



**DOMINI IMPACT INVESTMENTS**

**COVERDELL EDUCATION SAVINGS ACCOUNT**

**TABLE OF CONTENTS**

PART I – COVERDELL ACCOUNT APPLICATION INSTRUCTIONS . . . . . 3

PART II – DISCLOSURE STATEMENT . . . . . 4

PART III – COVERDELL EDUCATION SAVINGS ACCOUNT CUSTODIAL AGREEMENT . . . . . 10

# PART I – COVERDELL ACCOUNT APPLICATION INSTRUCTIONS

## (DO NOT USE THIS KIT TO ESTABLISH A ROTH, SEP, SIMPLE, OR TRADITIONAL IRA)

### Certain Definitions:

"**Application Agreement**" means the following sections of this document which constitute the binding agreement between Depositor and Custodian:

- Part I Coverdell Account Application Instructions ("**Application Instructions**")
- Part II Coverdell Account Disclosure Statement and Privacy Policy of the Custodian ("**Disclosure Statement**")
- Part III Coverdell Education Savings Account Custodial Agreement ("**Custodial Agreement**")
- Part IV Coverdell Education Savings Account Application and Adoption Agreement Form ("**Application Form**")

"**Code**" means the Internal Revenue Code, as amended.

"**Coverdell Account**" and "**Custodial Account**" each means the Coverdell Education Savings Account established by the Depositor with the Custodian by properly completing and signing the Application Form.

"**Custodian**," "**BNY Mellon**," "**we**," and "**us**" each means BNY Mellon Investment Servicing Trust Company.

"**Depositor**" means the individual named as Contributor on the Application Form, unless none is named, in which case it means the individual named as the Responsible Individual on the Application Form.

"**Designated Beneficiary**" means the individual named as Designated Beneficiary on the Application Form for whose benefit the Coverdell Account is established.

"**IRS**" means the Internal Revenue Service.

"**Responsible Individual**" means the individual named as the Responsible Individual on the Application Form and who is generally the parent or legal guardian of the Designated Beneficiary.

### General Instructions:

Complete the Application Form. Refer to the Disclosure Statement or IRS Publication 970 for eligibility requirements and contribution restrictions. Contributions may be made to the Coverdell Account for a Designated Beneficiary under the age of 18 by one or more individuals but the total contributions made to all Coverdell ESAs for the Designated Beneficiary cannot exceed \$2,000 per calendar year. This rule does not apply to the following (see Special Instructions below):

1. Contributions which are qualified rollover contributions, as described in the Code or,
2. Contributions which are the result of a transfer of assets from the custodian or trustee of another Coverdell ESA.

Contributions to the Coverdell Account may be deposited or invested in an FDIC-insured, interest-bearing account pursuant to the bank option or in one or more mutual funds pursuant to the mutual fund option. (Please see "Available Options for Your Contributions" in the Disclosure Statement). Prospectuses for the mutual funds available through the mutual fund option (the "**Mutual Funds**") may be obtained by calling 1-800-582-6757. Before investing in a Mutual Fund, please be sure to read the prospectus for that Fund carefully. Disclosure for Domini Deposit Account at PNC Bank is located at [www.domini.com](http://www.domini.com).

All portions of this Application Agreement are binding, so you are encouraged to read all portions, and in particular the section titled "Available Options for Your Contributions" in the Disclosure Statement, the Custodial Agreement and the section titled "Additional Terms and Conditions" on the signature page of the Application Form.

The minimum initial investment for each fund or deposit account is \$1,500. Please make checks payable to Domini Funds.

### Special Additional Instructions Regarding Transfers and Rollovers:

To establish the Coverdell Account using assets in another Coverdell ESA, follow the General Instructions above for establishing the Coverdell Account and note where provided on the Application Form that the contribution is a transfer or rollover from another Coverdell ESA.

Assets may be transferred or rolled over to this Coverdell Account from another Coverdell ESA of the Designated Beneficiary or from a Coverdell ESA of a family member of the Designated Beneficiary, subject to certain restrictions.

1. For transfers (directly from a current trustee or custodian), please complete the "Coverdell ESA Transfer of Assets Form."
2. For rollovers (of distributions in your possession), please complete the "Coverdell ESA Rollover Certification Form". Rollovers must be completed within 60 calendar days of the date the distribution is received.

Mail the Completed Application and Check (if applicable) to:

**First Class Mail:**  
Domini Funds  
P.O. Box 9785  
Providence, RI 02940-9785

**Overnight Express:**  
Domini Funds  
4400 Computer Drive  
Westborough, MA 01581  
1-800-582-6757

## PART II – DISCLOSURE STATEMENT

### **Section A: Custodian's Customer Identification Requirements That May Affect Your Account**

The Custodian, BNY Mellon Investment Servicing Trust Company, provides custodial and administrative services for the Coverdell Account established with the Application Agreement. As a result, the Depositor (referred to in this Disclosure Statement as "you" and "your") is considered a "customer" of the Custodian under Federal law.

To help the U.S. Government fight the funding of terrorism and money laundering activities, Federal law requires the Custodian, as a financial institution, to obtain, verify, and record information that identifies each person who opens an account. All accounts we open are opened on a conditional basis – conditioned on our ability to verify your identity in accordance with Federal law.

When establishing an account, you are required to provide your full legal name, address, government issued identification number (e.g. social security number), date of birth, and other information within your account-opening application that will allow us to identify you. We may also request a copy of your driver's license or other identifying documents and may consult third-party databases to help verify your identity. If the account you are opening will be registered in the name of a beneficiary, trust, or estate or charity we may require additional identifying documentation.

**If you fail to provide any requested identifying information or documentation when opening your account, your new account application may be rejected.**

**If we open your account, and you subsequently fail to provide all identification materials we request or if we are subsequently unable to adequately verify your identity as required by U.S. Government regulations, we reserve the right to take any one or more of the following actions:**

- We may place restrictions on your account which block all purchase transactions and we may place additional restrictions on your account blocking other transactional activities if we determine such additional restrictions are appropriate under Federal law or regulation.
- We may close your account, sell (i.e., "liquidate") the assets in your account in the prevailing market at the time, and send you a check representing the cash proceeds of your account. This distribution will be reported to the IRS and may result in unfavorable consequences to you under Federal and state tax laws.

**You May Incur Losses.** Despite being opened as a conditional account, your account will be invested as you instruct and you will be subject to all market risks during the period between account opening and any liquidation necessitated by your failure to furnish requested identifying information or by an inability to adequately verify your identity. You may also be subject to additional market risks if the additional transactional restrictions discussed in the first bullet above are placed on your account. In addition, the closing of your account may subject you to fees and charges imposed under the terms of the Eligible Assets in which you are invested, and any sales charges you may have paid in connection with your purchases will not be refunded.

**You Assume All Responsibility For These Losses.** The Custodian expressly disclaims any responsibility or liability for losses you incur as result of your failure to furnish identification materials we request, including investment losses and any other loss or damage (including but not limited to lost opportunities and adverse tax consequences). If you proceed with the account opening process, you accept all risks of loss resulting from any failure of yours to furnish the identification materials we request or from a subsequent inability to adequately verify your identity in accordance with Federal law.

#### **STATE UNCLAIMED PROPERTY LAW DISCLOSURE**

**The assets in your account are subject to state unclaimed property laws that provide that if no activity occurs in your account for the time period specified by the particular state law, and/or we have not had your current address on file, your assets may be transferred to the appropriate state. We are required by law to advise you that your assets may be transferred to an appropriate state in compliance with these state laws.**

### **Section B: Disclosures Required By IRS Regulations**

The following information is the disclosure statement required by IRS regulations. In addition to this Disclosure Statement, the following additional disclosure materials should be read: the Custodial Agreement, the "[Additional Terms and Conditions](#)" on the signature page of the Application Form, the prospectus applicable to each Mutual Fund in which contributions to the Coverdell Account are to be or will be invested.

