

Inherited Roth IRA — Self-Directed Custodial Account Application — Form 5305-RA

Revocation in accordance with the Disclosure Statement should be mailed or delivered to:

Custodian's Name _____
Address _____
City _____ State _____ Zip _____
Attn: _____ Phone _____

Beneficiary Information (As an Owner)

Name _____
Home Address _____
City _____ State _____ Zip _____
County _____ Date of Birth _____
Phone: Home _____ Work _____
SSN _____ Plan No. _____
Name of Deceased Accountholder _____

Designation of Beneficiary

Section 1.6 of Article VIII of the Inherited Roth Individual Retirement Custodial Account (Form 5305-RA) contains an important discussion of your right to name primary and contingent beneficiary(ies). Your designation will revoke all prior Roth IRA beneficiary designations with respect to the referenced Inherited Roth IRA account. In the event of your death, you hereby direct that any balance in your Inherited Roth IRA shall be paid to the following designated beneficiary or beneficiaries. If any primary or contingent beneficiary dies before you, then you wish to have the following result:

- the interest of that deceased beneficiary and his or her heirs shall terminate totally and the percentage share of any surviving beneficiary(ies) shall increase on a pro rata basis; or
- the interest of that deceased beneficiary shall be paid to his or her heirs (or issue) who are alive or who have living issue, such issue will take by right of representation the share the deceased beneficiary would have taken if living and persons of the same class shall share equally.

If you do not make the above designation, then you are deemed to have elected the "pro rata" selection.

If there are more than two primary or contingent beneficiaries, use a beneficiary designation form similar to CWF's Form #61-RI.

Primary Beneficiary(ies) — You designate that the following shall be your primary beneficiary or beneficiaries:

Name _____
Address _____
City _____ State _____ Zip _____
SSN _____ Date of Birth _____
Share % _____ Relationship _____
Name _____
Address _____
City _____ State _____ Zip _____
SSN _____ Date of Birth _____
Share % _____ Relationship _____

Contingent Beneficiary(ies) — If none of the primary beneficiaries survive you, you designate that the following shall be your contingent beneficiary or beneficiaries:

Name _____
Address _____
City _____ State _____ Zip _____
SSN _____ Date of Birth _____
Share % _____ Relationship _____
Name _____
Address _____
City _____ State _____ Zip _____
SSN _____ Date of Birth _____
Share % _____ Relationship _____

Type of Contribution

- Transfer in from the Roth IRA of** _____
(name of deceased accountholder)
- Transfer in from (if applicable)** _____
(name of other Roth IRA custodian/trustee)

Transfer Information

Date _____
Acct./Inst. No. _____
Transfer Amount \$ _____

Signatures and Revocation Right

You have requested that the Custodian establish an Inherited Roth Individual Retirement Account (Roth IRA) for you. You certify that your tax identification number (social security number) and other information are correct. The rules and conditions governing this Inherited IRA form are contained in this application and the IRS Model Form 5305-RA plan agreement as modified. You acknowledge that the Custodian has furnished you with a copy of the application, and the Inherited Roth Individual Retirement Plan and Disclosure Statement. In addition, you have read the disclosure statement and you qualify to make the transfer contribution to this Inherited Roth IRA.

In addition, this Inherited Roth IRA form incorporates by reference the terms of the Roth IRA plan agreement in effect as of the time the Roth IRA account holder died. You agree, if necessary, to furnish us a copy of such Roth IRA plan agreement.

You have the ability to terminate this Inherited Roth IRA which you are establishing if you comply, in a timely fashion, with the revocation provisions as discussed on page 8 of the Inherited Roth Individual Retirement Account (Roth IRA) Plan Agreement and Disclosure Statement. In general, you have seven (7) calendar days in which to revoke this Inherited Roth IRA plan agreement.

Inheriting Beneficiary's
Signature _____

Date _____

Authorized Signature
of Custodian _____

Date _____

Witness _____

Use only if signature of the beneficiary or the custodian is required to be witnessed

The background of the top section features a sepia-toned image of the Statue of Liberty's head and crown on the left, with the American flag waving behind it. The text is centered over this image.

An Inherited Roth IRA Plan Agreement

Disclosure Statement and Financial Disclosure

CUSTODIAL SELF-DIRECTED — NONDEPOSIT INVESTMENTS NOT FDIC-INSURED

Under your self-directed Roth IRA, you may use your Roth IRA funds to purchase mutual funds and other nondeposit investment products. Nondeposit investment products, such as mutual funds, stocks, bonds, etc., are not FDIC-insured; are not deposits or other obligations of this institution, and are not guaranteed by this institution; and involve investment risks, including possible loss of principal.

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Introduction and Instructions

INTRODUCTION

You have elected to establish an Inherited Roth Individual Retirement Custodial Account with us. We appreciate your decision to choose us as your IRA custodian and we look forward to serving you. We hereby furnish you with the following IRA documents: an Inherited Roth IRA application page and this Inherited Roth IRA Plan Agreement, Disclosure Statement and Schedule of Fees, if any. We strongly suggest that you take the time to read these materials. It is important that you understand both the tax and non-tax aspects of your Roth IRA. This Roth IRA is an Inherited Roth IRA and special rules apply. You are not allowed to make any contributions to this Inherited Roth IRA unless you would transfer in other Inherited Roth IRA funds with respect to the same deceased Roth IRA accountholder. That is, you are not allowed to make annual or rollover contributions to this Inherited Roth IRA.

