



# COVERDELL ESA APPLICATION

Use this COVERDELL ESA Application to open a COVERDELL EDUCATION SAVINGS ACCOUNT.

**IMPORTANT:** In compliance with the USA PATRIOT Act, Federal law requires all financial institutions (including mutual funds) to obtain, verify, and record information that identifies each person who opens an account.

**WHAT THIS MEANS FOR YOU:** When you open an account, we will ask for your name, Social Security Number (SSN) or Tax Identification Number (TIN), a physical address (a Post Office box is not acceptable), date of birth, and other information that will allow us to identify you. We may also ask for additional identifying documents. The information is required for all owners, co-owners, or anyone who will be signing or transacting on behalf of a legal entity that will own the account. If any of this information is missing we will not be able to process your investment request. If we are unable to verify this information, your account may be closed and you will be subject to all applicable costs. If you have any questions regarding this application or how to invest, please call Shareholder Services at 1-800-789-1087.

## PART I: DEPOSITOR INFORMATION (Generally the person opening the ESA) (\*DENOTES REQUIRED INFORMATION)

Depositor's Name* (First, M.I., Last)		Date of Birth*	Social Security Number*	
Street Address (Physical Address)* Apt #		City*	State*	Zip Code*
Mailing Address (if different than above) Apt #		City	State	Zip Code
Daytime Phone*		Evening Phone		

## PART II: DESIGNATED BENEFICIARY INFORMATION (Generally the student)

Minor's Name* (First, M.I., Last)		Date of Birth*	Social Security Number*	
Street Address (Physical Address)* Apt #		City*	State*	Zip Code*
Daytime Phone*		Evening Phone		

## PART III: RESPONSIBLE INDIVIDUAL INFORMATION (Generally the Parent or Guardian)

Parent/Guardian's Name* (First, M.I., Last)		Date of Birth*	Social Security Number*	
Street Address (Physical Address)* Apt #		City*	State*	Zip Code*
Mailing Address (if different than above) Apt #		City	State	Zip Code
Daytime Phone*		Evening Phone		

Relationship to the Designated Beneficiary:  Mother  Father  Guardian  Other (specify) \_\_\_\_\_

**\*NOTE:** The contributor must name only one responsible individual and the responsible individual must be the designated beneficiary's parent or legal guardian. In certain situations, the designated beneficiary could be the responsible individual (see Article V of the Custodian Agreement).

**PART IV: AUTHORITY OF RESPONSIBLE INDIVIDUAL**

**Option 1:**

Yes  No The Responsible Individual named above may change the beneficiary designated under this agreement to another member of the Designated Beneficiary’s family described in section 529(e)(2) in accordance with the Custodian’s procedures.

**Option 2:**

Yes  No 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.

*(If no boxes are checked in Option 1 or 2 above, the answer will be assumed to be “No.”)*

**PART V: SUCCESSOR RESPONSIBLE INDIVIDUAL**

If the Responsible Individual named above dies or becomes legally incapacitated while the Designated Beneficiary is a minor under state law, the following individual will become the successor Responsible Individual. If no successor is designated, the Designated Beneficiary's parent or guardian will become the successor Responsible Individual.

\_\_\_\_\_  
Successor’s Name\* (First, M.I., Last) Date of Birth\* Social Security Number\*

\_\_\_\_\_  
Street Address (Physical Address)\* Apt # City\* State\* Zip Code\*

\_\_\_\_\_  
Mailing Address (if different than above) Apt # City State Zip Code

\_\_\_\_\_  
Daytime Phone\* Evening Phone

Relationship to the Designated Beneficiary:  Mother  Father  Guardian  Other (specify) \_\_\_\_\_

**PART VI: CONTRIBUTION INFORMATION**

Source of Funds (Select One):

Regular Contribution Amount: \_\_\_\_\_ Tax Year: \_\_\_\_\_

Direct Transfer Basis: \_\_\_\_\_ Earnings: \_\_\_\_\_

Rollover Basis: \_\_\_\_\_ Earnings: \_\_\_\_\_

*Important: Contributions made to your ESA will be for the current tax year unless you specify prior year.*

**Note:** The Funds’ initial investment minimum is \$5,000 per each Fund. Refer to the prospectus for additional purchase requirements.

**PART VII: INVESTMENT SELECTION**

Name of Investment	Investment
Belmont Theta Income Fund-Institutional	\$

**PART VIII: ACCOUNT SERVICE OPTIONS FOR YOUR ESA**

The completion of this section is *OPTIONAL*.