Provisions below which apply to all Coverdell Education Savings Accounts generally will use the terms "Coverdell ESA" or just "ESA". Provisions which apply specifically to the Coverdell Account created by this Application Agreement will use the term "Coverdell Account".

#### **THE COVERDELL ACCOUNT**

The following requirements apply to the Coverdell Account:

1. No contribution can be accepted:
  - a) Unless it is in the form of "cash" by check, draft, or other form acceptable to the Custodian;
  - b) After the date on which the Designated Beneficiary attains age 18, unless a "special needs" Designated Beneficiary, or
  - c) If such contribution would result in aggregate contributions for the taxable year exceeding \$2,000 (except contributions consisting exclusively of assets

transferred or rolled over from another Coverdell ESA).

2. The custodian/trustee must be a bank or other entity authorized by the IRS to act as trustee or custodian of an individual retirement account ("IRA").
3. The funds cannot be invested in life insurance contracts.
4. The funds cannot be commingled with other property except in a common trust fund or common investment fund.
5. Upon the death of the Designated Beneficiary, any credit balance in a Coverdell ESA must be distributed within 30 days of the date of death to the Designated Death Beneficiary, or, if none is designated or the Designated Death Beneficiary is 30 years of age or older on the date of death, to the estate of the Designated Beneficiary.

#### **CONTRIBUTIONS**

The maximum allowable contribution per calendar year to all Coverdell ESAs for the same Designated Beneficiary is \$2,000. Contributions for a given calendar year must be made between January 1 of that year and the date in the following calendar year (normally April 15<sup>th</sup>) which is the normal federal tax filing deadline for the given year, except the year in which the Designated Beneficiary turns age 18. In that year contributions must be made on or before the birth date of the Designated Beneficiary, with the exception of a "special needs" Designated Beneficiary.

Amounts contributed to Coverdell ESAs in excess of the allowable limit are subject to a nondeductible excise tax of 6% for each year the funds remain in the account until they are returned to the Designated Beneficiary. If the excess contributions (and any earnings attributable to them) are not withdrawn from the Coverdell ESA that received the excess contribution by May 31<sup>st</sup> of the calendar year following the calendar year in which the excess contribution was made, the excess contribution is subject to a 6% excise tax for each year the excess amount remains in the account. If such a distribution is made, only the earnings are considered taxable income for the tax year in which the excess was contributed to the Coverdell ESA. The return of earnings may also be subject to the 10% excise tax on early distributions. An IRS Form 1099-Q will be issued in the year in which the distribution occurs, not the year in which the excess contribution was made.

#### **ROLLOVER AND TRANSFER CONTRIBUTIONS**

Coverdell ESAs may be rolled over or redesignated to another Designated Beneficiary who is a family member as defined in Code section 529(e)(2) as long as the new Designated Beneficiary is under the age of 30 at the time of the rollover contribution. Rollovers must be completed within 60 days of receipt. Transfers may occur only between the same Designated Beneficiary.

If you make a tax-free rollover of any part of a distribution from a Coverdell ESA, you cannot, within a 1-year period, make a tax-free rollover of any later distribution from that same Coverdell ESA. You also cannot make a tax-free rollover of any amount distributed, within the same 1-year period, from the Coverdell ESA into which you made the tax-free rollover.

#### **DISTRIBUTIONS UPON THE DESIGNATED BENEFICIARY'S DEATH OR OBTAINING AGE 30**

Any balance in the Coverdell ESA on the date the Designated Beneficiary turns 30 years of age, or, if earlier, the date of the Designated Beneficiary's death, must be distributed within thirty (30) days of such date. If such distribution has not occurred at the end of the 30-day period, the account balance will be deemed to have been distributed on that date. An IRS Form 1099-Q will be issued for the year in which the distribution is deemed to have taken place.

A Designated Death Beneficiary may be designated for the Coverdell Account. The Designated Death Beneficiary must be a family member as described in the definition section of the Custodial Agreement and must be under age 30 on the date of the Designated Beneficiary's death in order to receive the account assets. If the Designated Death Beneficiary predeceases the Designated Beneficiary or has already attained age 30, the account balance must be distributed to the estate of the Designated Beneficiary. Alternately, a tax free rollover or redesignation of the account would still be allowed to another family member, as defined in the Custodial Agreement, who is under age 30 within the thirty day period.

#### **TAX INFORMATION REGARDING DISTRIBUTIONS**

Distributions used to pay for qualified elementary, secondary, and higher education expenses are excludable from income to the extent the amount does not exceed the qualified education expenses of the Designated Beneficiary during the year. The portion of any distribution which exceeds, or is not used for, such expenses is a "nonqualified distribution." Nonqualified distributions are treated as representing a pro-rata share of the principal and accumulated earnings in the account; the accumulated earnings portion is includible in the taxable gross income of the Designated Beneficiary. The accumulated earnings portion of a nonqualified distribution is generally also subject to an additional 10% penalty tax, unless the distribution is due to the death or disability of the Designated Beneficiary, the receipt of certain scholarship payments by the Designated Beneficiary, or includible in income solely because the HOPE or Lifetime Learning tax credit was elected.

#### **AVAILABLE OPTIONS FOR YOUR CONTRIBUTIONS**

Subject to any minimum investment requirements, contributions to the Coverdell Account must be allocated to the Coverdell Account.

The assets in your Coverdell Account will be invested in accordance with instructions communicated by you (or following your death, by your beneficiary) or by your (or following your death, your beneficiary's) authorized agent. Account contributions may be invested in an FDIC-insured, interest-bearing bank account (the "Bank Account"), or in shares of one or more mutual funds made available to you in connection with this Coverdell Account (the "Mutual Funds"), or in other investments that are eligible for investment under the Internal Revenue Code and that are acceptable to the Custodian as investments under the Individual Coverdell Account Application and Adoption Agreement.

**Mutual Fund Option:** An investment in one or more Mutual Funds involves investment risks, including possible loss of principal. In addition, growth in the value of Mutual Funds is neither guaranteed nor protected due to the characteristics of a mutual fund investment. Detailed information about the shares of each Mutual Fund available for investment of the Coverdell account contributions must be furnished in the form of a prospectus. The method for computing and allocating annual earnings is set forth in the prospectus. (See the section of each prospectus entitled "Dividends." ) The prospectus also sets forth the costs and expenses incurred by being invested in a particular Mutual Fund; such costs and expenses reduce any yield from the particular Mutual Fund. (See the section of the prospectus entitled "Expense Table" and the sections referred to therein). For further information regarding expenses, earnings, and distributions of a particular Mutual Fund, see that Mutual Fund's financial statements, prospectus and/or statement of additional information.

