

# **DOMINI SOCIAL INVESTMENTS**

## **COVERDELL EDUCATION SAVINGS ACCOUNT**

### **CUSTODIAL ACCOUNT AGREEMENT AND DISCLOSURE STATEMENT**

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*The Way You Invest Matters®*

# DOMINI SOCIAL INVESTMENTS

## CUSTODIAL ACCOUNT AGREEMENT

### TERMS AND CONDITIONS FOR EDUCATION SAVINGS ACCOUNTS

Articles I - IX are in the form promulgated by the Internal Revenue Service in Form 5305-EA (March 2002) for use in establishing a Coverdell Education Savings Account under Section 530 of the Internal Revenue Code.

The Depositor whose name appears on the Account Form is establishing a Coverdell Education Savings Account under Section 530 for the benefit of 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 made a cash deposit with the Custodian as indicated on the Account Form.

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 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. **Unless otherwise directed by checking the option below, 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.

**Option** (*This provision is effective only if checked on the Account Form*): 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 or may not 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 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 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 below.

## Article X

1. Except as otherwise permitted in paragraph 8(a) below, all contributions made under this Agreement shall be deposited in the form of cash. All such contributions shall be credited to a Custodial Account for the benefit of the Designated Beneficiary. Subject to the limitations set forth in the Account Form, all funds in the Custodial Account (including contributions, dividends, interest, proceeds from the sale or other disposition of investments and any other cash receipts) shall be invested and reinvested in:

- (a) any marketable securities obtainable through Domini Social Investments either “over the counter” or on a recognized exchange (excluding securities issued by the Custodian or Domini Social Investments);
- (b) any interest-bearing deposits in any bank (including the Custodian, Domini Social Investments if it is a bank, or any bank affiliated with Domini Social Investments) approved by the Custodian;
- (c) any shares of open-end regulated investment companies designated by Domini Social Investments; and
- (d) any other investment, but only if, in the sole judgment of the Custodian, such investment will not impose upon it an administrative burden greater than that normally incident to investments described in (a) above (such judgment by the Custodian not to be construed in any respect as a judgment concerning the prudence or advisability of such an investment).

Such investments shall be made in such specific securities and other investments, in such proportions and in such amounts as the Depositor initially directs or the Responsible Individual may direct from time to time by notice to Domini Social Investments (in such form as may be acceptable to Domini Social Investments). However, the Custodian or Domini Social Investments may establish minimum amounts for any type of investment.

Domini Social Investments shall be responsible for the execution of such orders. The Custodian shall maintain or cause to be maintained adequate records thereof (provided that the Custodian may retain Domini Social Investments as its agent or recordkeeper to maintain adequate records of transactions on behalf of the Custodian). However, if any such orders are not received as required or, if received, are unclear or incomplete in the opinion of Domini Social Investments, all or a portion of the assets of the Custodial Account may be held uninvested without liability for loss of income or appreciation, and without liability for interest, pending receipt of complete orders or clarification; or such assets may be invested in an interest-bearing account described in (b) above or in a money-market type open-end investment company designated by Domini Social Investments.

2. Any brokerage account maintained in connection herewith shall be in the name of the Custodian for the benefit of the Designated Beneficiary. All assets of the Custodial Account shall be registered in the name of the Custodian or of a suitable nominee (and the same nominee may be used with respect to assets of other investors whether or not held under agreements similar to this one or in any capacity whatsoever); provided, however, that the Custodian may hold any security in bearer form or by or through Domini Social Investments, or by or through a central clearing corporation maintained by institutions active in the national securities markets; provided further, however, that (a) the books and records of the Custodian (or Domini Social Investments acting as the agent or recordkeeper for the Custodian) shall show that all such investments are part of the Custodial Account; (b) each Custodial Account shall be separate and distinct; (c) a separate account thereof shall be maintained by the party having actual custody of such assets;

and (d) the assets thereof shall be held in individual or bulk segregation in such party's vaults or in depositories approved by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

3. Neither the Custodian, Domini Social Investments nor any other party providing services to the Custodial Account assumes any responsibility for rendering advice with respect to the investment or reinvestment of the Custodial Account and shall not be liable for any loss which results from either the Depositor's or Responsible Individual's exercise of control over the Custodial Account. Initially the Depositor and subsequently the Responsible Individual shall have and exercise exclusive responsibility for and control over the investment of the assets of the Custodial Account in accordance with the terms of this Agreement, and neither the Custodian, Domini Social Investments nor any other such party shall have any duty to question either of their directions in that regard or to advise either of them regarding purchase, retention, or sale of such assets.

4. Within seven days after the Depositor first receives the Disclosure Statement, he may revoke the Custodial Account established hereunder by mailing or delivering a written notice of revocation to the Custodian. If mailed, the date of the postmark or, if applicable, the date of Post Office certification or registration, shall be treated as the date of receipt by the Custodian. Upon timely revocation, the Depositor will receive a payment equal to the initial contribution, without adjustment for interest or earnings, administrative expenses, commissions or sales charges, fluctuations in market value or other changes. The Depositor may be required to certify in the Account Form receipt of the Disclosure Statement related to the Custodial Account at least seven days prior to the Depositor's signing of the Account Form to establish the Custodial Account. The Custodian may rely on such certification. Also, the Custodian or Domini Social Investments may retain the initial contribution for a period of up to 10 days after the receipt thereof, without investing such amount in accordance with the Depositor's instructions, and may invest such amount after the expiration of such period if the Depositor has not revoked the Custodial Account.

5. All contributions shall be made to the Custodian, in accordance with such rules as the Custodian may establish. Except to the extent the Depositor exercises the revocation rights set forth in Section 4, or in any case in which the Depositor and the Designated Beneficiary or Responsible Individual are the same person, after making the initial contribution to the Account and indicating the initial investment elections therein, all rights in and to and responsibilities for the Account of the Depositor shall cease immediately and all such rights and responsibilities shall irrevocably inure to the Designated Beneficiary or Responsible Individual, as the case may be.

6. (a) The Depositor and the Responsible Individual must sign the Account Form. Only one parent or guardian may sign the Account Form and administer the Account for the benefit of a Designated Beneficiary as the Responsible Individual. The Responsible Individual is charged with sole responsibility for maintaining the Account and shall execute all forms, account forms, certifications and other documents on behalf of the Designated Beneficiary. All rights, powers, responsibilities, authorities or requirements conferred upon the Designated Beneficiary herein or in any document relating to the Account shall be exercised or carried out by the Responsible Individual on behalf of the Designated Beneficiary.