If you have any questions, you may certainly contact our personal banking staff, but we strongly recommend that you consult with your tax or legal advisor for most questions.

Set forth in this booklet are the Inherited Roth IRA Plan Agreement and the Disclosure Statement. To the extent it is necessary, the terms of the original depositor's Roth IRA plan agreement are incorporated by reference.

GENERAL INSTRUCTIONS

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

PURPOSE OF FORM

Form 5305-RA is a model custodial account agreement that meets the requirements of section 408(a) and has been pre-approved by the IRS. A Roth individual retirement account (traditional Inherited Roth IRA) is established after the form is fully executed by both the individual and the trustee. This account must be created in the United States for the exclusive benefit of a Roth IRA beneficiary who has

Inherited a Roth IRA because the Roth IRA owner died and designated you as his or her beneficiary.

Do not file Form 5305-RA with the IRS. Instead, keep it with your records.

For more information on Inherited Roth IRAs, including the required disclosures the custodian must give, see **Pub. 590**, Individual Retirement Arrangements (IRAs).

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.

Owner—The Owner is the beneficiary who has succeeded to ownership because the person for whom the original Roth IRA was established has died or a subsequent beneficiary has died.

IDENTIFYING NUMBER

The owner's social security number will serve as the identification number of his or her Inherited Roth IRA. An employer identification number (EIN) is required only for an Inherited Roth IRA for which a return is filed to report unrelated business taxable income. An EIN is required for a common fund created for Inherited Roth IRAs.

SPECIFIC INSTRUCTIONS

Article IV.—Distributions made under this article may be made in a single sum, periodic payments, or a combination of both.

Article IX.—Article IX and any that follow it may incorporate additional provisions that are agreed to by the owner and trustee to complete the agreement. They may include, for example, definitions, investment powers, voting rights, exculpatory provisions, amendment and termination, removal of the trustee, trustee's fees, state law requirements, beginning date of distributions, accepting only cash, treatment of excess contributions, prohibited transactions with the owner, etc. Attach additional pages if necessary.

Roth Individual Retirement Inherited Custodial Account

Special Note. This is an Inherited Roth IRA. An Inherited Roth IRA is different from a Roth IRA established for an acountholder, in the following ways: (1) annual contributions are no longer permissible; (2) a nonspouse beneficiary does not have the right to roll over a distribution from this Inherited Roth IRA to his or her own Roth IRA or to another Inherited Roth IRA; and (3) special required distribution rules apply to this Inherited Roth IRA. Therefore, it is desirable to have a Roth IRA plan agreement form which clearly states the special rules which apply to an Inherited Roth IRA. The IRS has not written such a special form. Set forth below is the IRS Model Form 5305-RA which is written primarily from the viewpoint that the depositor/acountholder will make additional contributions. Be aware that those provisions describing the rights of the depositor are no longer applicable, since the Depositor has died. The Disclosure Statement has been written to discuss only those rules which apply to you as a beneficiary, and to your beneficiary(ies) after your death.

FORM

This is Form 5305-RA as issued by the Department of Treasury, Internal Revenue Service in March of 2002. Do not file with the IRS. This Roth IRA account is established under section 408A of the Internal Revenue Code.

NOTICE OF AGREEMENT

Since your name appears on the application, you understand that you are establishing a Roth Individual Retirement Custodial Account (Roth IRA) (under section 408A of the Internal Revenue Code) to provide for your retirement and for the support of your beneficiaries after your death. The Trustee named on the application has given you the disclosure statement under the Income Tax Regulations under section 408(i) of the Code. You and the trustee make the following agreement with the following terms:

ARTICLE I

Except in the case of a rollover contribution described in section 408A(e), a recharacterized contribution described in section 408A(d)(6), or an IRA Conversion

Contribution, the trustee will accept only cash contributions up to \$3,000 per year for tax years 2002 through 2004. That contribution limit is increased to \$4,000 for tax years 2005 through 2007 and \$5,000 for 2008 and thereafter. For individuals who have reached the age of 50 before the close of the tax year, the contribution limit is increased to \$3,500 per year for tax years 2002 through 2004, \$4,500 for 2005, \$5,000 for 2006 and 2007, and \$6,000 for 2008 and thereafter. For tax years after 2008, the above limits will be increased to reflect a cost-of-living adjustment, if any.

ARTICLE II

1. The annual contribution limit described in Article I is gradually reduced to \$0 for higher income levels. For a single grantor, the annual contribution is phased out between adjusted gross income (AGI) of \$95,000 and \$110,000; for a married grantor filing jointly, between AGI of \$150,000 and \$160,000; and for a married grantor filing separately, between AGI of \$0 and \$10,000. In the case of a conversion, the trustee will not accept IRA Conversion Contributions in a tax year if the grantor's AGI for the tax year the funds were distributed from the other IRA exceeds \$100,000 or if the grantor is married and files a separate return. Adjusted gross income is defined in section 408A(c)(3) and does not include IRA Conversion Contributions.