In Article X, Section 13 of the Custodial Agreement ("**Section 13**") the Custodian is authorized to act in its discretion in situations where assets in the Custodial Account are liquidated and the Custodian does not receive timely instructions regarding the disposition of such proceeds or where the only instructions received cannot reasonably or practicably be carried out. For example, a Mutual Fund may take actions which result in a Mutual Fund, or an investment in a Mutual Fund held by the Custodial Account, being involuntarily liquidated. The Mutual Fund or the prospectus for that Mutual Fund may direct that the proceeds of the liquidation be placed in an asset not available to the Coverdell Account, or provide solely that the cash or other property resulting from the liquidation be distributed directly to shareholders, or provide no directions or available investment options whatsoever. In such situations, if the Custodian does not receive timely instructions from the person entitled to give investment directions that it can reasonably and practicably carry out (for example, in-kind property distributed by the Mutual Fund may not be a permissible asset for a Coverdell ESA), then Section 13 authorizes the Custodian to exercise its discretion in acting on behalf of the then-current Beneficiary of the Coverdell Account, including taking such actions as placing the proceeds in a money market mutual fund or an FDIC-insured bank account or money market account, distributing the proceeds or holding the proceeds uninvested. Other examples may exist involving different liquidation circumstances and different restrictions or limitations regarding the disposition of the proceeds. The Custodian expressly disclaims any liability for any action taken or omitted under the authority of Section 13, unless the Internal Revenue Code or IRS regulations require otherwise.

#### **FEES AND CHARGES**

The charges in connection with the Coverdell Account are set forth in the Application. The Custodian may also charge a service fee in connection with any distribution from the Coverdell Account.

#### **IRS APPROVED FORM**

Articles I through IX of the Custodial Agreement are substantially the same as Articles I through IX of IRS Form 5305-EA, the IRS model custodial account form. Certain variations permitted by the IRS are reflected in Article V and certain additional terms were added as Article X. Coverdell ESAs established using the Custodial Agreement will meet the requirements of the Code applicable to Coverdell ESAs. However, the IRS has not endorsed the investments permitted under this Coverdell Account. This form cannot be used in connection with Roth, SEP, SIMPLE, or Traditional IRAs.

#### **GENERAL INFORMATION**

Coverdell ESAs were established under the Taxpayer Relief Act effective in 1998. This type of account was originally called an Education Individual Retirement Account and the annual contribution limit per Designated Beneficiary for 1998 through 2001 was \$500. Effective for contributions made for tax year 2002, the annual contribution limit was increased to \$2,000 per Designated Beneficiary. The Economic Growth and Tax Relief Reconciliation Act increased the annual contribution limit, as well as made other important changes that are described in the following questions and answers. Amounts deposited in the account grow tax-free until distributed, and the Designated Beneficiary will not owe tax on any withdrawal from the account if the Designated Beneficiary's qualified education expenses at an eligible educational institution for the year equal or exceed the amount of the withdrawal. If the Designated Beneficiary does not need the money for educational purposes, the account balance can be rolled over to a Coverdell ESA of certain family members of the Designated Beneficiary who can use it for their education. Amounts withdrawn from a Coverdell ESA that exceed the Designated Beneficiary's qualified education expenses in a taxable year are generally subject to income tax and to an additional tax of 10 percent.

There are potentially three (or more) parties involved in the establishment of, making contributions to, and directing distributions from the account. These parties are referred to in the following questions and answers, and include the:

**Depositor**- The Depositor is the initial contributor who establishes a Coverdell ESA by executing the appropriate account agreement and contributing the initial contribution. Subsequent contributions to a Coverdell ESA may be made by the original Depositor or by other eligible contributors. Under certain circumstances the Depositor may also be the Designated Beneficiary, the Responsible Individual or both of the foregoing.

**Designated Beneficiary** - The Designated Beneficiary is the individual for whose benefit a Coverdell ESA is established. Except for "special needs Designated Beneficiaries", no contribution can be made after a Designated Beneficiary's 18<sup>th</sup> birthday. Under certain circumstances the Designated Beneficiary may also be the Depositor, the Responsible Individual or both of the foregoing.

**Responsible Individual** - The Responsible Individual is the individual who generally controls all decisions regarding the account, including authorizing payments from the account. There can be only one Responsible Individual at any time and generally must be a parent or legal guardian of the Designated Beneficiary. Under certain circumstances the Designated Beneficiary automatically becomes the Responsible Individual. The Responsible Individual may also be the Depositor.

#### **Q1: What is a Coverdell Education Savings Account (Coverdell ESA)?**

**A1:** A Coverdell ESA is a trust or custodial account that is created or organized in the United States exclusively for the purpose of paying the qualified education expenses of the Designated Beneficiary of the account. The account must be designated as a Coverdell ESA when it is created in order to be treated as a Coverdell ESA for tax purposes.

#### **Q2: For whom may a Coverdell ESA be established?**

**A2:** A Coverdell ESA may be established for the benefit of any child under the age of 18. Contributions to a Coverdell ESA are not permitted after the Designated Beneficiary reaches his or her 18<sup>th</sup> birthday.

#### **Q3: Where may an individual open a Coverdell ESA?**

**A3:** An individual may open a Coverdell ESA with a bank or with any other financial institution approved to serve as a non-bank trustee or custodian of an IRA, provided the bank or other financial institution is offering Coverdell ESAs.

#### **Q4: How much may be contributed to a Coverdell ESA on behalf of a Designated Beneficiary?**

**A4:** For tax years 1998 through 2001, the maximum contribution limit per year was \$500 in aggregate contributions made for the benefit of any Designated Beneficiary. For tax year 2002 and thereafter, the maximum contribution limit per year is \$2,000 in aggregate contributions made for the benefit of any Designated Beneficiary. Contributions may be made into a single Coverdell ESA or into multiple Coverdell ESAs for the benefit of any one Designated Beneficiary.

**Q5: What happens if more than the maximum annual contribution limit is contributed to a Coverdell ESA on behalf of a Designated Beneficiary for a particular calendar year?**

**A5:** Aggregate contributions for the benefit of any one Designated Beneficiary in excess of annual limit for a particular calendar year are treated as excess contributions. If the excess contributions (and any earnings attributable to them) are not withdrawn from the ESA that received the excess contribution by May 31<sup>st</sup> of the calendar year following the calendar year in which the excess contribution was made, the excess contribution is subject to a 6 percent excise tax for each year the excess amount remains in the account. If the excess contributions (and any earnings) are timely withdrawn, no 6 percent excise tax applies. However, any earnings distributed in such a corrective distribution will be taxable to the Designated Beneficiary, but no 10% additional tax applies to the earnings.

**Q6: May contributions other than cash be made to a Coverdell ESA?**

**A6:** No. Coverdell ESAs are permitted to accept contributions made in cash only.

**Q7: May contributors take a deduction for contributions made to a Coverdell ESA?**

**A7:** No. Contributions to a Coverdell ESA are not deductible for federal income tax purposes. Therefore, contributions to a Coverdell ESA create "basis" in the account. This means that any distributions that are not used for qualified education expenses are taxable only with respect to any earnings on the contributions.

**Q8: Are there any restrictions on who can contribute to a Coverdell ESA?**

**A8:** Any individual may contribute to a Coverdell ESA if the individual's modified adjusted gross income for the taxable year, for which the contribution is made, is no more than the limits as set forth by the Internal Revenue Service (IRS). The maximum annual contribution per Designated Beneficiary is gradually reduced for individuals with modified adjusted gross income between certain limits. See Publication 970 for current contribution restrictions and adjusted gross income limits. For purposes of this section, "modified AGI" means the AGI of the taxpayer for the taxable year increased by amounts excluded from gross income under sections 911 (foreign earned income); 931 (income from Guam, American Samoa, or Northern Mariana Islands); and 933 (income from Puerto Rico).