**Automatic Investment Plan (AIP)** – This option provides an automatic investment into your mutual fund(s) by transferring money directly from your bank account via ACH (Automated Clearing House) on a scheduled basis. Please refer to the funds prospectus for other account restrictions. Please provide all of your bank account information AND attach a voided check or deposit slip. **Important: Contributions made to your ESA using AIP will be for the current tax year.** Keep this in mind for investments made from January 1 through April 15.

I authorize Belmont Theta Income Fund to initiate investments into my mutual fund account according to the following frequency:

- Twice Each Month       Monthly

Fund \_\_\_\_\_ Amount \$ \_\_\_\_\_ Day of Month (1<sup>st</sup>, 15<sup>th</sup>, etc.) \_\_\_\_\_

Fund \_\_\_\_\_ Amount \$ \_\_\_\_\_ Day of Month (1<sup>st</sup>, 15<sup>th</sup>, etc.) \_\_\_\_\_

**Bank Account Information**

Provide information about your checking or savings account to establish a Automatic Investment Plan by ACH. Please select one of the following:

- Attach a voided check or deposit slip for your bank account. **Please use tape; do not staple.**  
 Provide information about your bank account below.

**Enter your checking or savings account information:**

Bank Name \_\_\_\_\_

Bank Phone Number \_\_\_\_\_

Bank Address \_\_\_\_\_

ABA Routing Number \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_ Zip \_\_\_\_\_

Name(s) on Bank Account \_\_\_\_\_

Bank Account Number \_\_\_\_\_

Account Type:     Checking     Savings

John and Jane Doe 123 Any Street Anytown, USA 12345	Date _____	1003
PAY TO THE ORDER OF _____	Tape your voided check or preprinted deposit slip here.  Please do <u>not</u> use staples.	\$ _____ DOLLARS
BANK NAME BANK ADDRESS		
MEMO _____		

**PART IX: DEATH BENEFICIARY DESIGNATION**

The following Death Beneficiaries will be entitled to receive any benefits upon the Designated Beneficiary's death. If the Primary or Contingent status is not indicated, the individual or entity will be considered a Primary beneficiary. Upon the Designated Beneficiary's death, the Coverdell ESA assets will be divided in equal shares (unless indicated otherwise) to the Primary beneficiaries who survive the Designated Beneficiary. If no Primary beneficiaries survive the Designated Beneficiary, the Coverdell ESA will be divided in equal shares (unless indicated otherwise) to the Contingent beneficiaries who survive the Designated Beneficiary. This beneficiary designation may be changed or revoked by completing another beneficiary designation and providing it to the ESA Trustee/Custodian.

Type:  Primary  Contingent Share Percentage: \_\_\_\_\_% Social Security Number: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

Name: \_\_\_\_\_ Relationship to Designated Beneficiary:  Family Member  Non-Family Member

Residence Address: \_\_\_\_\_ Type:

Primary  Contingent Share Percentage: \_\_\_\_\_% Social Security Number: \_\_\_\_\_ Date of Birth: \_\_\_\_\_ Name:

Relationship to Designated Beneficiary:  Family Member  Non-Family Member

Residence Address: \_\_\_\_\_

Type:  Primary  Contingent Share Percentage: \_\_\_\_\_% Social Security Number: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

Name: \_\_\_\_\_ Relationship to Designated Beneficiary:  Family Member  Non-Family Member

Residence Address: \_\_\_\_\_

Type:  Primary  Contingent Share Percentage: \_\_\_\_\_% Social Security Number: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

Name: \_\_\_\_\_ Relationship to Designated Beneficiary:  Family Member  Non-Family Member

Residence Address: \_\_\_\_\_

Addendum attached and signed for additional beneficiaries.

To name a Trust as your beneficiary, attach a copy of the Trust Agreement to this form. If you need additional space to name beneficiaries, attach a separate sheet that includes all information requested above and indicates whether the beneficiaries are primary or secondary. Sign and date the sheet. You may change your beneficiaries at any time by sending written instructions to the Trustee/Custodian.

**PART X: SPOUSAL CONSENT**

This section is only completed if the Designated Beneficiary is married and has legal residence in a community or marital property state and someone other than or in addition to the Designated Beneficiary's spouse is named as Death Beneficiary. This section may have important tax consequences to the Designated Beneficiary and the Designated Beneficiary's spouse, so please consult with a competent advisor prior to completing. If the Designated Beneficiary is not currently married, but marries in the future, a new beneficiary designation that includes the spousal consent provisions must be completed.

**CONSENT OF SPOUSE**

By signing below, I acknowledge that I am the spouse of the ESA Designated Beneficiary and agree with and consent to the designation of a primary Death Beneficiary other than, or in addition to, me. I have been advised to consult a competent advisor and I assume all responsibility regarding this consent. The Custodian has not provided me any legal or tax advice.