2. In the case of a joint return, the AGI limits in the preceding paragraph apply to the combined AGI of the grantor and his or her spouse.

ARTICLE III

The grantor's interest in the balance in the trust account is nonforfeitable.

ARTICLE IV

1. No part of the trust account funds may be invested in life insurance contracts, nor may the assets of the trust account be commingled with other property except in a common trust fund or common investment fund (within the meaning of section 408(a)(5)).

2. No part of the trust account funds may be invested in collectibles (within the meaning of section 408(m)) except as otherwise permitted by section 408(m)(3), which provides an exception for certain gold, silver, and platinum coins, coins issued under the laws of any state, and certain bullion.

ARTICLE V

1. If the grantor dies before his or her entire interest is distributed to him or her and the grantor's surviving spouse is not the designated beneficiary, the remaining interest will be distributed in accordance with (a) below or, if elected or there is no designated beneficiary, in accordance with (b) below:

(a) The remaining interest will be distributed, starting by the end of the calendar year following the year of the grantor's death, over the designated beneficiary's remaining life expectancy as determined in the year following the death of the grantor.

(b) The remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the grantor's death.

2. The minimum amount that must be distributed each year under paragraph 1(a) above is the account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table in Regulations section 1.401(a)(9)-9) of the designated beneficiary using the attained age of the beneficiary in the year following the year of the grantor's death and subtracting 1 from the divisor for each subsequent year.

3. If the grantor's surviving spouse is the designated beneficiary, such spouse will then be treated as the grantor.

ARTICLE VI

1. The grantor agrees to provide the trustee with all information necessary to prepare any reports required by sections 408(i) and 408A(d)(3)(E), Regulations sections 1.408-5 and 1.408-6, or other guidance published by the Internal Revenue Service (IRS).

2. The trustee agrees to submit to the IRS and grantor the reports prescribed by the IRS.

ARTICLE VII

Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through IV and this sentence will be controlling. Any additional articles inconsistent with section 408A, the related regulations, and other published guidance will be invalid.

ARTICLE VIII

This agreement will be amended as necessary to comply with the provisions of the Code, the related regulations, and other

published guidance. Other amendments may be made with the consent of the persons whose signatures appear on the application.

ARTICLE IX

Article IX may be used for any additional provisions. If provisions are added, they must comply with applicable requirements of state law and the Internal Revenue Code.

Introduction

In this Article, the words "you" and "your" mean the person for whose benefit the Inherited Roth IRA has been established. The words, "we," "us," and "our" mean the Trustee of your Inherited IRA. In addition to the provisions of Articles I-VIII, you and we agree that your Inherited Roth IRA will be governed by these terms.

1. Your Duties and Rights

1.1 Notice and Address Change. You and your beneficiaries must deliver or mail any required information to our office unless we ask that you send it elsewhere. Any notice or election is effective only upon actual receipt. You or your beneficiaries must notify us of any change in address.

1.2 Tax Consequences. Because Inherited Roth IRAs are so influenced by tax laws, you expressly acknowledge that you should consult with your tax advisor before making almost any Inherited Roth IRA transaction. You are responsible for the tax consequences of any distributions or transfers, as well as any prohibited transactions. You acknowledge that you have not relied upon us for any advice concerning such tax consequences.

1.3 Investments. You may instruct us in writing to invest your IRA funds into one or more of the savings or time deposit instruments which we are offering at that time. If you do not instruct us, we will invest the assets on your behalf. You, or your authorized investment manager, may also direct us to invest your IRA funds or some portion in any other assets, including common trust funds and common investment funds (within the meaning of Code section 408(a)(5)), as long as such transaction does not violate either the prohibited transaction rules of Code section 4975 or the collectibles rules of Code section 408(m). All investments shall be held in our name or the name of our nominee or in any other form we consider desirable.

If you direct your investments into assets other than our time or savings accounts,

then we will not render any investment discretion nor offer any investment advice. When you direct your investments you assume full responsibility and we shall not be liable for any loss you suffer. We shall be able to rely fully on your directions without making any inquiry or investigation. We are granted the discretion to decline your investment direction for any reason. We shall have the right to request that you furnish us with a written attorney's opinion that the proposed transaction will not be a prohibited transaction.

FDIC insurance will only apply to the portion of your IRA funds invested in our time and savings accounts and then only to the extent provided under governing rules. Such insurance does not apply to IRA funds which you self-direct into other types of investments. Securities are not bank deposits or FDIC insured, are not obligations of or guaranteed by the Custodian, and involve risk to principal.

1.4 Withdrawals/Termination. You may withdraw any amount of money from your Roth IRA at any time. You must, however, complete our distribution form and furnish us with the reason for your distribution. If you indicate the distribution is because of a disability or death or a substantially equal periodic payment, then you must provide us with the necessary verification in the format we require. With any distribution, including transfers, you will be required to pay from your Roth IRA funds, if applicable, the interest penalty for the early surrender of a time deposit(s) and/or any fees related to the distribution.