**Q9: May a Designated Beneficiary contribute to his or her own Coverdell ESA?**

**A9:** Yes.

**Q10: Does a taxpayer have to be related to the Designated Beneficiary in order to contribute to the Designated Beneficiary's Coverdell ESA?**

**A10:** No.

**Q11: Can entities make contributions to the Designated Beneficiary's Coverdell ESA?**

**A11:** Yes. Any entity can make contributions to the Designated Beneficiary's Coverdell ESA without regard to such entity's adjusted gross income. For example, Century Computer Services, Inc. decides to make Coverdell ESA contributions on behalf of any child under the age of 18 of their employees in the amount of \$500. Century Computer Services, Inc. qualifies as a contributor regardless of the company's adjusted gross income, but the company cannot take a deduction for such contributions. Also, other contributions up to \$1,500 could be made into the same Coverdell ESA or another Coverdell ESA on behalf of any one these employees' children.

**Q12: Is the contributor to a Coverdell ESA required to have compensation or earned income in order to make contributions?**

**A12:** No. The contributor (whether an individual or an entity) is not required to have earned income or compensation.

**Q13: What is the deadline for making contributions to a Coverdell ESA for a particular tax year?**

**A13:** Beginning for contributions made for tax year 2002; the deadline to make contributions is the tax-filing deadline for such year not including extensions. Thus, in most cases, the deadline to make contributions for a tax year is the following April 15<sup>th</sup>. The contributor should designate in writing to the trustee or custodian the tax year for which the contribution is being made.

**Q14: Are there any special reporting requirements for a Coverdell ESA?**

**A14:** Yes. The trustee or custodian will issue an annual Form 5498-ESA to the IRS and to the Designated Beneficiary reporting contributions made for the tax year, any rollover contributions received during the tax year and the fair market value of the account as of December 31<sup>st</sup>. The trustee or custodian will also issue Form 1099-Q to the IRS and to the Designated Beneficiary whenever distributions are paid from the account. The Designated Beneficiary is required to file Form 8606 with the IRS whenever distributions are received from the account and to file Form 5329 with the IRS if excess contributions have been made to the account or if distributions were made that exceed the qualified education expenses for the year. If a rollover or transfer is made from a Coverdell ESA of one Designated Beneficiary to another eligible family member of the Designated Beneficiary, certain statements must be attached to the tax returns of both the original Designated Beneficiary and the eligible family member to which the account was rolled over or transferred (see Form 8606 instructions).

**Q15: How many Coverdell ESAs may a Designated Beneficiary have?**

**A15:** There is no limit on the number of Coverdell ESAs that may be established for a particular Designated Beneficiary. However, for any given taxable year the total aggregate contributions to all the Coverdell ESAs for a particular Designated Beneficiary may not exceed the annual contribution limit described in Q&A 5.

**Q16: May a Designated Beneficiary take a tax-free withdrawal from a Coverdell ESA to pay qualified education expenses if the Designated Beneficiary is enrolled less than full-time at an eligible educational institution?**

**A16:** Yes. Whether the Designated Beneficiary is enrolled full-time, half time, or less than half time, he or she may take a tax-free withdrawal to pay qualified education expenses.

**Q17: What happens when a Designated Beneficiary withdraws assets from a Coverdell ESA to pay for qualified education expenses?**

**A17:** 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.

**Q18: What are "qualified education expenses"?**

**A18:** "Qualified education expenses" mean qualified education expenses for tuition, fees, books, supplies, and equipment required for the enrollment or attendance of the Designated Beneficiary at an eligible educational institution. Qualified education expenses also include room and board (generally the school's posted room and board charge, or \$2,500 per year for students living off-campus and not at home) if the Designated Beneficiary is at least a half-time student at an eligible educational institution. A student will be considered to be enrolled at least half-time if the student is enrolled for at least half the full-time academic workload for the course of study the student is pursuing as determined under the standards of the institution where the student is enrolled. The standards for determining whether a student is enrolled at least half-time are the same as those used for the Hope Scholarship Credit. A student is eligible for the Hope Scholarship Credit if: (1) for at least one academic period (e.g., semester, trimester, quarter) beginning during the calendar year, the student is enrolled at least half-time in a program leading to a degree, certificate, or other recognized educational credential and is enrolled in one of the first two years of post-secondary education, and (2) the student is free of any conviction for a Federal or State felony offense consisting of the possession or distribution of a controlled substance. For purposes of the Hope Scholarship Credit, a student will be considered to be enrolled at least half-time if the student is enrolled for at least half the full-time academic workload for the course of study the student is pursuing as determined under the standards of the institution where the student is enrolled. The institution's standard for a full-time workload must equal or exceed the standards established by the Department of Education under Higher Education Act and set forth in 34 CFR 674.2(b).

Beginning in 2002, qualified education expenses also include qualified elementary and secondary education expenses for tuition, fees, academic tutoring, special needs services in the case of a special needs Designated Beneficiary, books, supplies, and other equipment which are incurred in connection with the enrollment or attendance of the Designated Beneficiary as an elementary or secondary school student at a public, private or religious school. Such expenses also include room and board, uniforms, transportation, and supplementary items and services (including extended day programs) which are required or provided by a public, private or religious school in connection with such enrollment or attendance, and expenses for the purchase of any computer technology or equipment or Internet access and related services, 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.

Qualified education expenses also include amounts contributed to a qualified state tuition program. Also, qualified education expenses are reduced by any amount provided by scholarship, educational assistance allowance, or any other payment (other than a gift or bequest) which is excludable from gross income under any law of the United States.

**Q19: What is an eligible educational institution?**

**A19:** For purposes of qualified education expenses, 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, nonprofit, and proprietary post-secondary institutions. (The same eligibility requirements for institutions apply for the Hope Scholarship Credit, the Lifetime Learning Credit, and early withdrawals from IRAs for qualified higher education expenses).

For purposes of elementary and secondary education expenses, an eligible education institution means any school which provides elementary education or secondary education (kindergarten through grade 12), as determined under state law.

**Q20: What happens if a Designated Beneficiary withdraws an amount from a Coverdell ESA but does not have any qualified education expenses to pay in the taxable year he/she makes the withdrawal?**

**A20:** Generally, if a Designated Beneficiary withdraws an amount from a Coverdell ESA and does not have any qualified education expenses during the taxable year, a portion of the distribution is taxable. The taxable portion is the portion that represents earnings that have accumulated tax-free in the account. The taxable portion of the distribution is also subject to a 10 percent additional tax unless an exception applies. Form 8606 and Form 5329 are required to be filed with the IRS by the Designated Beneficiary. The 10 percent additional tax does not apply to distributions made: (1) to a death beneficiary (or to the estate of the Designated Beneficiary) after the death of the Designated Beneficiary; (2) attributable to the Designated Beneficiary become disabled within the meaning of section 72(m)(7) of the Internal Revenue Code; or (3) made on account of a scholarship, allowance or payment to the extent such payment or distribution does not exceed the amount of such scholarship, allowance or payment.

**Q21: Is a distribution from a Coverdell ESA taxable if the distribution is contributed to another Coverdell ESA?**

**A21:** Any amount distributed from a Coverdell ESA and rolled over to another Coverdell ESA for the benefit of the same Designated Beneficiary or certain members of the Designated Beneficiary's family is not taxable. An amount is rolled over if it is paid to another Coverdell ESA on a date within 60 days after the date of the distribution. Members of the Designated Beneficiary's family include the Designated Beneficiary's spouse, children, grandchildren, sibling, parent, niece or nephew, son-in-law, daughter-in-law, father-in-law, mother-in-law, or sister-in-law, and the spouse of any such Individual. A first cousin, but not his or her spouse is also a family member of the Designated Beneficiary. The annual contribution limit to Coverdell ESAs does not apply to these rollover contributions. For example, an older brother who has \$5,000 left in his Coverdell ESA after he no longer needs the account for education purposes can roll over the full \$5,000 balance to a Coverdell ESA for his younger sister who is still in high school without paying any tax on the transfer or rollover. The eligible family member to whose Coverdell ESA such amount is rolled over or transferred must be under the age of 30.