(b) The Depositor may specify on the Account Form that the Responsible Individual will continue to maintain and administer the Account under the preceding subparagraph (a) after the Designated Beneficiary reaches the age of majority as recognized by the laws of the Designated Beneficiary's state of residence ("age of majority"). Alternatively, the Depositor may specify in the Account Form that, once the Designated Beneficiary attains the age of majority, and upon the receipt of notice by the Custodian from the Designated Beneficiary that he is assuming sole responsibility for the maintenance and operation of his Account and agree-

ing to be bound by the terms of this Agreement (with such evidence or documentation as the Custodian may request), the Custodian shall thereafter deal exclusively with the Designated Beneficiary as the person controlling the administration of the Account. (In absence of written notice described above, the Custodian shall have no obligation to acknowledge the Designated Beneficiary's right to exercise such powers and authority.)

If the Depositor makes no specific choice in the Account Form, the Depositor is deemed to have specified that the Designated Beneficiary will, upon reaching the age of majority and so notifying the Custodian, assume sole responsibility for maintaining and administering the Account.

**(c)** The Depositor may specify in the Account Form that the Responsible Individual may name a new designated beneficiary for the Account, or the Depositor may specify that the Responsible Individual will not have this power. If the Depositor makes no specific choice in the Account Form, the Depositor is deemed to have specified that the Responsible Individual may name a new designated beneficiary for the Account. Any such new designated beneficiary must be member of the family of the original Designated Beneficiary within the meaning of Code Section 529(e)(2).

The Responsible Individual may, if permitted, name a new designated beneficiary for the Account by appropriate instructions to the Custodian, providing such information as the Custodian requests.

**7.** The Custodian shall not be responsible for any losses, penalties or other consequences to the Depositor, the Responsible Individual or the Designated Beneficiary or to any other person arising out of the making of any contribution or withdrawal or for the results of the initial selection of the investment(s) for the Custodial Account or for any subsequent change of investment(s). The Responsible Individual must determine whether contributions made to all Education Savings Accounts on behalf of the Designated Beneficiary do not exceed, in the aggregate, the maximum amount permitted under Code Section 530 for any taxable year.

**8. (a)** The Custodian shall have the right to receive rollover contributions as described in Section 530(d)(5) of the Code. Any property so transferred to it in a form other than cash shall be sold by the Custodian and reinvested as provided in paragraph 1 of this Article X. The Custodian reserves the right to refuse to accept any property which is not in the form of cash.

**(b)** The Custodian, upon written direction of the Responsible Individual, shall transfer the assets held under this Agreement (reduced by any amounts referred to in paragraph 10 of this Article X) to another Education Savings Account for the benefit of the same Designated Beneficiary or a member of the Designated Beneficiary's family. For these purposes, members of the Designated Beneficiary's family include any of the following who are under age 30: the Designated Beneficiary's spouse, son or daughter (and their descendants), stepson, stepdaughter, brother, sister, stepbrother, stepsister, father or mother (or ancestor of either), stepfather, stepmother, niece, nephew, aunt or uncle, son-in-law or daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law, or a spouse of any of the foregoing, or a first cousin. The age 30 requirement in the preceding sentence will not apply if the family member is a Special Needs Student (as defined below).

The Custodian has no responsibility for determining whether such successor Education Savings Account meets the requirements of Code Section 530, whether the Designated Beneficiary of such account is a permissible beneficiary, or whether such transfer is a tax-free transaction.

For purposes of this paragraph 8(b) (and any other provision of this Agreement where applicable), a “Special Needs Student” is an individual who, because of a physical, mental or emotional condition (including a demonstrable learning disability) requires additional time to complete his or her education (any additional requirements specified in Internal Revenue Service regulations or rulings – if any – defining “Special Needs Student” must also be satisfied). The Custodian may rely upon any written statement, in the Account Form or another document, to the effect that a particular individual (including the Designated Beneficiary) is a Special Needs Student without additional inquiry.

(c) Any amounts received or transferred by the Custodian under this paragraph 8 shall be accompanied by such instructions, records and other documents as the Custodian deems necessary.

9. The Depositor, Responsible Individual and Designated Beneficiary hereby delegate to the Custodian the power to amend at any time and from time to time the terms and provisions of this Agreement and hereby consent to all such amendments, provided that an amendment is not contrary to any applicable provision of the Internal Revenue Code, the regulations thereunder, or any other applicable law, regulation or ruling. Any such amendment shall be effective when the notice of such amendment is mailed to the address of the Responsible Individual indicated in the Custodian’s records (provided that the Custodian may provide a different effective date if necessary to comply with any provision of law or otherwise deemed necessary or beneficial by the Custodian).

10. Any income taxes or other taxes of any kind whatsoever which may be levied or assessed upon or in respect of the assets of the Custodial Account, or the income arising therefrom, any transfer taxes incurred, any expenses incurred by the Custodian in the performance of its duties, including fees for legal services rendered to the Custodian, and the Custodian’s and Domini Social Investments compensation as set forth in the Disclosure Statement may be paid by the Responsible Individual and, unless and until so paid, within such time period as the Custodian may establish, may be paid from the assets of the Custodial Account. The Custodian and Domini Social Investments shall be empowered to take any action necessary to effectuate the provisions of this paragraph and shall have no liability to the Designated Beneficiary or any other person therefor. The Custodian and Domini Social Investments shall each have the right to change or adjust its fees and compensation upon 30 days’ notice to the Responsible Individual, and may increase, reduce or waive fees with respect to any class or group of Designated Beneficiaries.

11. Amounts in the Custodial Account and the benefits provided hereunder shall not be subject to alienation, assignment, garnishment, attachment, execution or levy of any kind, and any attempt to cause such benefits to be so subjected shall not be recognized, except to such extent as may be required by law.

12. Any pledging of assets in the Custodial Account by the Responsible Individual, the Designated Beneficiary or any other person as security for a loan, or any loan or other extension of credit from the Custodial Account to the Designated Beneficiary, shall be prohibited.

13. In taking or refraining from any action or determining any fact or question which may arise under this Custodial Agreement, the Custodian may rely upon any statement by the Responsible Individual, Designated Beneficiary or Domini Social Investments with respect thereto. The Depositor, Responsible Individual and Designated Beneficiary hereby agree that the Custodian will not be liable for any loss or expense resulting from taking or not taking such action or determination taken in reliance on any such statement.

**14.** The Custodian may resign at any time upon 90 days' written notice to the Responsible Individual and may be removed by the Responsible Individual at any time upon 90 days' written notice to the Custodian. Upon the resignation or removal of the Custodian, a successor Custodian shall be appointed by the Responsible Individual within 90 days of such resignation or removal and in the absence of such appointment, the Custodian may designate a successor unless this Agreement is sooner terminated. Any successor custodian shall be a bank (as defined in Section 408(n) of the Code) or another person found qualified to act as a custodian under an individual retirement account plan by the Secretary of the Treasury, or his delegate, pursuant to Section 530(b)(1)(B) of the Code. The appointment of a successor custodian shall be effective upon receipt by Custodian of such successor's written acceptance which shall be submitted to the Custodian and to the Responsible Individual. As soon as reasonably practicable after the effective date of a successor custodian's appointment, the Custodian shall transfer and deliver to the successor custodian applicable account records and assets of the Custodial Account (reduced by any unpaid amounts referred to in paragraph 10 of this Article X - including any fees or expenses arising in connection with such transfer and delivery). The successor custodian shall be subject to the provisions of this Agreement (or any successor thereto) on the effective date of its appointment.