1.5 Special Distribution Rules to Ensure Compliance with Required Distribution Rules by Beneficiaries and Special Provisions for an Inherited Roth IRA(s). You agree to inform any person who is your beneficiary that he or she is your beneficiary and he or she must inform us of your death. We have the right to require that your beneficiary(ies) furnish us with a certified copy of your death certificate or other documentation as we feel appropriate to verify your death.

After your death, there are rules which mandate that your Inherited Roth IRA funds be distributed to your beneficiary(ies) on or before certain time deadlines. These deadlines are explained in the Disclosure Statement portion of this Roth IRA booklet.

Upon your death, your Inherited Roth IRA will be converted into one or more Inherited Roth IRAs. The number of Inherited Roth IRAs to be created depends upon the num-

ber of your primary beneficiaries alive as of the date of your death. There will be an Inherited Roth IRA created for each such beneficiary. The following rules will govern such Inherited Roth IRAs. These rules are in addition to the other rules of this agreement and will govern if there is a conflict.

You agree that we have the right to establish an Inherited Roth IRA account for each beneficiary on our data processing system even before a beneficiary instructs us as to how he or she will take withdrawals. We will have the authority to move the funds from your Roth IRA to one or more new Inherited Roth IRA accounts. We will have the right, if necessary, because of data processing or administrative requirements to surrender the savings and time deposits which comprised your account and establish new ones for the Inherited Roth IRAs.

We will transfer an Inherited Roth IRA to another Roth IRA trustee or trustee, but only if the requesting beneficiary and the receiving Roth IRA custodian/trustee will furnish us with a special transfer of Inherited Roth IRA administrative form so it is clearly acknowledged that it is an "Inherited Roth IRA" which is being transferred. Inherited Roth IRAs are not eligible to be rolled over unless the beneficiary is a spouse.

Each beneficiary will be required to instruct us in writing as to how he or she will withdraw funds from his or her Inherited Roth IRA so that the required distributions rules will be satisfied.

We have forms available which can be used by your beneficiary to instruct us which option he or she elects and to establish a distribution schedule.

If the five-year option applies to the beneficiary, and he or she has failed to withdraw his or her Inherited Roth IRA funds by October 31 of the year containing the fifth anniversary of your death, then we shall have the right to issue a check to such beneficiary during the period of November 1 to December 31 on a day of our choice. We shall have the authority but not the duty to distribute any required distribution to your beneficiary(ies). Any beneficiary shall be solely responsible to make sure that the required distributions take place on a timely basis.

1.6 Naming Beneficiaries and Method of Payment. You may name one or more beneficiaries to receive your Inherited Roth IRA assets after your death. We require that you use our beneficiary form to

designate your beneficiary or beneficiaries and that you sign this form and file it with us during your lifetime. You are deemed to have furnished us with your beneficiary designation if you furnished such a form to an entity with respect to which we are considered to be a successor custodian and we have such designation in our files. You may change your beneficiaries at any time, and the consent of a beneficiary is not required unless you reside in a state with community or marital property laws. When you sign a new beneficiary form, you revoke all prior beneficiary designations. If you do not name a beneficiary, or if none of the named beneficiaries are alive on the date of your death, your Inherited Roth IRA assets will be paid to your estate. As the beneficial owner of the Inherited Roth IRA assets, you can instruct how and when these assets will be paid to the beneficiaries. If you don't instruct, your beneficiaries will have the right to choose how and when the assets will be paid. Any method of payment must satisfy the provisions of Article IV and other governing law.

After your death, each primary beneficiary who acquires an interest in your Inherited Roth IRA shall have the right to designate his or her own beneficiary(ies) with respect to his or her share. The procedures for designating a beneficiary(ies) which apply to you as the account holder shall also apply to your beneficiary. When a beneficiary signs a new or revised beneficiary designation form, your beneficiary revokes all of his or her prior beneficiary designations. If the beneficiary does not designate his other beneficiary(ies), or if a designated beneficiary is not alive when the beneficiary dies, then the remaining Inherited Roth IRA assets will be paid to such beneficiary's estate. Any method of payment must satisfy the provisions of Article V and other governing law.

1.7 Special Distribution Rules to Ensure Compliance with Required Minimum Distribution Rules by Beneficiaries and Special Provisions for an Inherited Roth IRA(s). You agree to inform any person who is your beneficiary that he or she is your beneficiary, and he or she must inform us of your death. We have the right to require that your beneficiary(ies) furnish us with a certified copy of your death certificate or other documentation, as we feel appropriate, to verify your death.

After your death, there are rules which mandate that your Inherited Roth IRA

funds be distributed to your beneficiary(ies) on or before certain time deadlines. The time deadlines which will apply will depend upon various factors. These deadlines are explained in the Disclosure Statement portion of this Inherited Roth IRA booklet.

Upon your death, your Inherited Roth IRA will be converted into one or more Inherited Roth IRAs. The number of Inherited Roth IRAs to be created depends upon the number of your primary beneficiaries alive as of the date of your death. There will be an Inherited Roth IRA created for each such beneficiary. The following rules will govern such Inherited Roth IRAs. These rules are in addition to the other rules of this agreement and will govern if there is a conflict.