**Q22: What happens to the assets remaining in a Coverdell ESA after the Designated Beneficiary finishes his/her education?**

**A22:** There are two options. The amount remaining in the account may be withdrawn for the Designated Beneficiary. The Designated Beneficiary will be subject to both income tax and the additional 10 percent 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 or she makes the withdrawal. Alternatively, if the amount in the Designated Beneficiary's Coverdell ESA is withdrawn and rolled over (or transferred) to another Coverdell ESA for the benefit of an eligible member of the Designated Beneficiary's family, the amount rolled



over or transferred will not be taxable.

**Q23: Rather than rolling over money from one Coverdell ESA to another, may the Designated Beneficiary of the account be changed from one Designated Beneficiary to another without triggering a tax?**

**A23:** Yes, provided the new Designated Beneficiary has not attained age 30 and is a member of the previous Designated Beneficiary's family.

**Q24: May a student or the student's parents claim the Hope Scholarship Credit or Lifetime Learning Credit for the student's expenses in a taxable year in which the student receives money from a Coverdell ESA on a tax-free basis?**

**A24:** Yes, effective for tax year 2002. If a student is receiving a tax-free distribution from a Coverdell ESA in a particular taxable year (beginning in 2002), the student's expenses may generally be claimed as the basis for a Hope Scholarship Credit or Lifetime Learning Credit for that same year, provided however that the distributed amount from the Coverdell ESA is not used for the same educational purposes as the tax credit.

**Q25: May contributions be made to both a qualified state tuition program and a Coverdell ESA on behalf of the same Designated Beneficiary in the same taxable year?**

**A25:** Yes, beginning in tax year 2002. The excise tax prohibiting contributions to both a Coverdell ESA and a qualified state tuition program was repealed for 2002 and forward. Therefore, contributions may be made to a Coverdell ESA on behalf of a Designated Beneficiary during the same taxable year in which any contributions are made to a qualified state tuition program on behalf of the same Designated Beneficiary. However, if distributions from a Coverdell ESA and a qualified state tuition program exceed the Designated Beneficiary's qualified education expenses for the year, the Designated Beneficiary is required to allocate the expenses between the distributions to determine the amount includible in gross income, if any.

**Q26: What happens to the assets remaining in the Coverdell ESA after the death of the Designated Beneficiary?**

**A26:** Within 30 days after the death of the Designated Beneficiary, a distribution is made to the Designated Beneficiary's estate, with two exceptions: First, the Responsible Individual may within that 30 day period change the Designated Beneficiary to a Family Member under the age of 30 of the original Designated Beneficiary and the Coverdell Account will remain in place. Second, one or more Designated Death Beneficiaries may have been designated. To be so designated, an individual must be a Family Member of the original Designated Beneficiary and under 30 years of age. If a Designated Death Beneficiary is under 30 years of age on the date of the Designated Beneficiary's death, such individual's interest is rolled over tax free to a Coverdell ESA of that individual. Any distribution paid on account of the death of the Designated Beneficiary is taxable to the extent such distribution represents earnings, unless the account is rolled over or transferred to a Coverdell ESA (if permitted).

**Q27: What happens to the assets remaining in the Coverdell ESA after the Designated Beneficiary attains the age of 30?**

**A27:** Any balance remaining in the Coverdell ESA when the Designated Beneficiary attains the age of 30 must be distributed to such Designated Beneficiary within 30 days. However, the remaining balance may be rolled over or transferred to a Coverdell ESA on behalf of an eligible family member.

**Q28: Do the age requirements described above apply to "special needs" Designated Beneficiaries?**

**A28:** No. A Coverdell ESA established on behalf of any Designated Beneficiary with special needs (as determined by IRS regulations) may continue to receive contributions after the Designated Beneficiary's 18<sup>th</sup> birthday. In addition, any remaining balance in a Coverdell ESA on behalf of any Designated Beneficiary with special needs is not required to be distributed within 30 days after the Designated Beneficiary attains the age of 30.

**Q29: Does the Internal Revenue Service provide a publication that contains more information on Coverdell ESAs?**

**A29:** Yes. IRS Publication 970, Tax Benefits for Higher Education, contains information regarding the Coverdell ESA, as well as claiming the Hope Credit, Lifetime Learning Credit, student loans, penalty-free withdrawals from IRAs for certain education expenses, employer-provided educational assistance and qualified state tuition programs. The Custodian recommends that the Depositor, Designated Beneficiary and/or Responsible Individual read Publication 970 before making contributions to or taking distributions from a Coverdell ESA. Publication 970 can be downloaded from the IRS web site at [www.irs.gov](http://www.irs.gov).

## PART III – COVERDELL EDUCATION SAVINGS ACCOUNT CUSTODIAL AGREEMENT

(Under Section 530 of the Internal Revenue Code) (March 2002) Form 5305-EA

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The Depositor is the individual designated on the Application Form as the Contributor, or, if no Contributor is designated, the Depositor is the individual designated on the Application Form as the Responsible Individual. The Depositor is establishing a Coverdell Education Savings Account under Section 530 of the Code for the benefit of the Designated Beneficiary exclusively to pay for qualified elementary, secondary, and higher education expenses, within the meaning of Section 530(b)(2) of the Code, of such Designated Beneficiary.

The Custodian, BNY Mellon Investment Servicing Trust Company, has given the Depositor the disclosure statement required under Section 1.408-6 of the IRS regulations.

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 Initial Contribution (and earnings thereon). 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. On the date that the Designated Beneficiary attains the age of majority under state law, the Designated Beneficiary will automatically become, in addition to Designated Beneficiary, without the need for further action by any party, the Responsible Individual and will then and thereafter, with respect to the Custodial Account, be entitled to exercise all rights and privileges of the Responsible Individual under law and the Application Agreement. If a family member under the age of majority under state law becomes the Designated Beneficiary by reason of being a Designated Death Beneficiary, the Responsible Individual must be one of the Designated Death Beneficiary's parents or guardians.

### Article VI

The Responsible Individual may change the Designated Beneficiary to another member of the Designated Beneficiary's family, as described in and subject to Section 529(e)(2) of the Code, 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 IRS and the Responsible Individual the reports prescribed by the IRS.

### Article VIII

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

## Article IX

This Custodial Agreement will be amended as necessary to comply with the provisions of the Code and the related IRS regulations. Other amendments may be made with the consent of the Depositor and Custodian whose signatures appear on the Coverdell ESA Application and Adoption Agreement.