**15. (a)** The Custodian shall distribute the assets of the Custodial Account at such time and to such person or entity as the Designated Beneficiary shall instruct. The Custodian shall have no responsibility for determining whether such distributions shall be included in gross income of the Designated Beneficiary (or any other person), but the Custodian shall report such distribution to the Internal Revenue Service consistent with the applicable provisions of the Code and regulations and rules thereunder.

**(b)** The Responsible Individual and the Designated Beneficiary acknowledge that a distribution of a taxable amount from the Custodial Account may subject the Designated Beneficiary to an additional tax on the distribution under Section 530(d)(4) of the Code unless an exception applies. The Custodian or any party providing services to the Custodial Account assumes no responsibility for monitoring or approving the purposes for any distribution, or for the tax treatment accorded any distribution from the Account; the responsibility for these determinations rests solely and exclusively with the person ordering the distribution.

**(c)** The Responsible Individual or the Designated Beneficiary has the responsibility to notify the Custodian to make a distribution upon the Designated Beneficiary's attainment of age 30. The Responsible Individual or the Designated Beneficiary will be responsible for any tax consequences resulting from his failure to so direct the Custodian. Notwithstanding the foregoing, the Custodian may, based upon its records, distribute the account balance to the Designated Beneficiary upon his attainment of age 30, but the Custodian will have no responsibility or liability for not making any distribution in the absence of instructions in good order to the Custodian directing the making of such distribution. If the Custodian has not distributed the Custodial Account within 30 days after the Designated Beneficiary's 30th birthday, the Custodian will report the balance in the Custodial Account at such time as a "deemed distribution" to the extent required by law, but the Custodian will have no responsibility for so doing. Following the reporting of the Custodial Account as a "deemed distribution," the Custodian will treat the Custodial Account as a taxable account maintained by the Designated Beneficiary.

The requirements in the preceding paragraph concerning the distribution or deemed distribution of the Custodial Account upon the Designated Beneficiary's reaching age 30 shall not apply if the Custodian has been notified that the Designated Beneficiary is a Special Needs Student.

**(d)** If upon the death of the Designated Beneficiary there is no surviving named beneficiary to receive the Custodial Account, any balance remaining in the Custodial Account of the Designated Beneficiary may be distributed by the Custodian to his estate in the manner required

by Code Section 530 and the Custodian shall have no responsibility or liability for not making a distribution in the absence of instructions in good order from the Responsible Individual or a legal representative of the Designated Beneficiary's estate directing the making of such distribution. If the Custodian has not distributed the Custodial Account within 30 days after the Designated Beneficiary's death, the Custodian will report the balance in the Custodial Account at such time as a "deemed distribution" to the extent required by law, but the Custodian will have no responsibility for so doing. Following the reporting of the Custodial Account as such a "deemed distribution" the Custodian will treat the Custodial Account as a taxable account maintained by the estate of the deceased Designated Beneficiary.

If, upon the death of the original Designated Beneficiary, the named beneficiary to receive the Custodial Account is a member of the original Designated Beneficiary's family (as defined in Code Section 529) who is under the age of 30 or a Special Needs Student at the time of such death, the Custodial Account will continue to be maintained as an Education Savings Account for the benefit of the named beneficiary, and such named beneficiary will thereupon be treated as the Designated Beneficiary hereunder. Upon proper notification to the Custodian (with such documentation as the Custodian may require), the Custodian will treat such named beneficiary as the Designated Beneficiary for purposes of this Agreement. If the named beneficiary to receive the account upon the death of the original Designated Beneficiary is not such a family member, such named beneficiary will be entitled to receive the amount in the Custodial Account and may withdraw such amount by appropriate instructions to the Custodian, which will report such withdrawal as a taxable distribution in accordance with applicable requirements. If not so withdrawn by the named beneficiary within 30 days after the original Designated Beneficiary's death, the amount in the Custodial Account will be reported by the Custodian as a "deemed distribution" to such named beneficiary in accordance with applicable requirements, and the Custodian may thereafter maintain the Custodial Account as a taxable account of the named beneficiary.

If in accordance with the preceding paragraph, the Custodian continues to maintain the Custodial Account as an Education Savings Account for the benefit of a named beneficiary who is a family member of the original Designated Beneficiary and who is under the age of 30 or a Special Needs Student, the original Responsible Individual will continue to be the Responsible Individual for purposes of the Agreement until, if applicable, the new Designated Beneficiary reaches the age of majority in the state of his or her residence and notifies the Custodian that he or she is assuming responsibility for the administration of the Custodial Account if permitted under this Agreement. However, the original Responsible Individual may, as provided in Article V, appoint as the new Responsible Individual a parent or guardian of the new Designated Beneficiary, in writing containing such information as the Custodian may require, and upon acceptance of such new designation, such individual will be the Responsible Individual for purposes of this Agreement.

**16.** The Custodian assumes (and shall have) no responsibility to determine whether the requirements of Section 530 (b) have been met for any distribution.

However, prior to making any distribution from the Custodial Account, the Custodian shall be furnished with any and all account forms, certificates, tax waivers, signature guarantees, and other guarantees, and other documents (including proof of any legal representative's authority) deemed necessary or advisable by the Custodian, but the Custodian shall not be liable for complying with written instructions which appear on their face to be genuine, or for refusing to comply if not satisfied such instructions are genuine, and assumes no duty of further inquiry. Upon receipt of proper written instructions as required above, the Custodian shall cause the assets of the Custodial Account to be distributed, as specified in such written order.

17. If the Designated Beneficiary is disabled, as that term is defined in Section 72(m) of the Code, the Responsible Individual may give notice to the Custodian of such disability and request that up to the total balance of the Custodial Account be distributed. The Custodian, within a reasonable time after submission of satisfactory proof of such disability, shall order the distribution of the balance of the Custodial Account to the Designated Beneficiary or such portion as the Responsible Individual requested.

18. This Agreement shall terminate and be of no further force or effect (except for Sections 14 and 19 of this Article X which shall survive such termination of the Custodial Account and this Agreement) coincident with the complete distribution of the assets of the Custodial Account, and the Custodian shall have no further duties or responsibilities with respect to the Custodial Account after its termination.