You agree that we have the right to establish an Inherited Roth IRA account for each beneficiary on our data processing system, even before a beneficiary instructs us how he or she will take withdrawals. We will have the authority to move the funds from your Inherited Roth IRA to one or more new Inherited Roth IRA accounts. We will have the right, if necessary, because of data processing or administrative requirements, to surrender the savings and time deposits which comprised your account and establish new ones for the Inherited Roth IRAs.

We will transfer an Inherited Roth IRA to another Inherited Roth IRA custodian or trustee, but only if the requesting beneficiary and the receiving Inherited Roth IRA custodian/trustee will furnish us with a special "transfer of Inherited Roth IRA" administrative form so it is clearly acknowledged that it is an "Inherited Roth IRA" which is being transferred. Inherited Roth IRAs are not eligible to be rolled over unless the beneficiary is a spouse who is the sole beneficiary.

Each beneficiary will be required to instruct us in writing as to how he or she will withdraw funds from his or her Inherited Roth IRA so that the required minimum distributions rules will be satisfied.

We have forms available which can be used by your beneficiary to instruct us which option he or she elects, and to establish a distribution schedule. Alternatively, the beneficiary may elect to use the alternative certification method. The beneficiary must furnish us a written notice of his or her intent to use the alternative certification method. We will furnish the beneficiary a form which can be used to make this election, upon his or her request.

We shall have the authority but not the duty to distribute any required minimum distribution to your beneficiary(ies). Any beneficiary shall be solely responsible to make sure that the required minimum distributions take place on a timely basis.

1.8 Assignment Rights. You, your beneficiaries, or anyone else may not borrow from your Inherited Roth IRA, or pledge any portion of it as security or otherwise assign or create a lien on any part of your Inherited Roth IRA account.

1.9 Indemnification. You hereby agree to release us from any and all liability with respect to your Inherited Roth IRA except if such liability arises from our intentional misconduct or gross negligence.

1.10 Sale of Trustee-Successor Trustee. If another institution should purchase this, the trustee institution, or any of our Roth IRA deposits, or we elect to change our corporate structure via a merger, consolidation or name change, then you hereby consent that the purchasing entity or the resulting corporate entity will be the successor trustee of your Roth IRA funds with all duties and rights listed in section 2.

1.11 General Rule—No FDIC Insurance Coverage. Normally FDIC insurance does NOT apply to assets held within a trust Inherited Roth IRA because FDIC insurance applies only to certain deposit accounts. Your Inherited Roth IRA has primarily been invested or will be invested in investments other than such deposit accounts and therefore will NOT be insured by the FDIC.

Stated another way, under your trust Inherited Roth IRA, your Inherited Roth IRA funds may be used to purchase mutual funds and other nondeposit investment products. The nondeposit investment products are not FDIC insured; are not deposits or other obligations of this institution and are not guaranteed by this institution; and involve investment risks, including loss or principal.

In some instances a portion of your Inherited Roth IRA funds will be invested in deposits at another institution which is an "insured" institution. In such case, such deposits would be insured pursuant to the rules as established by the FDIC. A summary follows. Such Inherited Roth IRA deposits are insured on a per institution basis and are insured separately from other deposit accounts, pursuant to the Federal Deposit Insurance Act, up to \$250,000. Any IRA, Roth IRA, most eligible deferred

compensation plans described in section 457 of the Internal Code, a Keogh plan as described in Code section 401(d) and any individual account plan as defined in section 3(34) of ERISA shall be aggregated and insured in an amount not to exceed \$250,000. This aggregation requirement applies to a Keogh plan or an individual account plan only when you have the right to direct the investment of your account. Amounts in excess of \$250,000 are not insured.

1.12 Special Agreement Regarding Prohibited Transactions. You acknowledge that the prohibited transaction rules set forth in Code section 4975 are complex and can result in harsh tax consequences. Generally, if you or your beneficiary engages in a prohibited transaction in connection with your Roth IRA account at any time during the year, the account stops being a Roth IRA as of the first day of that year. Therefore, you expressly agree that you will consult with your attorney or tax advisor prior to any proposed transaction which might be a prohibited transaction. You shall furnish us with an attorney's written opinion that a prohibited transaction will not occur on account of the proposed transaction. You agree to hold us harmless for any prohibited transaction which occurs unless we would be principally at fault.

Generally, a prohibited transaction is any improper use of your Roth IRA account or annuity by you, your beneficiary, or any disqualified person.

Disqualified persons include your fiduciary and members of your family (spouse, ancestor, lineal descendant, and any spouse of a lineal descendant).

The following are examples of prohibited IRA transactions.

- Borrowing money from it.
- Selling property to it.
- Receiving unreasonable compensation for managing it.
- Using it as security for a loan.
- Buying property for personal use (present or future) with IRA funds.

Fiduciary. For these purposes, a fiduciary includes anyone who does any of the following.

- Exercises any discretionary authority or discretionary control in managing your Roth IRA or exercises any authority or control in managing or disposing of its assets.

- Provides investment advice to your Roth IRA for a fee, or has any authority or responsibility to do so.
- Has any discretionary authority or discretionary responsibility in administering your Roth IRA.