Signature of Spouse of Designated Beneficiary:

X \_\_\_\_\_ Date: \_\_\_\_\_

Witness:

X \_\_\_\_\_ Date: \_\_\_\_\_

**PART XI: DUPLICATE ACCOUNT STATEMENT**

Yes, please send a duplicate statement to:

Name: \_\_\_\_\_

Physical Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

**PART XII: PAYMENT METHOD**

You can open your account by either of these methods. Please check your choice:

**By Check** Enclose a check payable to Belmont Theta Income Fund for the total amount.

**By Wire** For wire instructions call Shareholder Services at 1-800-789-1087.

**Other** \_\_\_\_\_

*(Third party checks, counter checks, starter checks, money orders, traveler’s checks, checks drawn on non-U.S. financial institutions, credit card checks, and cash are not acceptable.) Note: Cashier’s checks and bank official checks may be accepted in amounts greater than \$10,000.*

**PART XIII: ACKNOWLEDGEMENT**

*(Note: This Application will not be processed unless signed below by the Depositor and Responsible Individual.)*

By signing this *Coverdell ESA Application*, I certify that the information I have provided is true, correct, and complete, and the Custodian may rely on what I have provided. In addition, I have read and received copies of the *Coverdell ESA Application, IRS Form 5305-EA, Disclosure Statement* and applicable fee schedules. I agree to be bound to their terms and conditions. I understand that I am responsible for the Coverdell ESA transactions, and I will indemnify and hold the Custodian harmless from any consequences related to executing my directions. If I have indicated any amounts as “carryback” contributions, I understand the contributions will be credited for the prior tax year. I understand that if the deposit establishing the Coverdell ESA contains rollover dollars, I elect to irrevocably designate this deposit as a rollover contribution. I have been advised to seek competent legal and tax advice and have not been provided any such advice from the Custodian.

Depositor Signature:

X \_\_\_\_\_ Date: \_\_\_\_\_

Responsible Individual’s Signature (Complete if Depositor is NOT the Responsible Individual):

X \_\_\_\_\_ Date: \_\_\_\_\_

Signature of Coverdell ESA Custodian Representative:

X \_\_\_\_\_ Date: \_\_\_\_\_

**PART XIV: FOR DEALER USE ONLY**

Financial Institution Name \_\_\_\_\_

Representative's Full Name \_\_\_\_\_

Address \_\_\_\_\_

Representative's Branch Office Telephone Number \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_

Zip Code \_\_\_\_\_

Dealer Number \_\_\_\_\_

Branch Number \_\_\_\_\_

Representative Number \_\_\_\_\_

**X** \_\_\_\_\_  
Representative's Signature

**X** \_\_\_\_\_  
Supervisor's Signature

**PART XV: MAILING INSTRUCTIONS**

Please send completed form to:

**Regular Mail Delivery**  
Belmont Theta Income Fund  
P.O. Box 46707  
Cincinnati, OH 45246-0707

**Overnight Delivery**  
Belmont Theta Income Fund  
225 Pictoria Drive, Suite 450  
Cincinnati, OH 45246

<b>FACTS</b>	<b>WHAT DOES VALUED ADVISERS TRUST DO WITH YOUR PERSONAL INFORMATION?</b>
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<b>Why?</b>	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.
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<b>What?</b>	<p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <ul style="list-style-type: none"> <li>▪ Social Security number</li> <li>▪ account balances and account transactions</li> <li>▪ account transactions, transaction or loss history and purchase history</li> <li>▪ checking account information and wire transfer instructions</li> </ul> <p>When you are <i>no longer</i> our customer, we continue to share your information as described in this notice.</p>
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<b>How?</b>	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 Valued Advisers Trust chooses to share; and whether you can limit this sharing.
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Reasons we can share your personal information	Does Valued Advisers Trust share?
<b>For our everyday business purposes –</b> such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	<b>Yes</b>
<b>For our marketing purposes –</b> to offer our products and services to you	<b>Yes</b>
<b>For joint marketing with other financial companies</b>	<b>No</b>
<b>For our affiliates' everyday business purposes –</b> information about your transactions and experiences	<b>No</b>
<b>For our affiliates' everyday business purposes –</b> information about your creditworthiness	<b>No</b>
<b>For nonaffiliates to market to you</b>	<b>No</b>

