested in regulated investment company stock to be held in the custodial account and under the custodial account no such amounts may be paid or made available to any distributee before the employee dies, attains age 59 1/2, has a severance from employment, becomes disabled (within the meaning of section 72(m)(7)), or in the case of contributions made pursuant to a salary reduction agreement (within the meaning of section 3121(a)(1)(D)), encounters financial hardship.

Section 408(h) of the Code provides that a custodial account shall be treated as a trust under this section if the assets of such account are held by a bank (as defined in subsection (n)) or another person who demonstrates to the satisfaction of the Secretary that the manner in which such other person will administer the account will be consistent with the requirements of this section, and if the custodial account would, except for the fact that it is not a trust, constitute an IRA described in subsection (a). Section 408(h) also provides that, in the case of a custodial account treated as a trust by reason of the preceding sentence, the custodian of such account shall be treated as the trustee thereof.

Section 408A of the Code provides, in general, that a Roth IRA shall be treated in the same manner as an individual retirement plan. Section 7701(a)(37)(A) defines an individual retirement plan as an individual retirement account described in section 408.

Section 530(g) of the Code (dealing with Coverdell education savings accounts) provides that a custodial account shall be treated as a trust if the assets of such account are held by a bank (as defined in section 408(n)) or another person who demonstrates, to the satisfaction of the Secretary, that the manner in which he will administer the account will be consistent with the requirements of this section, and if the custodial account would, except for the fact that it is not a trust, constitute an account described in subsection (b)(1). For purposes of title 26 of the Code, in the case of a custodial account treated as a trust by reason of the preceding sentence, the custodian of such account shall be treated as the trustee thereof.

Section VII of Notice 98-8, 1998-1 C.B. 355 (guidance relating to the requirements applicable to eligible deferred compensation plans described in section 457(b) of the Code), provides, in pertinent part, that for purposes of the trust requirements of section 457(g)(1), a custodial account will be treated as a trust if the custodian is a bank, as described in section 408(n), or a person who meets the nonbank trustee requirements of section VIII of this notice, and the account meets the requirements of section VI of this notice, other than the requirement that it be a trust. Section VIII provides that the custodian of a custodial account may be a person other than a bank only if the person demonstrates to the satisfaction of the Commissioner that the manner in which the person will administer the custodial account will be consistent with the requirements of section 457(g)(1) and (g)(3) of the Code. To do so, the person must demonstrate that the requirements of paragraphs (2)-(6) of section 1.408-2(e) of the regulations relating to nonbank trustees will be met.

The Income Tax Regulations at section 1.408-2(e) contain the requirements that such other person must comply with in order to act as trustee or custodian, for purposes of sections 220, 401(f), 403(b)(7), 408(a)(2), 408(h), 408(q), 408A, 457(b) and 530 of the Code. One of the requirements of section 1.408-2(e) states that such person must file a written application with the Commissioner demonstrating, as set forth in that section, its ability to act as a trustee or custodian.

Based on all the information submitted to this office and all the representations made in the application, we have concluded that Wachovia Securities LLC meets the requirements of section 1.408-2(e) of the regulations and, therefore, is approved to act as a nonbank custodian of medical savings accounts established under section 220 of the Internal Revenue Code, plans qualified under section 401, accounts described in section 403(b)(7), individual retirement accounts (IRAs) established under sections 408, 408A (dealing with Roth IRAs), and 530 (dealing with Coverdell education savings accounts), and eligible deferred compensation plans described in section 457(b).

This letter authorizes Wachovia Securities LLC to act as a passive or non-passive nonbank custodian. When Wachovia Securities LLC acts as a passive nonbank custodian (within the meaning of section 1.408-2(e)(6)(i)(A) of the regulations), it is authorized only to acquire and hold particular investments specified by the custodial agreement. It may not act as a passive custodian if under the written custodial agreement it has discretion to direct investments of the custodial funds.

Wachovia Securities LLC may not act as a custodian unless it undertakes to act only under custodial agreements that contain a provision to the effect that the grantor is to substitute a trustee or another custodian upon notification by the Commissioner that such substitution is required because Wachovia Securities LLC has failed to comply with the requirements of section 1.408-2(e) of the regulations or is not keeping such records, or making such returns or rendering such statements as are required by forms or regulations. For example, one such form is Form 990-T for IRAs that have \$1000 or more of unrelated business taxable income that is subject to tax by section 511(b)(1) of the Code.

Wachovia Securities LLC is required to notify the Commissioner of Internal Revenue, Attn: T:EP:RA, Internal Revenue Service, Washington, D.C. 20224, in writing, of any change which affects the continuing accuracy of any representations made in its application. Further, the continued approval of Wachovia Securities LLC to act as a nonbank custodian of medical savings accounts established under section 220 of the Internal Revenue Code, plans qualified under section 401, accounts described in section 403(b)(7), individual retirement accounts (IRAs) established under sections 408, 408A (dealing with Roth IRAs), and 530 (dealing with Coverdell education savings accounts), and eligible deferred compensation plans described in section 457(b) is contingent upon the continued satisfaction of the criteria set forth in section 1.408-2(e) of the regulations.

This approval letter is not transferable to any other entity. An entity that is a member of a controlled group of corporations, within the meaning of section 1563(a) of the Code, may not rely on an approval letter issued to another member of the same controlled group. Furthermore, any entity that goes through an acquisition, merger, consolidation or other type of reorganization may not necessarily be able to rely on the approval letter issued to such entity prior to the acquisition, merger, consolidation or other type of reorganization. Such entity may have to apply for a new notice of approval in accordance with section 1.408-2(e) of the regulations.

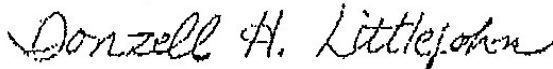
This letter constitutes a notice that Wachovia Securities LLC may act as a nonbank custodian of medical savings accounts established under section 220 of the Internal Revenue Code, plans qualified under section 401, accounts described in section 403(b)(7), individual retirement accounts (IRAs) established under sections 408, 408A (dealing with Roth IRAs), and 530 (dealing with Coverdell education savings accounts), and eligible deferred compensation plans described in section 457(b) and does not bear upon its capacity to act as a custodian under any other applicable law. This is not an endorsement of any investment. The Internal Revenue Service does not review or approve investments.

This notice of approval is effective as of the date of this letter and will remain in effect until withdrawn by Wachovia Securities LLC or revoked by the Service. This notice of approval does not authorize Wachovia Securities LLC to accept any fiduciary account before this notice becomes effective.

In accordance with the power of attorney on file in this office, this letter is being sent to your authorized representative.

If you have any questions, please contact Mr. C. Thompson (Badge No. 50--07262) at (202) 283-9596.

Sincerely,

A handwritten signature in black ink that reads "Donzell H. Littlejohn". The signature is written in a cursive style with a large initial "D".

Donzell H. Littlejohn, Acting Manager
Employee Plans Technical Group 1