1.13 Decedent's Plan Agreement. In addition, this Inherited Roth IRA form incorporates by reference the terms of the Roth IRA plan agreement in effect as of the time the Roth IRA account holder died. You agree, if necessary, to furnish us a copy of such Roth IRA plan agreement.

2. Our Duties and Rights.

2.1 Reports. Each year we will provide you or your beneficiary with one or more reports showing the activity in your Roth IRA for the preceding year as required by IRS regulations.

We may furnish these reports by either providing a print version or an electronic version of the forms.

2.2 Reporting Errors. You or your beneficiary must carefully review each report for any errors. You are to notify us immediately if there are any errors. If you do not tell us of any errors within 90 days after the date we mailed the report, we are relieved of any responsibility for the error.

2.3 Corrections of Errors. We shall have the right to correct any error we make with respect to your IRA unless IRS rules and procedures would not permit us to do so. Such errors include both reporting errors and non-reporting errors.

2.4 Agents. We may use agents to assist us in fulfilling our duties under this agreement.

2.5 Contribution Limitations. For any tax year, we will only accept contributions to your Roth IRA which do not exceed the maximum dollar amount which a person may be eligible to contribute for federal income tax purposes (see Disclosure Statement Section 4.2). However, if you provide us with a certification, we may accept a rollover contribution, or a transfer contribution.

Your contribution will be reported as a contribution for the year in which it is made, unless you clearly instruct us, in writing, that it is for the prior year. This procedural rule also applies to a direct deposit of your tax refund into your Roth IRA.

2.6 Fees. You agree to pay us the fees specified in our current schedule of fees, if any, for establishing and maintaining your Roth IRA. We may replace or change our

fee schedule at any time, upon giving you 30 days written notice. You hereby authorize us to deduct these fees from your Roth IRA assets. However, in the case of an administrative fee, we will allow you to pay such fee with nonRoth IRA funds, but we have no duty to inform you of this option other than herein.

If your Roth IRA is escheated to a state we will have the discretion to charge a \$50 fee. In addition, we will have the discretion to charge a \$50 fee if we use the IRS missing person programs or similar programs to find you or your beneficiary or to try to find you or a beneficiary. If state law does not permit such fee or fees, then these fees shall not apply. You expressly authorize us to use the IRS' program if we have not had contact with you for a period of 12 months.

2.7 Termination and Resignation as Trustee. We may resign or terminate our position as trustee of your Roth IRA at any time by giving you written notice. You may then instruct us in writing to distribute your Roth IRA assets to you or transfer them to another Roth IRA trustee if done within 30 days of our written notice. If you fail to so instruct us in writing within 30 days of our written notice, the Roth IRA assets will be paid to you.

2.8 Amendments. We may amend this agreement at any time in order to meet the requirements of the tax laws or regulations. We will send you a copy of any such amendment. You also agree that we may amend any provision of Article IX and it will become effective 30 days after it is mailed to you or your beneficiary.

2.9 Good Faith Payments. We are not liable for any payments we make in good faith. We can rely fully on any information or direction you give us or on any document which we believe sufficient to determine a person's identity. We can rely on the latest beneficiary form in our possession. We may presume that a beneficiary is fully competent until we are told otherwise. If a beneficiary is a minor or is incompetent, we may make payments to the beneficiary's legal representative, or to the person with whom the beneficiary resides or to the beneficiary directly.

2.10 Withholding Payments and Resolution of Disputes. We shall have the right to withhold payments from your Roth IRA assets if there is any dispute or uncertainty with respect to these assets. For example, disputes could arise in a divorce situation, or different individuals

could claim that they were entitled to be paid as your beneficiaries. This right of ours to withhold payment is expressly authorized until the dispute or uncertainty is settled to our satisfaction by all of the parties. At any time, we shall have the right (but not the duty) to request a judicial determination from a Court of law as to ownership of the assets. The Court's determination shall be binding upon us, you and all persons claiming an interest in the assets. You expressly authorize and agree that we have the right to be paid (i.e. deduct) from your Roth IRA assets any fees and expenses including but not limited to legal and accounting fees, whether internal or external, associated with resolving any dispute.

2.11 Notices. We may give a notice or report to you or your beneficiary by mailing it to you or your beneficiary at the address last furnished to us. The notice or report is considered given when it is mailed by either an agent or us.

2.12 Transfers, Rollovers, Conversions and Recharacterizations. We may request certification acceptable to us before we will accept any transfer, rollover, conversion or recharacterization contribution. We reserve total discretion whether or not we will transfer your Roth IRA assets to another custodian or trustee. You also expressly state that you have the sole responsibility for complying with all IRS eligibility rules for conversions, recharacterizations and rollovers, including the rule that you are allowed only one rollover per Roth IRA per 12 months. Also, since the IRS has not expressly ruled whether an individual has until the following Monday or business day when the 60th day ends on a Saturday, Sunday, or holiday, you accept full responsibility if you make such a rollover contribution.

2.13 Authority to Deduct Taxes. In our sole discretion, you authorize us to deduct and pay from your Roth IRA assets the amount necessary to pay any and all taxes which relate to this Roth IRA for which it may be liable.