<b>Questions?</b>	Call 1-800-789-1087
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<b>Who we are</b>	
<b>Who is providing this notice?</b>	Valued Advisers Trust
<b>What we do</b>	
<b>How does Valued Advisers Trust protect my personal information?</b>	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.
<b>How does Valued Advisers Trust collect my personal information?</b>	We collect your personal information, for example, when you <ul style="list-style-type: none"> <li>▪ open an account or deposit money</li> <li>▪ buy securities from us or sell securities to us</li> <li>▪ make deposits or withdrawals from your account or provide account information</li> <li>▪ give us your account information</li> <li>▪ make a wire transfer</li> <li>▪ tell us who receives the money</li> <li>▪ tell us where to send the money</li> <li>▪ show your government-issued ID</li> <li>▪ show your driver's license</li> </ul>
<b>Why can't I limit all sharing?</b>	Federal law gives you the right to limit only <ul style="list-style-type: none"> <li>▪ sharing for affiliates' everyday business purposes – information about your creditworthiness</li> <li>▪ affiliates from using your information to market to you</li> <li>▪ sharing for nonaffiliates to market to you</li> </ul> State laws and individual companies may give you additional rights to limit sharing.
<b>Definitions</b>	
<b>Affiliates</b>	Companies related by common ownership or control. They can be financial and nonfinancial companies.
<b>Nonaffiliates</b>	Companies not related by common ownership or control. They can be financial and nonfinancial companies. <ul style="list-style-type: none"> <li>▪ <b>Valued Advisers Trust does not share your personal information with nonaffiliates so they can market to you.</b></li> </ul>
<b>Joint marketing</b>	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. <ul style="list-style-type: none"> <li>▪ <b>Valued Advisers Trust doesn't jointly market financial products or services to you.</b></li> </ul>



**Coverdell  
Education  
Savings  
Account**



**Custodial**

## ADDITIONAL INFORMATION

The Coverdell Education Savings Account (CESA), also referred to as a Coverdell ESA, is a savings tool created by the federal government to help save for a child's qualified education expenses. Any individual or entity, including corporations and tax-exempt organizations, may establish and contribute to a CESA on behalf of a child. A child may even act as a contributor to his/her own CESA. Total contributions for the child during the tax year cannot exceed \$2,000. Contributions to a CESA are not tax deductible. The tax benefits of a CESA include tax-deferred growth of earnings and tax-free distributions if used for qualified education expenses. In addition to the CESA, a child also has a wide variety of federal programs and, possibly, state programs available to assist in the payment of education expenses.

**How to use this CESA Organizer.** The contributor establishing this CESA must complete the Application page. The contributor, the custodian, and, if the custodian's policy requires, the responsible individual must sign the document. An original signed copy of the Application should be kept by the custodian for its records. The contributor and responsible individual should receive a copy of the Application, IRS Form 5305-EA, and the Disclosure Statement.

All CESA documents should be read carefully as you would read any other legal documents. The CESA documents should be kept in a safe place along with your other CESA records.

**Additional Documents.** Applicable law or policies of the CESA custodian may require additional documentation such as IRS Form W-9, *Request for Taxpayer Identification Number and Certification*.

**For Additional Guidance.** It is in your best interest to seek the guidance of a tax or legal professional before completing this document. You should also reference the CESA agreement and disclosure statement and/or amendments provided by the custodian/trustee. For more information, refer to Internal Revenue Service (IRS) Publication 970, *Tax Benefits for Education*, IRS Notice 97-60 and its successor, IRS Notice 2003-53, instructions to your federal income tax return, or the IRS's website at [www.irs.gov](http://www.irs.gov).

**Terms.** A general understanding of the following terms may be helpful in completing your transactions.

**Basis.** An amount that is not tax deductible when originally contributed and not taxable upon distribution. Refer to IRS reporting instructions for CESAs for further information.

**Earnings.** Net gains and losses on investments. Refer to IRS reporting instructions for CESAs for further information.

# COVERDELL EDUCATION SAVINGS CUSTODIAL ACCOUNT

(Under section 530 of the Internal Revenue Code)

Amendment

Do Not File  
with the Internal  
Revenue Service

Form **5305-EA** (Rev. October 2016) Department of the Treasury Internal Revenue Service

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

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
2. 30 days of such date.

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.

## Complete these options on the Application.

**Option** (This provision is effective only if checked): 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's procedures.

## Article VII

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

## Article VIII

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

## Article IX

This agreement will be amended as necessary 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

**10.01 Your CESA Documents.** This IRS Form 5305 agreement, and any amendments or additional provisions to such agreement (the "Agreement") set forth the terms and conditions governing the Designated Beneficiary's CESA and your relationship with us. Articles I through IX of the IRS 5305 agreement have been reviewed and approved by the IRS. The agreement will be accompanied by a disclosure statement, which sets forth various rules governing CESAs, and may also be accompanied by other documents such as an application or death beneficiary designation. Unless it would be inconsistent to do so, words and phrases used in this document should be construed so the singular includes the plural and the plural includes the singular.