19. The Depositor, the Designated Beneficiary and the Responsible Individual hereby agree, jointly and severally, to indemnify and hold harmless the Custodian from and against any and all claims, loss, damages, costs or expenses (including reasonable attorney's fees) which the Custodian may incur or pay out by reason of any alleged or actual act, or failure to act, on the part of the Responsible Individual, Designated Beneficiary, Domini Social Investments or any other person. The preceding sentence will survive the termination of the Agreement.

20. Any notice herein required or permitted to be given to the Custodian shall be sufficiently given if mailed to the Custodian by first class mail, care of Investors Bank & Trust Company, P.O. Box 9130, IRA-21, Boston, MA 02117-9130, or to such other address as the Custodian shall provide the Responsible Individual from time to time in writing, stating that such other address shall be used for purposes of this Agreement. Any notice herein required or permitted to be given to the Depositor, Responsible Individual and/or Designated Beneficiary shall be sufficiently given if mailed to such person at such person's address appearing on the Account Form, or at such other address as such person shall have provided the Custodian from time to time in writing, which writing shall state that such other address is to be used for purposes of this Agreement.

21. The Custodian and Domini Social Investments shall keep or cause to be kept adequate records of the transactions they are required to perform hereunder. In addition to any reports required by the Code or the regulations thereunder, the Custodian shall cause to be mailed to the Responsible Individual in respect of each tax year an account of all transactions affecting the Custodial Account during such year and a statement showing the Custodial Account as of the end of such year. If, within sixty (60) days after such mailing, the Responsible Individual has not given the Custodian or Domini Social Investments written notice of any exception or objection thereto, the annual accounting shall be deemed to have been approved, and in such case, or upon the written approval of the Responsible Individual, the Custodian and Domini Social Investments shall be released, relieved and discharged with respect to all matters and statements set forth in such accounting as though the account had been settled by judgment or decree of a court of competent jurisdiction.

Domini Social Investments shall deliver, or cause to be executed and delivered, to the Responsible Individual all notices, prospectuses, financial statements, proxies and proxy soliciting materials relating to securities or other investments credited to the Custodial Account. No shares of stock shall be voted, and no other action shall be taken pursuant to such documents except upon receipt of adequate written instructions from the Responsible Individual.

22. The Custodian and Domini Social Investments shall be agents for the Depositor, Responsible Individual or Designated Beneficiary to perform the duties conferred on them, respectively, hereunder, as directed by the Responsible Individual. The parties do not intend to confer any fiduciary duties on the Custodian and Domini Social Investments and none shall be

implied. Neither shall be liable (nor assumes any responsibility) for the collection of contributions, or the amount or timing or tax treatment of any contributions under this Agreement, the selection of any investments for the Custodial Account, or the purpose or propriety or tax treatment of any distribution ordered in accordance with Article III or Sections 15, 16 or 17 of Article X, which matters are the sole responsibility of the Responsible Individual or the Designated Beneficiary or the Designated Beneficiary's beneficiary, as the case may be.

**23.** The Custodian and Domini Social Investments shall each be responsible solely for performance of those duties expressly assigned to it in this Agreement, and neither assumes any responsibility as to duties assigned to anyone else hereunder or by operation of law.

**24.** When accepted by the Custodian, this Agreement is accepted in and shall be construed and administered in accordance with the laws of the state where the principal offices of the Custodian are located. Any action involving the Custodian brought by any other party must be brought in a state or federal court in such state.

This Agreement is intended to qualify under Code Section 530 as an Education Savings Custodial Account and to entitle the Designated Beneficiary to the tax-free withdrawal of amounts from the Custodial Account to the extent permitted in such Code section.

If any provision hereof is subject to more than one interpretation or any term used herein is subject to more than one construction, such ambiguity shall be resolved in favor of that interpretation or construction which is consistent with the intent expressed in the preceding paragraph.

However, the Custodian shall not be responsible for whether or not such intentions are achieved through use of this Agreement, and interested parties are referred to their own attorney for any such assurances.

**25.** The Depositor, Responsible Individual and Designated Beneficiary should seek advice from their respective attorneys regarding the legal consequences (including but not limited to federal and state tax matters) of entering into this Agreement, contributing to the Custodial Account, and ordering Custodian to make distributions from the Account. The Depositor, Responsible Individual and Designated Beneficiary each acknowledge that all such matters are their respective sole responsibility and that Custodian is prohibited by law from rendering such advice.

**26.** Notwithstanding anything in the foregoing to the contrary, any provision which is inconsistent with Section 530 of the Code or any regulations promulgated under said section of the Code (as in effect from time to time) shall be disregarded and this Agreement shall be administered in accordance with said regulations. In addition, if there is any change in the laws, regulations or rulings applicable to Education Savings Accounts, pending the adoption of a revised Form 5305-EA by the Internal Revenue Service, or the adoption of an amendment to this Agreement, the Custodian and Domini Social Investments may administer the account in accordance with such changed legal requirements, notwithstanding that such administration may be in conflict with the provisions hereof pending such amendment, and the Custodian and Domini Social Investments will have no liability for so doing.

**27.** The legal documents governing the Custodial Account are the provisions of the Terms and Conditions for Education Savings Accounts of this Agreement and the provisions of the Account Form.

**28.** Articles I through IX of the Terms and Conditions for Education Savings Accounts of

this Agreement are in the form promulgated by the Internal Revenue Service as Form 5305-EA. It is anticipated that, if and when the Internal Revenue Service promulgates changes to Form 5305-EA, the Custodian will amend this Agreement correspondingly.

29. The Depositor, the Responsible Individual and Designated Beneficiary acknowledge that they have received and read the Disclosure Statement relating to the Custodial Account. The Depositor, the Responsible Individual and Designated Beneficiary further acknowledge that they have received and read current prospectus for each Fund in which the Custodial Account is invested and the Education Savings Account Disclosure Statement. The Depositor, the Responsible Individual and Designated Beneficiary represent under penalties of perjury that their respective Social Security numbers (or other Taxpayer Identification Number) as stated in the Account Form are correct.

30. The Responsible Individual agrees to provide all information as may be necessary to prepare reports required under Section 530(h) of the Code to the Custodian.

31. The Custodian will submit reports to the Internal Revenue Service and the Responsible Individual or Designated Beneficiary (or Depositor) at such time and manner and containing such information as prescribed by the Internal Revenue Service.

32. The Responsible Individual or the Designated Beneficiary and the Custodian each shall furnish to the other such information relevant to the Custodial Account as may be required under the Code and regulations issued or forms adopted by the Internal Revenue Service thereunder or as may otherwise be required for the proper administration of the Custodial Account.

33. The Responsible Individual, the Designated Beneficiary and/or the Depositor shall file all reports to the Internal Revenue Service which may or are required of any of them by law, and the Custodian may have no duty to advise either concerning or compliance with such requirement, or monitor such compliance.