## Article X

1. **Eligible Assets:** Monies in the Custodial Account (including earnings) may be invested solely in assets permissible under the Code which have been designated by the Custodian as eligible for investment ("**Eligible Assets**") by the Custodian Account. The purchase price of each Eligible Asset will be determined in accordance with the market applicable to the particular Eligible Asset purchased. The Custodian may change the assets eligible for investment by the Custodial Account at any time in its reasonable discretion, including for purpose of clarification changes which delete from eligibility assets previously eligible for investment ("**Ineligible Assets**"). The Custodian is authorized to take such actions with respect to Ineligible Assets in the Custodial Account as it in its reasonable discretion determines to be appropriate after providing reasonable notice to the Responsible Individual, to the extent permitted by applicable law and regulation, including without limitation investing income earned on Ineligible Assets in Eligible Assets, exchanging Ineligible Assets for Eligible Assets, transferring monies represented by the Ineligible Assets to Eligible Assets and liquidating the Ineligible Assets and placing the cash proceeds of the liquidation in an FDIC-insured bank account, a money market mutual fund account or other appropriate account or holding the cash uninvested pending receipt of instructions from the Responsible Individual.
2. **Investment Directions:** The Custodian will comply with the investment directions given by the Depositor with respect to the contribution made to the Custodial Account in connection with the opening of the Custodial Account (whether the Depositor is the Responsible Individual or a separate person) ("**Initial Contribution**"). The Custodian will comply with the investment directions given by any subsequent contributor to the Custodial Account with respect to the contribution made by that contributor. At all times after the date of a contribution, the Custodian will comply with the investment directions of the Responsible Individual with respect to all contributions in the Custodial Account. Any contributions received by the Custodian under this Agreement for which the Custodian does not contemporaneously receive investment directions may, at the sole discretion of the Custodian, be returned to the contributor, be held uninvested until investment direction is received from the contributor, in either case without such funds being deemed contributed to the custodial account, or be invested in accordance with the last investment directions given to the Custodian by the Responsible Individual, or, if no such investment directions have been given and the Depositor was not the same person as the Responsible Individual, then in accordance with the investment directions given by the Depositor with respect to the Initial Contribution.
3. **Applicable Law:** Except to the extent superseded by federal law, this Agreement shall be governed by, and construed, administered and enforced according to, the laws of the State of Delaware, without regard to any conflict of laws provisions which would apply the law of any other jurisdiction, and all contributions shall be deemed made in Delaware.
4. **Notices:** The Custodian agrees to forward, or to cause to be forwarded, to the individual who is the Responsible Individual (i) the then-current prospectus, if any, applicable to each Eligible Asset held in the Custodial Account, and (ii) any notices, proxies and proxy soliciting materials received by it with respect to Eligible Assets held in the Custodial Account. In the event the Custodian does not receive timely directions from said Responsible Individual, Custodian is hereby directed and authorized to, and shall vote such interests (i) in the same proportions "for", "against" and "abstain", as appropriate, with respect to a particular proposal as other parties with voting interests in the same Eligible Assets have timely directed the Custodian, or (ii) as required by law if a vote other than that provided for by clause (i) is so required.
5. **Annual Accounting:** The Custodian shall, at least annually, provide the Responsible Individual with an accounting of the Coverdell Account. Such accounting shall be deemed to be accepted by the Responsible Individual if the Responsible Individual does not object in writing within 60 days after the mailing of such accounting.
6. **Amendment:** Without in any way limiting Article IX but nevertheless notwithstanding Article IX, the Responsible Individual hereby irrevocably delegates to the Custodian the right and power, and hereby irrevocably authorizes the Custodian, to amend at any time and from time to time the terms and provisions of this Agreement and hereby consents to any such amendments, provided the amendment does not violate any applicable provision of the Code or the IRS regulations thereunder or any other law or governmental regulation or ruling. Each such amendment shall be effective when the notice of such amendment is mailed to the address of the Responsible Individual indicated by the Custodian's records, or such other date as may be indicated in the notice. In the event the Responsible Individual objects to any such amendment, the Responsible Individual's sole remedy is to terminate the Custodial Account and request a complete distribution of assets in the Custodial Account.
7. **Resignation and Removal of Custodian:**
  - (a) The Custodian may resign at any time by appointing a successor trustee or custodian ("**Successor Custodian**") to serve under this agreement or under another governing instrument selected by the successor trustee or custodian ("**Successor Agreement**") and by sending notification of its resignation and the appointment of the Successor Custodian no less than thirty (30) days in advance of the effective date of the resignation and including with the resignation notice a copy of the Successor Agreement, if applicable, and any related disclosure materials. If the Responsible Individual does not on or before the effective date of the resignation request a liquidation and distribution of all investments in the Custodial Account or designate a different successor trustee or custodian, the Custodian is authorized and directed to liquidate all holdings of the Custodial Account and transfer the cash liquidation proceeds to the Successor Custodian subject to all terms of any Successor Agreement, and no executed written instrument of any Account Party of any nature shall be required to effect such transfer. The Successor Custodian may rely on any information, including death beneficiary designations, previously provided to the Custodian; or giving notice of such to the Responsible Individual thirty (30) days in advance of the effective date of the resignation ("**Resignation Notice**") and
  - (b) The Responsible Individual may at any time, at the sole cost and expense of the Custodial Account, remove the Custodian and replace the Custodian with a successor trustee or custodian designated by the Responsible Individual by giving 30 days advance written notice to the Custodian. In such event, the Custodian liquidate all holdings of the Custodial Account and transfer the cash liquidation proceeds to the Successor Custodian in accordance with standard industry practices, including the receipt of all appropriate signed documentation, and otherwise as reasonably directed by the Responsible Individual. However, the Custodian may retain a portion of the assets of the Custodial Account as a reserve for payment of any anticipated remaining fees and expenses, and shall pay over any remainder of this reserve to the successor trustee or custodian upon satisfaction of such fees and expenses. The Custodian may decline to act under this provision if any course of conduct requested of the Custodian by the Responsible Individual could reasonably be interpreted to be a violation of any law or regulation.
  - (c) Any successor trustee or custodian shall be a bank (as defined in section 408(n) of the Code) or such other person found qualified to act as a trustee or

custodian under a Coverdell ESA by the Secretary of the U.S. Treasury or his delegate. The appointment of a successor trustee or custodian shall be effective upon receipt by the Custodian of such successor's written acceptance, which shall be submitted at a minimum to the Custodian. Within 30 days of the effective date of such successor's appointment, the Custodian shall transfer and deliver to the successor applicable account records and assets of the Custodial Account (reduced by any unpaid amounts referred to in paragraph 7(b) of this Article X). The successor Custodian shall be subject to the provisions of this Agreement (or any successor thereto) on the effective date of its appointment.

**8. Custodian's Fees and Expenses:**

- (a) The Custodian shall be entitled to receive any and all reasonable fees specified in the Custodian's current published fee schedule for establishing and maintaining the Custodial Account, including, but not limited to, any fees for distributions from, transfers from, and terminations of the Custodial Account ("**Fees**"). The Custodian may change its fee schedule at any time by giving the Responsible Individual 30 days prior written notice.
- (b) The Custodian shall be entitled to reimbursement for any reasonable expenses incurred by the Custodian in the performance of its duties in connection with the Custodial Account, including without limitation administrative expenses, such as legal and accounting fees, expenses incurred in connection with the proceeding described in subsection (d) below, and any taxes of any kind whatsoever that may be levied or assessed with respect to such account ("**Reimbursable Expenses**").
- (c) The Custodian may deduct from the Custodial Account and any contributions to and distributions from the Custodial Account, and transfer to its own account, amounts equal to the Fees and Reimbursable Expenses it is entitled to receive if such amounts are not paid by the Depositor, the Designated Beneficiary or the Responsible Individual. The Depositor, Designated Beneficiary and Responsible Individual shall remain responsible for any Fees and Reimbursable Expenses the Custodian is not able to recover from such sources.
- (d) In the event that for any reason the Custodian is not certain as to who is entitled to receive all or part of the proceeds of the Custodial Account, the Custodian reserves the right to withhold any payment from the Custodial Account, to request a court ruling to determine the disposition of such proceeds.