**10.02 Definitions.** The Internal Revenue Service (IRS) Form 5305 contains a detailed definitions section. The definitions found in such section apply to this Agreement. The IRS refers to you as the Depositor, and us as the Custodian. References to "you" and "your" will mean the Depositor, and "we," "us," and "our" will mean the Custodian. The terms "you" and "your" will apply to you. In the event you appoint a third party, or have a third party appointed on your behalf, including the Responsible Individual, to handle certain transactions affecting the CESA, such third party will be your agent and will be considered "you" for purposes of this Agreement. Various documents may refer to the Depositor as the Contributor. Additionally, references to "CESA" will mean this custodial account. For purposes of this Agreement, the Depositor is responsible for not only establishing the CESA, but making the initial contribution as well.

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

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

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

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

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

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

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

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

We are not responsible for determining whether CESA contributions or distributions comply with this Agreement and/or the federal laws governing CESAs. We are not responsible for any taxes, judgments, penalties, or expenses incurred in connection with this CESA, or any losses that are a result of events beyond our control. We have no responsibility to process transactions in our normal course of business until after we have received appropriate direction and documentation. We are not responsible for interpreting or directing death beneficiary designations or divisions, court orders, penalty exception determinations, or other similar circumstances.

If the Designated Beneficiary dies before taking a full distribution from the CESA, and no appropriate death beneficiary has been named to inherit the CESA assets, the Responsible Individual must ensure that all remaining CESA assets are distributed to the Designated Beneficiary's estate within 30 days following the date of the Designated Beneficiary's death.

**10.11 Designated Beneficiary as Responsible Individual.** Unless you, in your capacity as the Depositor, elect in writing otherwise in the Application or establishment documents, the Designated Beneficiary will serve as the Responsible Individual for this CESA after the Designated Beneficiary attains the age of majority under the applicable state law, and until such time as all of the CESA assets have been withdrawn from this

CESA, and/or the CESA is terminated by the Responsible Individual or us. If the Responsible Individual becomes incapacitated or dies after the Designated Beneficiary reaches the age of majority under applicable state law, the Responsible Individual will be the Designated Beneficiary unless a successor responsible individual has been named.

**10.12 Change of Designated Beneficiary.** Unless you, in your capacity as the Depositor, elect in writing otherwise in the Application or establishment documents, the Responsible Individual can change the Designated Beneficiary of this CESA to another family member of the Designated Beneficiary as described in Section 529(e)(2) of the Internal Revenue Code. We may require the Responsible Individual to provide information and documentation in a format acceptable to us before we will process any beneficiary designation change.

**10.13 Investment of CESA Assets.**

- (a) **Deposit Investments Only.** The deposit investments we offer are limited to savings, share and money market accounts, and certificates of deposit (CDs). The CESA is not, and cannot be, a self-directed CESA. It does not permit you or the Responsible Individual to invest contributions or CESA assets in nondeposit investments such as property, annuities, stocks, mutual funds, bonds, and government, municipal, or United States Treasury securities.
- (b) **Investment of Contributions.** We will invest contributions and reinvest the CESA assets as directed by the Responsible Individual based on our then-current investment policies and procedures. If you or the Responsible Individual fail to provide us with investment direction for a contribution, we will return or hold all or part of such contribution based on our policies and procedures. We will not be responsible for any loss of CESA income associated with such failure to provide appropriate investment direction.
- (c) **Directing Investments.** All investment directions must be in a format or manner acceptable to us. You and/or the Responsible Individual may invest in any eligible CESA investments that we are authorized to offer and does offer at the time of the investment selection, and that are acceptable under the applicable laws governing CESAs. Specific investment information may be provided at the time of the investment.

Based on our policies, we may allow you and/or the Responsible Individual to delegate the investment responsibility for the CESA to an agent by providing us with written notice of delegation in a format acceptable to us. We will not review or guide the agent's decisions, and you and/or the Responsible Individual are responsible for the agent's actions or failure to act. We are not responsible for directing the CESA investments or providing investment advice.

- (d) **Investment Fees and Asset Liquidation.** Certain investment-related fees, which apply to the CESA, must be charged to the CESA and cannot be paid by you and/or the Responsible Individual. We have the right to liquidate the CESA assets to pay fees and expenses, federal tax levies, or other assessments on the CESA investments. If the Responsible Individual does not direct us on the liquidation, we will liquidate the assets of our choice, and will not be responsible for any losses or claims that may arise out of the liquidation.

**10.14 Distributions.** Withdrawal requests must be in a format acceptable to us, and/or on forms provided by us. We may require the Responsible Individual to elect a distribution reason, provide documentation, and provide a proper tax identification number, before we process a distribution. The withdrawals may be subject to taxes and penalties. Distributions will be in cash based on our policies.