\* \* \*

## **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.

The Designated Beneficiary's Social Security Number will serve as the identification number of his or her individual savings account.

## **SPECIFIC INSTRUCTIONS**

### **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.

# EDUCATION SAVINGS ACCOUNT DISCLOSURE STATEMENT

## 1. INTRODUCTION

You should review the following information along with the Investors Bank & Trust Education Savings Account Custodial Account Agreement (the “Terms and Conditions”), the Education Savings Account Form (the “Account Form” and the current prospectus for any Fund in which the Account will be invested).

This Disclosure Statement provides information about Education Savings Accounts. Education Savings Accounts (previously called Education IRAs) provide a convenient, tax-efficient way to save for educational expenses. A recent change in tax laws substantially improved these accounts (and changed their name to Coverdell Education Savings Accounts or simply Education Savings Accounts).

An Education Savings Account is a trust or custodial account established by an individual (the “Depositor”) for the benefit of an individual (the “Designated Beneficiary”) in which the amounts contributed are *not deductible* on the Depositor’s (or Designated Beneficiary’s) Federal income tax return, but earnings accumulate without current income tax. ***Withdrawals made from an Education Savings Account to pay for qualified education expenses may also be made tax free.*** (Note: State tax treatment of Education Savings Account earnings and withdrawals may differ from Federal treatment. In some states, Education Savings Accounts may be taxable. You should consult your tax advisor for information regarding tax laws applicable in your state.)

Annual contributions to an Education Savings Account may be made by a Depositor on behalf of any Designated Beneficiary, as long as the Designated Beneficiary is under age 18 or is a Special Needs Student (as defined below) at the time the contribution is made. Annual contributions (that is, contributions other than rollovers) to **all** Education Savings Accounts established for a single Designated Beneficiary may not, in the aggregate, exceed \$2,000 annually. An individual with modified adjusted gross income for a year above certain limits may not contribute to an Education Savings Account that year. (See paragraph 3, ***Limits on Annual Contributions***, below for more information about contributions and limitations.)

Education Savings Account agreements must be in writing. The trustee or custodian must be a bank or other entity approved by the Secretary of the Treasury. No part of the Education Savings Account assets may be invested in life insurance contracts, or be commingled with other property except in a common investment fund. The Designated Beneficiary’s interest in the Education Savings Account must be nonforfeitable at all times.

The Account Form is signed by the Depositor and by a parent or guardian (the “Responsible Individual”) of the Designated Beneficiary. The Responsible Individual will monitor and maintain the account and will sign all forms, registration materials and other documents related to the operation of the account after the Depositor initially establishes the account by signing the Account Form. Also, the Responsible Individual gives the Custodian instructions concerning the administration of the account. (Note: Only one parent or guardian can be the Responsible Individual for any one Education Savings Account.) The Custodian is not required to, nor shall it, determine whether a parent or guardian identified as the “Responsible Individual” has, in fact, the legal right to act in that capacity.

The Depositor who establishes the Education Savings Account determines the initial investment(s) for the account from those available. After that, all rights and responsibilities related to the operation of the Education Savings Account are exercisable by the Responsible Individual. In most cases (other than a Special Needs Student), the Designated Beneficiary will be a minor

when the Education Savings Account is established. In such a case, when the Designated Beneficiary attains the age of majority in his or her state of residence (“age of majority”), he or she may notify the Custodian in writing of his or her intention to begin exercising control over the Education Savings Account. However, if so specified by the Depositor when establishing the account, all rights and responsibilities related to the operation of the Education Savings Account will remain exercisable by or required of the Responsible Individual even after the Designated Beneficiary reaches the age of majority.

If the Depositor does not receive this statement at least seven days before the establishment of an Education Savings Account, he or she shall have the right to revoke the account within seven days after it is established and to receive a return of the entire amount invested. If this right to revoke applies to you and if you should desire to exercise your right to revoke an Education Savings Custodial Account, you should mail or deliver a written notice of revocation to Domini Funds, P.O. Box 9785, Providence, RI 02940-9785. Mailed notice will be deemed given on the date it is postmarked (or, if sent by certified or registered mail, on the date of certification or registration by the post office). Domini Social Investments has the right under the Education Savings Custodial Account Agreement to hold your initial contribution uninvested until the revocation period expires.

Except to the extent that the Depositor exercises the revocation right discussed above, after making the initial contribution and designating the initial investment election, the Depositor has no further rights in or to the Education Savings Account, unless the Depositor is the same person as either the Designated Beneficiary or the Responsible Individual.

This booklet explains in non-technical terms, who is eligible to contribute to Education Savings Accounts and how withdrawals are made, along with the other basic rules and features of Education Savings Accounts. The legal documents which constitute and control the Education Savings Account are the **Terms and Conditions for Education Savings Accounts** and the **Account Form**, which shall control in any and all instances in which this Disclosure Statement may contradict either or both of them.

The tax law rules for Education Savings Accounts are fairly new and the IRS has not addressed many of the issues regarding account maintenance and operation. Additionally, as it has done before Congress may pass additional laws changing some of the legal requirements described in this Disclosure Statement. Consult your own tax advisor or the IRS for the latest developments or for advice on establishing an Education Savings Account.

## 2. ELIGIBILITY

Anyone may be a Depositor and establish and make annual contributions to an Education Savings Account for the benefit of a Designated Beneficiary who is younger than age 18 or is a Special Needs Student at the time the contribution is made. The Depositor can be the Designated Beneficiary or *any other individual*; the Depositor need not be related to the Designated Beneficiary. In addition, a corporation or other entity may be a Depositor and make contributions to an Education Savings Account. The age 18 requirement (and the age 30 requirement for a rollover Education Savings Account—see below) do not apply in the case of a Special Needs Student. A “Special Needs Student” is an individual who, because of a physical, mental or emotional condition (including a demonstrable learning disability), requires additional time to complete his or her education. However, individuals with modified adjusted gross income exceeding certain levels may have a reduced contribution or may not be able to make a contribution. (See **Limits on Annual Contributions**, paragraph 3 below.) Additionally, a Designated Beneficiary may rollover funds from his Education Savings Account to another Education Savings Account established for the benefit of a member of his or her family, as long as the family member is under age 30 or is a Special Needs Student. (See **Rollover Education Savings Accounts**, described in paragraph 8 below.)

**3. LIMITS ON ANNUAL CONTRIBUTIONS**

(a) Depositors may make annual contributions to an Education Savings Account for the benefit of a Designated Beneficiary of up to \$2,000 annually, subject to the limitations on contributions discussed in (c) below.

(b) Any Depositor may contribute to an unlimited number of Education Savings Accounts opened and maintained on behalf of an unlimited number of Designated Beneficiaries, subject to the restrictions discussed in (c) below. However, annual contributions made to Education Savings Accounts on behalf of any one Designated Beneficiary may not, in the aggregate, exceed \$2,000 per year. The Custodian is not responsible for determining whether this maximum limit has been exceeded for any Designated Beneficiary. The Responsible Individual should determine whether the maximum limit will be exceeded as a result of any annual contribution.