**9. Rollovers:** The Custodian is authorized to accept rollover contributions as described in Article I of this Custodial Agreement. The Custodian reserves the right to refuse any such rollover contribution which is not (i) in the form of cash, or (ii) accompanied by all records and other documentation the Custodian reasonably determines appropriate to establish the nature, value and extent of the assets and interests therein.

**10. Withdrawal Requests:** The Custodian shall not be required to act in accordance with any request for withdrawal, distribution, or payment from the account ("**Withdrawal Request**") unless (i) the Withdrawal Request is submitted on a form designated by the Custodian and specifies the reason for and the desired method or form of the Withdrawal Request, and (ii) the Custodian is furnished with all certificates, tax waivers, signature guarantees, and other documents (including proof of any legal representative's authority) in good order it may determine to be appropriate. The Custodian will comply with the method and form of payment designated in the Withdrawal Request to the extent reasonable and practicable but may in its sole discretion effect all withdrawals, distributions and payments in cash (by check or other cash transfer method).

**11. Limitations on Custodian's Liabilities and Responsibilities:**

- (a) The Custodian shall have no liability or responsibility whatsoever for:
  - (i) any incomplete or inaccurate information provided by an Account Party;
  - (ii) any tax consequences arising from contributions to or withdrawals from the Custodial Account, from any failures to make contributions to or withdrawals from the Custodial Account, or from any activity or conduct engaged in by the Custodian, regardless of whether effected pursuant to instructions received from an Account Party or pursuant to authority granted by the Application Agreement;
  - (iii) acting in accordance with or reliance on a written instruction, statement or communication, including without limitation in connection with a Withdrawal Request, which appears on its face to be genuine and given by a proper Account Party or for declining to act pursuant to a written instruction, statement or communication not appearing on its face to be genuine or given by an Account Party entitled to give the instruction, statement or communication;
  - (iv) conducting any inquiry to the genuineness or lack thereof of any instruction or communication received from an Account Party;
  - (v) compliance with contribution limits imposed by the Code or IRS regulations;
  - (vi) acting with respect to a matter in reliance on the most recent relevant information furnished by an Account Party as reflected in the records or files of the Custodial Account;
  - (vii) any losses, damages, penalties, fines, costs, expenses or other consequences of whatsoever nature whether or not foreseeable incurred by an Account Party in connection with the Custodial Account or any course of conduct by the Custodian;
  - (viii) reasonably acting on oral instructions, statements or communications from an Account Party;
  - (ix) the collection or propriety of any contribution, rollover or transfer to the Custodial Account;
  - (xi) the investment of funds in the Custodial Account, including any funds held uninvested; or
  - (xii) the suitability of any investment selected by an Account Party for the Custodial Account.
- (b) The Custodian expressly disclaims any and all fiduciary responsibilities and duties and any duty or obligation to furnish tax, legal or investment advice, counseling or directions, and none of the foregoing shall be implied. Depositor acknowledges that Custodian has not given any tax, legal or investment advice, counseling or directions.
- (c) Any course of conduct engaged in by the Custodian with third parties pursuant to the Application Agreement is engaged in as agent.

**12. Indemnification by Account Parties.** Each Account Party and his or her respective successors, heirs and assigns, including any executor or administrator of a beneficiary, shall, to the extent permitted by law, indemnify and hold the Custodian and the Sponsor and their successors and assigns harmless from any and all claims, actions or liabilities arising in connection with activities and duties contemplated by the Custodial Agreement, except those arising from the negligence, recklessness or intentional misconduct of, as applicable, the Custodian or Sponsor.

**13. Fund Liquidation and Other Events Permitting Custodian Exercise of Administrative Discretion.** In the event any asset or property held in the custodial account (or any asset or property previously subject to the operation of this section and administered by the Custodian) is redeemed or liquidated, matures, or is otherwise converted to cash or other property (a "Liquidation") for any reason or under any circumstances and the Custodian does not receive timely instructions designating what it

should do with the proceeds of such Liquidation (the "Proceeds") from any person lawfully entitled to give instructions with respect to the account, including without limitation the registered owner of the custodial account ("Owner") and successors and representatives of the Owner, including beneficiaries, heirs, executors, and administrators, or other proper persons or entities, or instructions are received but they cannot reasonably or practically be carried out as given or are ambiguous or unclear, the Owner expressly directs and authorizes the Custodian to take "Any Reasonable Course Of Conduct". "Any Reasonable Course Of Conduct" is hereby defined to mean a course of conduct that the Custodian determines to be reasonable under the circumstances -- this course of conduct may include any one or more of the following, but it is not limited to the following: (i) depositing Proceeds in an FDIC-insured bank account or any other account, or using Proceeds to purchase shares of a money market mutual fund or any other asset or property, (ii) distributing Proceeds to persons the Custodian reasonably determines to be lawfully entitled to distributions from the account, (iii) holding Proceeds uninvested in a general account of the Custodian or other depository; and (iv) resigning as Custodian and engaging in a course of conduct, including any described in clauses (i) through (iii), outright and free of trust, if the Owner does not appoint a Custodian which immediately accepts transfer of all Proceeds, although nothing in this clause (iv) shall be interpreted to obligate the Custodian to resign before taking any course of conduct, including any described in clauses (i) through (iii).

In the event any agreement or understanding (other than this custodial account agreement) pursuant to which or in consideration of which the Custodian serves as custodian of the Account is terminated (and is not renewed or replaced) and a successor custodian does not take custody of the account in connection with or following such termination, the Custodian, after not less than 30 days notice to the Owner or such other persons as the Custodian reasonably determines to be entitled to give instructions with respect to the account, may (i) take Any Reasonable Course Of Conduct with respect to any assets or property in the custodial account, any Proceeds or any asset or property previously subject to the operation of this section and still administered by the Custodian, and (ii) may reset custodial fees charged to and owed by the account owner to the Custodian to an amount equal to the costs of maintaining the account.

The Custodian is authorized to pay or recover any costs and expenses associated with taking Any Reasonable Course of Conduct by utilizing the assets, property or Proceeds involved or by retaining a portion of such in a reserve and subsequently distributing any unused portion of the reserve. To offset administrative costs of the Custodian under any of the above described circumstances not otherwise recovered the Custodian shall be entitled to retain for its own account any incidental benefits earned in connection with taking Any Reasonable Course of Action, including "float", bank service credits or overnight investment earnings.

The Custodian shall not be liable for any action taken in reliance on this section, unless such liability is required by the Internal Revenue Code or regulations implementing the Internal Revenue Code, and the Owner expressly waives and releases the Custodian from all such liability. Without limiting the generality of the foregoing, in the event the Custodian makes a distribution from the account to the persons it reasonably determines to be entitled to account distributions, the owner and such persons shall bear sole responsibility for any taxes, fines, assessments penalties, levies, tariffs, or other liabilities or consequences of any nature arising or resulting from the distribution, including non-monetary liabilities or consequences, and for taking any actions following the distribution to avoid or mitigate any liabilities or consequences.

This section shall not be interpreted so as to impose any duty of any nature on the Custodian if any one or more of the events described in this section occurs, whether a duty to take or omit to take any act in particular, to place Proceeds in any particular asset or property, to take possession of Proceeds if possession is discretionary, to exercise discretionary investment authority over the account, or to distribute Proceeds to the Owner. For purposes of clarification, it is the intention of this section to provide the Custodian with the broadest possible discretion permitted by law, including the discretion to hold Proceeds uninvested.

The Owner authorizes the Custodian to escheat or otherwise remit to appropriate jurisdictions in accordance with applicable abandoned property or other laws any assets or property in the custodial account, any Proceeds or any asset or property previously subject to the operation of this section and still administered or held by the Custodian, and to the extent any of the foregoing consists of anything other than cash, the Custodian may escheat or remit the non-cash asset, property or Proceeds or the cash resulting from a liquidation of such non-cash asset, property or Proceeds.