2.14 Investments. We will invest the assets comprising this Inherited Roth IRA unless the application page indicates otherwise. We have the following powers, rights and duties regarding the investment of your Inherited Roth IRA assets.

a. To hold any property in our name or that of our nominee or in any other form we consider desirable.

b. To invest in bonds, notes, debentures, mortgages, trust interests, investment stock, mutual funds, general and limited partnership interest, deposits which bear a reasonable interest rate in the trustee, or in such other property, real or personal, within the United States, as the custodian may deem advisable, or as directed by you.

c. To invest in common trust funds and common investment funds (within the meaning of Code section 408(a)(5)).

d. To hold in cash such portion of the IRA assets as shall be reasonable under the circumstances.

e. To exercise any powers and rights of any individual owner with respect to any property of the Inherited Roth IRA including, but not limited to, conducting business or litigation, participating in a voting trust, merger, borrowing funds and to do all other acts in its judgment necessary or desirable for the investment of your Inherited Roth IRA assets even though the specific power to do such acts is not listed.

f. To allow you (the Inherited Roth IRA owner) pursuant to written policy to direct the investment of your Inherited Roth IRA assets. For purposes of this section, the term "you" includes any Investment Manager which you have named. When we permit you to direct the investment, we shall not be liable for any loss you suffer.

3. General Provisions.

3.1 Entire Agreement/Reproductions.

This agreement is made up of two documents: (1) the application form and (2) the IRS model Form 5305-RA plan agreement along with Article IX. You and we have received or retained a copy of these documents. You also acknowledge the fact that we have given you a Roth IRA Disclosure Statement. A copy of these documents shall be admissible in evidence in any judicial or administrative proceeding as if they were originals. This agreement contains the entire agreement of the parties. It may not be changed orally; you and we must agree to any changes according to the procedure set forth in section 2.8.

3.2 Controlling Law. The laws of the state in which our principal office is located will govern this agreement for purposes of the relationship between us (i.e. the Roth IRA trustee and the Roth IRA accountholder or the inheriting beneficiary). However, if controlling law must be determined for another

reason, then the laws of the state of the accountholder's domicile shall govern this agreement.

3.3 Waiver of a Breach and Severability.

Your waiver or our waiver of a breach of any provision of this agreement by the other party shall not operate or be construed as a waiver of any subsequent breach. If any provision of this agreement is held to be illegal or nonenforceable, the remaining provisions shall be construed as if that provision had not been included.

3.4 Privacy Policies. We will furnish you our privacy policies as required by applicable banking laws. We hereby incorporate into this Agreement the terms of our Privacy Policies.

3.5 Special Plan Agreement Changes Authorizing Tax-Free Charitable Distributions as Set Forth in the Pension Protection Act of 2006. To the extent necessary, the previous provisions are modified to authorize the special IRA tax benefits relating to tax-free charitable distributions. These changes are discussed in the Disclosure Statement.

3.6 Various Contribution Amounts, Income Limits and Limits Relating to the Saver's Tax Credit are to be Adjusted for Cost of Living Beginning, in General, in 2007, as Set Forth in the Pension Protection Act of 2006. To the extent necessary, the previous provisions are modified to authorize these adjustments. These changes are discussed in the Disclosure Statement.

4. Special Amendment to Article V.

4.1 The Internal Revenue Service (IRS) in IRS Notice 98-49 states that the model Roth IRA forms may be amended to provide a designated spouse beneficiary with options to comply with the required distribution rules which apply to a Roth IRA which are different than those set forth in Article V.

Therefore, Paragraph 3 of Article V is amended to read as follows:

3. If the grantor's spouse is the sole beneficiary on the grantor's date of death, such spouse will then be treated as the grantor unless he or she expressly elects in writing on or before September 30 of the year following the year of the grantor's death to elect to be distributed the entire remaining interest either by December 31 of the year containing the fifth anniversary of the grantor's death or have it be distributed over his or her life expectancy start-

ing no later than December 31 of the year the grantor would have attained age 70½. In addition, if a federal court construes the Internal Revenue Code of 1986, as amended, as providing the spouse beneficiary with more rights than set forth in regulation 1.408A or regulation 1.401(a)(9)-9 then the spouse beneficiary shall have such additional rights.

Disclosure Statement

Introduction

This Inherited Roth IRA Disclosure Statement is an explanation of the rules which govern the Inherited Roth IRA, because that is the type of IRA which you have Inherited.

You have not established an Inherited traditional IRA, SIMPLE-IRA or a Coverdell Education Savings Account.

This summary or explanation of the Inherited Roth IRA is intended to be a non-technical explanation. However, as with any plan or program created by the Internal Revenue Code, these rules are complicated. Note that this is a summary, and you may well wish to conduct additional research. You are advised to always seek professional tax advice.

Revocation Procedure

You are entitled to revoke or cancel your Inherited Roth IRA for any reason within seven (7) calendar days of the day you established it. You revoke your Inherited Roth IRA by mailing or delivering a written notice to the Custodian's representative as shown on the application page. If you mail your notice, it is deemed mailed on the postmark date if you deposited it, properly addressed, in the United States mail with first class postage. Your timely revocation within the first seven days will mean your original contribution will be returned to you without any adjustment.