(c) There is an exception to the rules in (a) and (b) above. The amount any Depositor or other contributor may contribute to an Education Savings Account may be reduced below \$2,000, based on the Depositor’s tax filing status and the Depositor’s (and the Depositor’s spouse’s) modified adjusted gross income. The following table shows the applicable limits:

**EDUCATION SAVINGS ACCOUNT CONTRIBUTION LIMITS**

Based on the Depositor’s or Other Contributor’s Modified Adjusted Gross Income (“MAGI”)

FILING STATUS		CONTRIBUTION AMOUNT
SINGLE	MARRIED	
MAGI up to \$95,000	MAGI up to \$190,000	FULL CONTRIBUTION
MAGI greater than \$95,000 but less than \$110,000	MAGI greater than \$190,000 but less than \$220,000	PARTIAL CONTRIBUTION
MAGI \$110,000 or more	MAGI \$220,000 or more	NO CONTRIBUTION

- (i) In general, the ability to contribute to an Education Savings Account is phased out at a rate of approximately \$133.33 per \$1,000 of MAGI for single individuals, and \$66.67 per \$1,000 of MAGI for married joint filers, in excess of the phase out threshold (\$95,000 for single filers, \$190,000 for married joint filers).
- (ii) These phase out limits apply to the ability of one Depositor (or other contributor) to make Education Savings Account contributions on behalf of any one Designated Beneficiary. Other contributors may, subject to the phase out rules based on their own MAGI, contribute the difference so that the full \$2,000 permitted under law is contributed to an Education Savings Account on behalf of a single Designated Beneficiary. However, the \$2,000 maximum limit may not be exceeded, in the aggregate, for any one Designated Beneficiary for a single calendar year.
- (iii) Amounts contributed to an Education Savings Account in excess of the maximum limits described above will be taxed at a rate of 6% as an “excess con-

tribution” for each year in which they remain in the Education Savings Account. (See Excess Contributions, paragraph 5 below.)

- (iv) For most people MAGI is the same as adjusted gross income (“agi”), which generally speaking is gross income reduced by those deductions available to all taxpayers—even those who do not itemize. MAGI is regular AGI plus certain amounts earned abroad. If a Depositor has not earned income in any foreign country, Guam, Puerto Rico, the Northern Mariana Islands, or American Samoa, then normal AGI is the same as MAGI. (Consult your tax advisor with any questions.)

(d) After an Education Savings Account has been established for the benefit of a Designated Beneficiary by a Depositor, persons other than the original Depositor may make contributions to the account.

Contributions to an Education Savings Account for a particular year by an individual must be made by the due date (without extensions) of the individual’s federal income tax return for that year. In most cases, this will mean that April 15th of the following year is the deadline for contributions by an individual. (If the contributor is a corporation or another entity (not an individual), the contribution due date for any calendar year is December 31 of that year.)

(e) Previously, there was a rule that contributions to a particular Designated Beneficiary’s Education Savings Account could not be made for any year when a contribution was made on that Designated Beneficiary’s behalf to a state prepaid tuition plan. This rule has been repealed and no longer applies.

#### **4. DEDUCTABILITY OF CONTRIBUTIONS**

Unlike contributions to conventional Traditional IRAs, contributions to an Education Savings Account are not deductible.

#### **5. EXCESS CONTRIBUTIONS**

(a) An excess contribution may occur in the following circumstances: when the \$2,000 per Designated Beneficiary per calendar year limit is exceeded (not including any rollover contribution amounts), or when the Depositor exceeds his or her contribution limit based on MAGI and filing status (as discussed above). A 6% excise tax will be imposed on any excess contributions made to an Education Savings Account. This tax applies for each year in which the excess contribution remains in the Education Savings Account.

(b) The excess can be corrected without paying the 6% penalty if the excess and any earnings on the excess are withdrawn before the first day of the sixth month following the year for which the excess contribution was made (for calendar year tax-payers, May 31 of the following year). If this correction approach is used, the net earnings must be included in income for the tax year for which the contribution was made. An excess contribution can also be corrected—and the 6% penalty possibly avoided—by contributing an amount from the Education Savings Account to a qualified state tuition program, if available, in the same year in which the excess contribution was made.

(c) Any excess contribution withdrawn after the May 31 deadline mentioned above will subject the Designated Beneficiary to the 6% excise tax. Unless an exception applies, the amount of the excess—plus earnings—withdrawn (for excess contribution withdrawals after the tax return due date, earnings may, but are not required to be withdrawn) will be included in the Designated Beneficiary’s income and may also be subject to a 10% withdrawal penalty.

(d) **Note:** The Custodian cannot and will not be responsible for checking to determine whether a contribution will result in an excess contribution. The Designated Beneficiary—or the Responsible Individual—*must always* check, including checking to determine whether any other potential Depositor or contributor to the Education Savings Account (such as relatives) have contributed or intend to contribute, to determine whether any of the limits discussed above will be exceeded.

## 6. TAX ON WITHDRAWALS FROM AN EDUCATION SAVINGS ACCOUNT

(a) **Non-taxed Withdrawals.** A Designated Beneficiary may make withdrawals from the Education Savings Account at any time. The principal amounts contributed to an Education Savings Account may always be withdrawn tax-free. Withdrawals of amounts considered earnings or growth will also be tax-free if the following requirements are met: (i) the withdrawal must be made from an Education Savings Account to cover the cost of qualified education expenses incurred by the Designated Beneficiary, and (ii) the amount of the withdrawal cannot exceed the *qualified education expenses* for the year. Important terms are defined as follows:

- (i) **Qualified Education Expenses** are expenses incurred for education of the Designated Beneficiary. They can be either “*qualified higher education expenses*” or “*qualified elementary and secondary education expenses.*”
- (ii) **Qualified Higher Education Expenses** for any Designated Beneficiary include expenses for tuition, books, supplies, and equipment required for enrollment or attendance at an *eligible educational institution*. For a Designated Beneficiary who is a Special Needs Student, qualified higher education expenses include the cost of special needs services which are incurred in connection with his or her enrollment or attendance at an eligible educational institution. For any Designated Beneficiary attending an eligible educational institution at least half time, qualified higher education expenses also include room and board (allowable room and board costs are the greater of the allowance determined by the eligible educational institution or, if the Designated Beneficiary resides in housing owned or operated by the eligible educational institution, the actual invoice amount as charged by the institution for room and board). Qualified expenses also include amounts contributed to a qualified state tuition program on behalf of the Designated Beneficiary.