**10.15 Cash Contributions.** We may or may not accept transfers, rollovers, and other similar contributions in cash from other CESAs. Prior to completing such transactions we may require that the Responsible Individual provide certain information in a format acceptable to us.

**10.16 Reports and Records.** We will maintain the records necessary for IRS reporting on this CESA. Required reports will be provided to the Designated Beneficiary, or in some instances the Responsible Individual, and the IRS. If the Responsible Individual believes that a report is inaccurate or incomplete he/she must notify us in writing within 30 days following the receipt date. The investments may require additional state and federal reporting.

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

**10.18 Our Resignation.** We can resign at any time by providing the Responsible Individual with 30 days written notice prior to the resignation date, or within five days of our receipt of the Responsible Individual's written objection to an amendment. In the event you or the Responsible Individual materially breach this Agreement, we can terminate this Agreement by providing the Responsible Individual with five days prior written notice. Upon our resignation, the Responsible Individual must

appoint a qualified successor custodian or trustee. The CESA assets will be transferred to the successor custodian or trustee once we have received appropriate direction. Transfers will be completed within a reasonable time following our resignation notice and the payment of your remaining fees or expenses. We reserve the right to hold back or reserve CESA assets to pay any remaining fees or expenses. If the Responsible Individual fails to provide us with acceptable transfer direction within 30 days from the date of the notice, we can transfer the assets to a successor custodian or trustee of our choice or liquidate the assets and distribute them to him/her in cash.

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

## IRS FORM 5305-EA INSTRUCTIONS

### General Instructions

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

### Purpose of Form

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

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

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

### Definitions

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

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

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

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

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

### Identification Numbers

The depositor's and designated beneficiary's social security numbers will serve as their identification numbers. If the depositor is a nonresident alien and does not have an identification number, write "Foreign" on the return for which is filed to report the depositor's information. The designated beneficiary's social security number is the identification number of his or her Coverdell ESA. If the designated beneficiary is a nonresident alien, the designated

beneficiary's individual taxpayer identification number is the identification number of his or her Coverdell ESA. An employer identification number (EIN) is required only for a Coverdell ESA for which a return is filed to report unrelated business income. An EIN is required for a common fund created for Coverdell ESAs.

### Specific Instructions

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

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

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

# COVERDELL EDUCATION SAVINGS ACCOUNT (CESA) DISCLOSURE STATEMENT

**This Disclosure Statement and Additional Guidance.** This Disclosure Statement provides you with a summary of the federal laws governing CESAs. It is important to seek the guidance of a tax or legal professional before completing any CESA establishment documents. The first reference for questions concerning CESAs should be the documents you received at the time the CESA was created or amended. Those documents include an Internal Revenue Service (IRS) Form 5305-E or EA agreement, any additional provisions or amendments to such document, application, and this Disclosure Statement. For more information, refer to IRS Publication 970, *Tax Benefits for Higher Education*, IRS Publication 553, *Highlights of Tax Changes*, IRS Notice 97-60 and its successor, IRS Notice 2003-53, or the IRS's website at [www.irs.gov](http://www.irs.gov). This Disclosure Statement provides answers to common questions concerning CESAs.

**What is a Coverdell Education Savings Account (CESA)?** The Coverdell Education Savings Account (CESA), previously known as an Education IRA, is a nondeductible account that features federal income tax-free and penalty tax-free withdrawals for a child's eligible education expenses. Specifically, a CESA is a trust or custodial account that is created or organized in the United States exclusively for the purpose of paying the qualified elementary, secondary, and higher education expenses of the designated beneficiary of a CESA.

**For whom may a CESA be established?** Internal Revenue Code (IRC) Section 530(b)(1)(A)(ii) states that a CESA may not be established for any child after the date he/she attains the age of 18. The child is referred to as the Designated Beneficiary. The age 18 restriction does not apply to children with special needs as defined by the Secretary of the Treasury.

**Where may a CESA be opened or established?** A CESA may be opened or established with any bank, savings and loan, credit union, or other organization that has been approved to serve as a non-bank trustee or custodian of an individual retirement account (IRA), if such organization is offering CESAs.

**Who may establish and contribute to a CESA?** Any individual or entity, including a corporation or tax-exempt organizations, may establish and contribute to a CESA on behalf of a Designated Beneficiary. An individual may have the amount of his/her eligible contribution reduced if his/her income exceeds certain levels. There are income restrictions on contributing individuals. The contributing individual or entity is referred to as a "depositor" or a "grantor" in the IRS Forms 5305 agreements. For purposes of this Disclosure Statement, such individual or entity is referred to as the Contributor. There is no requirement that a relationship exist between the Contributor and the Designated Beneficiary. A Contributor may even be the Responsible Individual if he/she is the parent or legal guardian of the Designated Beneficiary. A Designated Beneficiary may even act as a Contributor to his/her own CESA. There is no restriction on the number of CESAs that a Contributor may contribute to, or that may be maintained for a Designated Beneficiary.