The account owner acknowledges and accepts the risks of owning the account as described in this section, including the investment risks and tax consequences of the Custodian taking Any Reasonable Course Of Conduct.

**14. Change of Designated Beneficiary:**

- (a) Prior to the date that the Designated Beneficiary reaches the age of majority under applicable state law or otherwise lacks legal capacity, the Responsible Individual may at any time change the Designated Beneficiary for the Custodial Account to any family member of the original Designated Beneficiary under the age of 30 or direct the Custodian to roll over or transfer the funds in the Custodial Account to a Coverdell ESA of a family member of the original Designated Beneficiary under the age of 30. While in possession of legal capacity, the Designated Beneficiary may at any time change the Designated Beneficiary of the Custodial Account to a family member of the original Designated Beneficiary under the age of 30 or may at any time direct the Custodian to roll over or transfer the funds in the Custodial Account to a Coverdell ESA of any family member of the original Designated Beneficiary under the age of 30.
- (b) Any change of Designated Beneficiary complying with subsection (a) above shall not be treated as a distribution.
- (c) Notwithstanding any other provision of the Custodial Agreement, a new Designated Beneficiary may be named within 30 days after the Designated Beneficiary attains the age of 30.

**15. Designated Beneficiary's Minority or Incapacity:** The following provisions apply while the Designated Beneficiary is a minor or lacks legal capacity:

- (a) The Responsible Individual shall have, to the exclusion of the Designated Beneficiary, all of the rights, powers, and responsibilities granted to the Designated Beneficiary under this Custodial Agreement.
- (b) In the event the Responsible Individual dies, becomes disabled, or otherwise fails or refuses to act and no successor Responsible Individual has been appointed, or no duly appointed Responsible Individual is willing or able to serve, then a parent of the Designated Beneficiary or the legal guardian or conservator of the estate of the Designated Beneficiary may appoint a Responsible Individual in writing on a form acceptable to and filed with the Custodian.

**16. Designated Death Beneficiary:** At any time after the opening of the Custodial Account, and notwithstanding the designation of one or more Designated Death Beneficiaries by the Depositor, the Responsible Individual shall be entitled to designate the Designated Death Beneficiaries of the Custodial Account on a form provided by and acceptable to the Custodian; provided, however, only Family Members of the original Designated Beneficiary who are under 30 years of age at the

time of designation may be designated as Designated Death Beneficiaries. In the event of the Designated Beneficiary's death: (i) If a Designated Death Beneficiary is under 30 years of age at the time of such death, such individual's interest in the Custodial Account shall become a Coverdell ESA of such individual; (ii) If no Designated Death Beneficiary designation is in effect at the time of death or if none of the Designated Death Beneficiaries survive the Designated Beneficiary, the balance of the Custodial Account will be paid to the estate of the Designated Beneficiary; and (iii) If any Designated Death Beneficiary is 30 years of age or older at the time of such death, the interest of such individual will be paid to the estate of the Designated Beneficiary. Special rules apply if a Designated Death Beneficiary is a "special needs" beneficiary.

17. **Nominee Registration:** The Custodian may hold all Eligible Assets in accounts registered to the Custodian or its nominee as record owner. Such record ownership shall not abridge or alter the beneficial ownership in the Custodial Account of the Designated Beneficiary.
18. **Termination:** The Custodial Account and the Custodial Agreement shall terminate at such time as the Custodian distributes all assets in the Custodial Account, except that terms necessary for the enforcement of rights that survive termination shall remain in effect for purposes of such enforcement.
19. **Agents:** The Custodian is authorized to hire agents to perform its duties under this agreement.
20. **Income Taxes:** The Custodian shall be responsible solely for the performance of those duties expressly assigned to it in this Agreement and by operation of law. In determining the taxable amount of a distribution, the Responsible Individual shall rely only on the federal tax records of the Designated Beneficiary.
21. **Certain Additional Definitions:** Certain capitalized terms used in this Custodial Agreement are defined on the first page of the Application Agreement. In addition, the following terms have the ascribed meaning:
  - (a) **"Account Party"** and **"Account Parties"** mean the Depositor, the Responsible Individual, the Designated Beneficiary, any Designated Death Beneficiary, any contributor to the Custodial Account subsequent to the Depositor, and the respective successors, heirs and assigns of each, including any executor or administrator, considered collectively, whether referred to in the singular or the plural.
  - (b) **"Family Members"** of the Designated Beneficiary include his or her spouse, child, grandchild, sibling, parent, niece or nephew, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, sister-in-law, first cousin and the spouse of any of the foregoing except first cousins.
  - (c) **"Sponsor"** means the affiliate of the Mutual Funds who caused or induced the Custodian by written agreement or otherwise to offer the Custodial Account to purchasers of the Mutual Funds.
22. **References to Responsible Individual:** References to "Responsible Individual" in this Custodial Agreement mean the individual designated as the Responsible Individual at the time then-relevant, regardless of whether the Responsible Individual is at that time also the Depositor, the Designated Beneficiary, a Designated Death Beneficiary or none of the foregoing.

**FACTS****WHAT DOES BNY MELLON INVESTMENT SERVICING TRUST COMPANY DO WITH YOUR PERSONAL INFORMATION?****Why?**

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information.

Please read this notice carefully to understand what we do.

**What?**

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number
- Account balances
- Transaction history
- Account transactions
- Retirement assets

When you are no longer our customer, we continue to share your information as described in this notice.

**How?**

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons BNY Mellon Investment Servicing Trust Company chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does BNY Mellon Investment Servicing Trust Company share?	Can you limit this sharing?
For our everyday business purposes—such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes—to offer our products and services to you	No	No
For joint marketing with other financial companies	No	No
For our affiliates' everyday business purposes—information about your transactions and experiences	Yes	No
For our affiliates' everyday business purposes—information about your creditworthiness	No	No
For our affiliates to market to you	No	No
For nonaffiliates to market to you	No	No

**Questions?**

Call 855-649-0623

## Who we are

Who is providing this notice?

BNY Mellon Investment Servicing Trust Company, custodian for self-directed savings and retirement accounts, such as Individual Retirement Accounts, Qualified Plans and 403(b)(7) Plans, and for mutual fund Wrap Product and Global Cash Portal accounts

## What we do

How does BNY Mellon Investment Servicing Trust Company protect my personal information?

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.

How does BNY Mellon Investment Servicing Trust Company collect my personal information?

We collect your personal information, for example, when you

- Open an account or deposit funds
- Make deposits or withdrawals from your account
- Provide account information
- Give us your contact information
- Show your government-issued ID

We also collect your personal information from affiliates or other companies.

Why can't I limit all sharing?

Federal law gives you the right to limit only

- Sharing for affiliates' everyday business purposes—information about your creditworthiness
- Affiliates from using your information to market to you
- Sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing.

## Definitions

Affiliates

Companies related by common ownership or control. They can be financial and nonfinancial companies.

Nonaffiliates

Companies not related by common ownership or control. They can be financial and nonfinancial companies.

- BNY Mellon Investment Servicing Trust Company does not share information with nonaffiliates so they can market to you.

Joint marketing

A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

- BNY Mellon Investment Servicing Trust Company doesn't jointly market.

## Other important information

This notice applies to individual consumers who are customers or former customers. This notice replaces all previous notices of our consumer privacy policy, and may be amended at any time. We will keep you informed of changes or amendments as required by law.