*Eligible Educational Institutions* for purposes of qualified higher education expenses include most colleges, universities, post-secondary vocational schools, or other post-secondary educational institutions. The Designated Beneficiary should check with his or her school to verify that it is an *eligible educational institution* as described in Section 481 of the Higher Education Act of 1965.

- (iii) **Qualified Elementary and Secondary Education Expenses** include expenses for tuition, fees, academic tutoring, special needs services (in the case of a Special Needs Student), books, supplies, and other equipment which are incurred in connection with the Designated Beneficiary’s enrollment or attendance at an elementary or secondary school (including a public, private or religious school). Other qualified expenses include the cost of room and board (for boarding school), uniforms, necessary transportation, and supplemental items or services (such as extended day programs) which are required and are provided in connection with the Designated Beneficiary’s attendance or enrollment, and the cost of purchasing computer equipment and software

and related technology (but not sports, games, or hobby-related software, unless predominantly educational in nature) or internet access and related services, if such technology, equipment, or services are to be used by the Designated Beneficiary in connection with his or her educational program during any year in which he or she is an elementary or a secondary school student.

*An Elementary or Secondary School* for these purposes is any school which provides elementary education or secondary education (K-12), determined in accordance with applicable state law. It may be a public, private or religious school.

**(b) Taxable Withdrawals.** Generally, if the requirements for a tax-free Education Savings Account withdrawal are not met, then the amount equal to the prior contributions to the account are not taxed, nor will the 10% penalty tax apply to withdrawals of prior contributions. A withdrawal that is considered earnings or growth on the contributions is includable in the Designated Beneficiary's gross income in the taxable year received, and may be subject to the 10% withdrawal penalty, unless an exception applies.

If the amount withdrawn exceeds the amount required to meet the Designated Beneficiary's qualified education expenses in a year, then a special rule applies. In this case, the amount that may be excluded from income for tax purposes is determined by figuring the ratio that the qualified education expenses bear to the actual withdrawal. The part of the withdrawal that is subject to taxation (i.e., the amount of earnings or growth) is then multiplied by the percentage amount, and the resulting figure is the amount excludable from income. The balance of the amount considered earnings or growth is taxable.

Taxable withdrawals of earnings or growth are taxed as ordinary income. Withdrawals of taxable amounts from an Education Savings Account are not eligible for averaging treatment currently available to certain lump sum distributions from qualified employer-sponsored retirement plans, nor are such withdrawals eligible for capital gains tax treatment.

**(c) Exceptions to the 10% Penalty.** The receipt of any taxable withdrawal from an Education Savings Account may be subject to a 10% penalty tax, unless one of the following exceptions applies:

- (i) the withdrawal is paid to a beneficiary or the Designated Beneficiary's estate following the Designated Beneficiary's death;
- (ii) the withdrawal is paid to the Designated Beneficiary because of his or her total disability;
- (iii) the withdrawal is equal to or less than the amount of a scholarship or other tax-free educational assistance received by the Designated Beneficiary;
- (iv) the withdrawal is a correction of an excess contribution (with earnings) made before the tax return filing due date (see paragraph 5, Excess Contributions, above).

The Designated Beneficiary—or Responsible Individual—is always responsible for determining whether a distribution meets the requirements outlined above. The Custodian is not and cannot be responsible for making such determinations, nor for monitoring whether distributions are made in accordance with the tax-free distribution rules.

**(d) Impact on Education Tax Credits.** Under a previous rule, if a Designated Beneficiary received a tax-free withdrawal from his or her Education Savings Account during a year, his or her education expenses for the year could not be claimed as the basis for a Hope Scholarship Credit or Lifetime Learning Credit, or as a business expense deduction (a business expense deduction is potentially available if the course(s) is “job-related” under the IRS rules). This rule has been repealed.

Now it is possible to claim education expenses during a year as the basis for a Hope Scholarship Credit or a Lifetime Learning Credit in the same year that the Designated Beneficiary receives a tax-free distribution from an Education Savings Account as long as the distribution is not used for the same education expenses for which a credit is claimed. Similarly, the business expense deduction for a job-related education course may be claimed (if available), but only if the cost for the course is not paid for with a distribution from an Education Savings Account. The Designated Beneficiary should consult a tax advisor to determine whether a deduction or a credit is available as well as tax-free distributions from an Education Savings Account.

## **7. REQUIRED PAYMENTS FROM EDUCATION SAVINGS ACCOUNTS**

**(a) During the Designated Beneficiary’s Lifetime.** All amounts remaining in an Education Savings Account must be withdrawn within 30 days of the Designated Beneficiary’s 30th birthday. The amount of earnings or growth are regarded as income and taxable, and may be subject to the 10% penalty, unless an exception applies (see above). Taxes and penalties can be avoided if the Designated Beneficiary is changed to, or the amount in the account is rolled over or transferred to an Education Savings Account maintained for the benefit of, a member of the original Designated Beneficiary’s family (defined below in paragraph 8). If the Designated Beneficiary is not timely changed to a member of the original Designated Beneficiary’s family and the balance in the Education Savings Account is not withdrawn by the original Designated Beneficiary within 30 days after his or her 30th birthday, the Custodian is required under IRS rules to report the account balance as if it had been withdrawn (called a “deemed distribution” under IRS rules). Thereafter the Custodian will treat the account as a taxable account owned by the Designated Beneficiary.

The preceding rules concerning withdrawal by the Designated Beneficiary’s 30th birthday do not apply if the Designated Beneficiary is a Special Needs Student. A Special Needs Student may continue to maintain the Education Savings Account after age 30 and continue using the account to pay for eligible education expenses (see above).

**(b) After the Designated Beneficiary’s Death.** If the Designated Beneficiary dies before all of the funds held in the Education Savings Account have been withdrawn, the entire remaining amount will pass to the beneficiary named to receive the account. If the named beneficiary is a member of the original Designated Beneficiary’s family and is either under age 30 or a Special Needs Student, the account balance may remain in the Education Savings Account and be used for qualified education expenses of the named beneficiary or the account balance may be withdrawn by the named beneficiary and rolled over to another Education Savings Account for the benefit of the named beneficiary. If the account balance does not pass to a named beneficiary (for example, no beneficiary was named), it must be withdrawn by the original Designated Beneficiary’s estate within 30 days of the date of death. If the Education Savings Account does not pass to a named beneficiary who is a member of the original Designated Beneficiary’s family and who is either under age 30 or a Special Needs Student, or if the account balance is not withdrawn by another beneficiary or by the representative of the original Designated Beneficiary’s estate within 30 days after his or her death, the Custodian is required by IRS rules to report the amount in the account as if it had been distributed to the beneficiary or the estate (also called a “deemed distribution” under the IRS rules), and the account will thereafter be maintained as a taxable account owned by the beneficiary or by the original Designated Beneficiary’s estate.