**What are the income restrictions that apply to Contributors who are individuals?** For an individual, the allowable CESA contributions depend on his/her modified adjusted gross income (MAGI), as defined by the IRS in its various federal income tax return instructions. Essentially, the more income an individual has, the less he/she may contribute to a CESA. An individual may contribute up to \$2,000 to any number of CESAs if the individual's MAGI for the taxable year is no more than \$95,000 [\$190,000 for married individuals filing a joint federal income tax return ("married filers")]. The \$2,000 maximum contribution per Designated Beneficiary is gradually reduced for an individual with MAGI between \$95,000 and \$110,000 (\$190,000 and \$220,000 for married filers). An individual with MAGI of \$110,000 or more (\$220,000 or more for married filers) cannot make contributions to any Designated Beneficiary's CESA.

**Who is responsible for the administration and maintenance of the CESA on behalf of the Designated Beneficiary?** The Designated Beneficiary's parent or legal guardian is named as the Responsible Individual, which means that he/she has control over the CESA and its assets until the Designated Beneficiary reaches the age of majority under state law, or in many cases, until the CESA assets are fully distributed and the CESA agreement is terminated. The CESA establishment agreement provides the Contributor with the option of electing to have the Responsible Individual continue to act as the Responsible Individual once the Designated Beneficiary reaches the age of majority under applicable state law. The Responsible Individual's responsibilities are set forth in Article IV of IRS Form 5305-E or EA.

**Does the Contributor have any control over the CESA after its establishment and receipt of the initial contribution?** The Contributor's control generally ends with establishing the CESA, making the initial contribution, and directing the investment of such contribution. Some agreements also provide the Contributor with the options of electing whether the Designated Beneficiary will become the Responsible Individual at the age of majority, and whether the Responsible Individual may name a new Designated Beneficiary.

**When may a Contributor start contributing to a CESA for a Designated Beneficiary?** A Contributor can start making contributions at any time after the birth of the Designated Beneficiary. The Designated Beneficiary must be a life in being.

**How much may be contributed to a CESA for a Designated Beneficiary?** Up to \$2,000 per year in aggregate contributions may be made for the benefit of a Designated Beneficiary. The contributions may be placed in a single CESA or in multiple CESAs, and a CESA may receive contributions from multiple Contributors.

**What is the deadline for making CESA contributions each year?** Contributions by individuals for a taxable year may be made at any time during the taxable year up to, and including, the federal income tax return due date, excluding extensions, for that taxable year. The due date for most taxpayers is April 15. The IRS has not yet addressed a contribution deadline for contributions made by non-individual entities.

**May contributions be made to both a qualified state tuition program and a CESA on behalf of the same Designated Beneficiary in the same taxable year?** Contributions may be made to both a CESA and a qualified state tuition program, such as a Section 529 plan, in the same taxable year.

**What happens if more than \$2,000 is contributed to a Designated Beneficiary's CESA for the calendar year?** If a Designated Beneficiary's aggregate CESA contributions for the calendar year exceed \$2,000, an excess contribution exists for any contribution in excess of \$2,000. The excess contribution must be removed within five months of the last day of the taxable year to avoid a six percent penalty tax on the amount of the excess contribution. The penalty tax applies to the excess amount for each year it remains in the CESA.

**May contributions other than cash be made to a CESA?** The \$2,000 annual contributions must be in cash. However, contributions that are completed by rollovers or transfers from other CESAs may be in cash or in kind.

**May Contributors take a deduction for contributions made to a CESA?** CESA contributions are not deductible on federal income tax returns.

**May a military death gratuity be rolled over to a CESA?** If a person serving in the military dies from injuries received in such service and the Designated Beneficiary of the CESA is the beneficiary of either a military death gratuity or an amount under a Servicemembers Group Life Insurance (SGLI) program for such person, all or part of the amount may be rolled over to the Designated Beneficiary's CESA. If the death occurred on or after June 17, 2008, the rollover contribution must be completed within one year of when each amount is received. If the death occurred prior to June 17, 2008, amounts received are no longer eligible for rollover.

**How are the CESA assets used to pay for qualified education expenses?** The Responsible Individual may withdraw assets from the CESA to pay for qualified education expenses. The withdrawals are tax-free and penalty tax-free if the withdrawals are used for qualified education expenses. If the withdrawals are not used for such education expenses, the Designated Beneficiary is subject to income taxes and possibly penalty taxes.

**What are qualified education expenses?** Education expenses are defined differently for elementary and secondary education versus higher education. Qualified elementary and secondary education expenses include certain expenses incurred as a requirement of the Designated Beneficiary's enrollment or attendance at a public, private, or religious school offering kindergarten through grade 12, as determined by state law. The expenses include:

- a. tuition, fees, academic tutoring, books, supplies, and other equipment;
- b. special needs services in the case of a special needs beneficiary;
- c. room and board, uniforms, transportation, and supplemental items and services, including extended day programs, which are required or provided by the school in connection with enrollment or attendance; and
- d. purchase of any computer technology or equipment as defined in Internal Revenue Code Section 170(e)(6)(F)(i), Internet access and related services, if such technology, equipment, or services will be used by the Designated Beneficiary and his/her family during any of the years the Designated Beneficiary is in school, and excludes software designed for sports, games and hobbies, which is not predominantly educational in nature.

Qualified higher education expenses include certain expenses incurred as a requirement of the Designated Beneficiary's enrollment or attendance, either part-time or full-time, at an eligible educational institution. An eligible educational institution is any college, university, vocational school, or other postsecondary 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. The eligible institutions include virtually all accredited public, private, nonprofit, and proprietary postsecondary institutions. Qualified expenses include the following:

- a. tuition, fees, books, supplies, and equipment;
- b. amounts contributed to a qualified state tuition program;
- c. room and board, which is generally the institution's posted room and board charge, or expenses reasonably incurred for room and board for students living off-campus and not at home, for a Designated Beneficiary who is at least a half-time student at the institution.

**What happens when a designated beneficiary withdraws assets from a CESA to pay for college?** 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. If the Designated Beneficiary withdraws an amount from a CESA 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-deferred in the CESA. The taxable portion of the distribution is also subject to a 10 percent additional penalty tax unless an exception applies.

**Is a distribution from a CESA taxable if the distribution is contributed to another CESA?** Any amount distributed from a CESA and properly rolled over to another CESA for the benefit of the same Designated Beneficiary, or certain family members of the Designated Beneficiary, is not taxable. The amount is properly rolled over if it is paid to another CESA on a date within 60 days after the date of the distribution. Additionally, the amount is properly rolled over if it is the only distribution rolled over within a one-year (12-month) period. Members of the Designated Beneficiary's family include the Designated Beneficiary's children and their descendants, siblings and their children, parents and grandparents, stepparents, and spouses of all the foregoing. A first cousin of the Designated Beneficiary is also considered a family member. The \$2,000 annual contribution limit does not apply to these rollover contributions.

**Rather than rolling over money from one CESA to another, may the Designated Beneficiary of the CESA be changed from one individual to another without triggering a tax?** The Designated Beneficiary may be changed to another individual if the terms of the governing documents used to create the CESA permit a change in designated beneficiaries, and the new Designated Beneficiary is a member of the previous Designated Beneficiary's family as previously defined in this document.

**What happens to the assets remaining in a CESA after the Designated Beneficiary finishes his/her education?** There are two options. The remaining CESA assets may be withdrawn for the Designated Beneficiary, and he/she will be subject to both income tax and the additional 10 percent tax on the portion of the distribution that represents earnings if he/she does not have any qualified education expenses in the same taxable year as the distribution. Alternatively, if the amount in the Designated Beneficiary's CESA is withdrawn and rolled over to another CESA for the benefit of a member of the Designated Beneficiary's family, the amount rolled over will not be taxable. All CESA assets must be distributed by the time a Designated Beneficiary attains age 30. Any assets remaining in a CESA at such time must be distributed within 30 days following the date of the Designated Beneficiary's 30th birthday. The age 30 restriction does not apply to Designated Beneficiaries with special needs.

**What happens if the Designated Beneficiary dies before CESA assets are totally distributed?** In the event the Designated Beneficiary dies before attaining age 30, any remaining CESA assets will be distributed or deemed distributed as of 30 days following the date of death. An exception to the distribution requirement exists if the designated death beneficiary is younger than age 30 at the time of death and is a member of the Designated Beneficiary's family. In such case, the designated death beneficiary will become the Designated Beneficiary of the CESA.

**May a Designated Beneficiary claim a Hope Scholarship Credit or Lifetime Learning Credit for the Designated Beneficiary's expenses in a taxable year in which he/she receives money from a CESA on a tax-free basis?** The Designated Beneficiary or his/her may claim a Hope Scholarship Credit or Lifetime Learning Credit for his/her expenses in a taxable year in which the Designated Beneficiary receives a CESA distribution on a tax-free basis if the Credit and CESA distribution are not used for the same expenses.