## 8. ROLLOVER EDUCATION SAVINGS ACCOUNTS

(a) **General Rules.** A Designated Beneficiary may roll over or transfer the amounts contained in his or her Education Savings Account to another Education Savings Account maintained for himself or herself, or for the benefit of one of his or her *family members*. Rollovers must be completed within 60 days of the withdrawal. After making a rollover from one Education Savings Account no distributions from that account may be rolled over until a full year (365 days) have elapsed. Also, after assets from one Education Savings Account are rolled over to another such account, a second rollover of the same assets may not be made for a full year.

**Note:** Rollovers to or from other types of IRAs (Traditional, Roth, etc.), employer-sponsored qualified retirement plans, or 403(b) or 457 arrangements are prohibited.

(b) Family members include the Designated Beneficiary himself or herself (if under 30 or a Special Needs Student) and any of the following who are under age 30 or a Special Needs Student: the Designated Beneficiary's spouse, children and their descendants, stepchildren, siblings and their children, stepbrothers and stepsisters, parents and grandparents, stepparents, aunts and uncles, certain in-laws, spouses of all of the foregoing, and first cousins of the Designated Beneficiary.

(c) Changing the Designated Beneficiary. If on the Account Form the Depositor has elected to permit the Responsible Individual to make such a change, rather than rolling over an amount from one Education Savings Account to another, the Responsible Individual may simply change the Designated Beneficiary on the account to another *family member* (see above) of the original Designated Beneficiary.

(d) Impact of Rollover on Contribution Limits. The amount rolled over from one Education Savings Account to another—if done correctly—is not included for purposes of determining whether the \$2,000 maximum limit is exceeded, nor are rollover amounts subject to the MAGI limits imposed upon Depositors. (See paragraph 3, *Limits on Contributions*, above.)

## 9. FEDERAL TAX CONCERNS

(a) Contributions, excess contributions and withdrawals must be reported to the IRS by the Responsible Individual, Designated Beneficiary or Depositor, as the case may be, and the Custodian will report year end values of all Education Savings Accounts to the IRS, along with the amount of all rollovers or regular contributions, on forms designated by the IRS for these purposes. (Check with your tax advisor for more information about Federal tax reporting and for information about state tax reporting requirements.)

(b) Withholding requirements for Federal tax purposes have not been established by law or under IRS regulations. (Check with your tax advisor for more information and the latest developments.)

## 10. PROHIBITED TRANSACTIONS

(a) If a so-called "prohibited transaction" (as defined in the Internal Revenue Code) is engaged in, the Education Savings Account will be disqualified and the entire taxable balance in the Education Savings Account will be taxed as ordinary income during the year in which such transaction occurs. A 10% penalty tax may also apply. A "prohibited transaction" includes:

- (i) the sale, exchange, or leasing of any property between the Education Savings Account and the Designated Beneficiary;
- (ii) the lending of money or other extension of credit between the Education Savings Account and the Designated Beneficiary;

- (iii) the furnishing of goods, services, or facilities between the Education Savings Account and Designated Beneficiary; or
- (iv) the transfer of assets of the Education Savings Account for the Designated Beneficiary's use or benefit.

(b) If all or part of the Education Savings Account assets are pledged as security for a loan, the amount so pledged is considered by the Internal Revenue Service to have been distributed to the Designated Beneficiary and any earnings considered distributed will be taxed as ordinary income during the year in which such pledge was made. The 10% penalty tax may also apply.

## **11. CUSTODIAN**

The Custodian for this Education Savings Account is Investors Bank & Trust Company. The Custodian, through Domini Social Investments, will invest contributions and earnings in accordance with instructions received initially from the Depositor and subsequently from the Responsible Individual in any of the investment vehicles permitted under the Custodial Account Agreement (Terms and Conditions for Education Savings Accounts). The Responsible Individual will receive periodic reports describing each transaction in the account, and proxies on securities will be sent to the Responsible Individual to vote as he or she deems appropriate. Since the investment of the account is at the discretion initially of the Depositor and subsequently of the Responsible Individual and rates of return from the permissible investment vehicles is generally not guaranteed, growth in the value of the account cannot be projected or guaranteed.

For information concerning the custodial charges and service charges which will be assessed against the account by Investors Bank & Trust Company, or by Domini Social Investments, be sure to read the schedule of charges attached to this Statement. Custodial and service charges may be changed or adjusted on thirty days' notice to the Responsible Individual. In addition, normal brokerage commissions will be incurred on the purchases and sales of securities. Before making any decision whatsoever to establish an Education Savings Account the Depositor or Responsible Individual should carefully review all applicable commissions with a Service Company representative. In addition, there may be sales charges or management or other fees assessed against securities held in an Education Savings Account, including mutual fund shares. The Depositor and Responsible Individual should read carefully the prospectus describing any securities, including mutual fund shares, being considered as investment options in the Education Savings Account for a description of the investment objectives and policies plus a description of applicable fees and charges. *Read the prospectus carefully before investing.*

## **12. ADDITIONAL INFORMATION**

(a) Education Savings Account funds are non-forfeitable. They are always the Designated Beneficiary's (subject to investment fluctuations), and will be invested according to the instructions provided first by the Depositor and then, subsequently, by the Responsible Individual, to the Custodian. The Education Savings Account will be clearly identified as the Designated Beneficiary's property and will not be commingled with property of any other depositor.

(b) Articles I through IX of the Terms and Conditions for Education Savings Accounts use the precise language of Form 5305-EA, currently provided by the Internal Revenue Service, and has therefore been approved as a form to use as a qualified Education Savings Account. The IRS approval of the form does not represent a determination as to the merits of the account. It simply means that the form of the printed Terms and Conditions (Articles I through IX) for Education Savings Accounts satisfies the requirements of the IRS. However, if the Education Savings Account is adopted and maintained within the stated guidelines, you may assume that you are properly meeting all requirements for a bona fide Education Savings Account under Federal income tax law.

(c) Further information concerning Education Savings Accounts can be obtained from any district office of the Internal Revenue Service.

(d) Consult with your tax or financial advisor to determine whether this Education Savings Account is the right education savings vehicle for you, since we cannot offer legal, tax or financial advice.

(e) This Disclosure Statement provides a non-technical explanation of the terms and conditions of your Education Savings Account. However, the provisions of the Terms and Conditions for Education Savings Accounts and the Account Form govern in any instance where the Disclosure Statement is incomplete or appears to conflict. This Disclosure Statement reflects the provisions of the Internal Revenue Code in effect as of the date the Disclosure Statement was prepared. Please consult your tax advisor for more complete information and to review any applicable tax law changes.

### **Current IRA Fees**

1. Domini Social Investments:

\$10.00 Annual maintenance fee for each account. (This fee is due during the month of December. IRA account holders will be notified in writing of the due date.)

E - S08 (Rev. 6/02)