Statutory Requirements of an Inherited Roth IRA

1. Cash Contributions. A beneficiary is not permitted to make any additional contributions to this Inherited Roth IRA.

2. Custodian/Trustee Requirements. The custodian or trustee of your Inherited Roth IRA must be a bank, trust company, savings and loan association, a federally insured credit union, or other person approved by the Secretary of the Treasury.

3. No Life Insurance. Funds in your Inherited Roth IRA cannot be invested in life insurance to any extent.

4. Nonforfeitable. Your Inherited Roth IRA funds are nonforfeitable.

5. Segregated Funds. Your Inherited Roth IRA funds must be kept separate from other property, although these assets may be combined with other property in a common Inherited IRA trust fund.

6. Distributions which must be taken by you as an inheriting beneficiary.

The following discussion is presented in question and answer format.

When a Roth IRA accountholder dies, who inherits these funds? The beneficiary of the Roth IRA, as named by the accountholder on the Roth IRA plan application document or most recent Roth IRA beneficiary document, inherits the Roth IRA funds. If no beneficiaries are named, applicable state law rules, usually naming the estate of the Roth IRA accountholder as the beneficiary.

Can the now-deceased accountholder dictate how the money is to be distributed after his or her death? Yes! If the distribution instructions are in writing and call for an amount to be distributed, (not less than the amount required by the federal tax laws), the deceased accountholder has the right to dictate the manner of distributions. Most accountholders allow the beneficiary to decide when he or she will take the required distributions.

Do the federal income tax laws mandate that I, as a Roth IRA beneficiary, must be distributed funds from the decedent's Roth IRA? Yes. If certain minimum amounts are not distributed to you, then you will owe a 50% excise tax. This tax amount is calculated as follows: 50% times the amount required to be withdrawn but which was not withdrawn. This is determined annually.

As a beneficiary, may I transfer my Inherited Roth IRA funds to a different Roth IRA custodian/trustee? Yes. If certain information is furnished and acknowledged by both Roth IRA custodians, then you should be able to transfer the Roth IRA you have inherited to a different Roth IRA custodian.

Am I eligible to roll over Inherited Roth IRA funds to another Roth IRA? No. Inherited Roth IRAs are not eligible to be rolled over.

Am I eligible to roll over or convert Inherited traditional IRA funds to a Roth IRA? No. Inherited traditional IRA funds are not eligible to be converted into a Roth IRA.

What are the beneficiary options upon the death of the IRA accountholder? If the IRA accountholder has not specified the distribution method, the beneficiary options are numerous, and vary depending on whether it is a traditional IRA or a

Roth IRA, and are further differentiated by whether the IRA accountholder dies before or after the Required Beginning Date. Also, spouse beneficiary options differ from nonspouse beneficiary options.

What date is used to determine a beneficiary(ies)' RMD? In order to be an inheriting Roth IRA beneficiary for RMD purposes, you must have been a designated beneficiary as of the time of the accountholder's death, and also as of September 30 of the year after the year the accountholder died.

What if more than one beneficiary is named? The Roth IRA will generally be divided into separate inherited beneficiary accounts, with each account under the control of the individual beneficiary. Each beneficiary can generally make their own choice of payout options unless the decedent mandated the form and timing of payment.

What must I do to begin distributions? Bring a certified copy of the deceased's death certificate to the financial institution. They will give you the forms to complete to choose your election and payment schedule.

Are there revised RMD Rules which apply to me as the inheriting beneficiary(ies)? Yes. You, as a beneficiary, will want to understand the following situations. In addition, the IRS has made clear that even though a spouse beneficiary does not have the right to elect to treat the Inherited Roth IRA as his or her own because he or she is not the sole beneficiary or for some other reason, a spouse may still roll over a distribution as long as the standard rollover rules are satisfied.

Situation #1. If you are the spouse and sole beneficiary, then you may choose from three options:

Five-Year Payout – Under this option, you must remove all funds from the Roth IRA by December 31 of the year that contains the fifth anniversary of the accountholder's death. As much or as little as you desire can be removed each year, as long as the entire Roth IRA balance is distributed by the deadline.

Election as Own – You will still be able to elect to treat this Inherited Roth IRA as your own Roth IRA. This is true even if distribution has commenced to you. The effect of this election is that all standard distribution rules will apply to your new Roth IRA.

You make such an election when you re-designate the Roth IRA to be your own Roth IRA as an owner rather than as a beneficiary. Such election is also deemed made when, if at any time, you fail to take an RMD within an appropriate time period or contribute any additional amounts to this Inherited Roth IRA.

You are eligible to make this election only if you are the sole beneficiary of the decedent's Roth IRA; you must have an unlimited right to withdraw funds from the decedent's Roth IRA.

Life-Distribution Rule. If you are the sole beneficiary of the Roth IRA, then you are required to commence distributions over your life expectancy – no later than December 31 of the year the accountholder would have attained age 70½, or December 31 of the following year if the accountholder would die in the year he/she would have attained age 70½.

A special rule applies if your spouse is your sole beneficiary and you die before your required beginning date and then your spouse dies before payments commence to him or her. In this case, the five-year rule or the life-distribution rule will be applied as if your spouse is the Roth IRA accountholder.

Situation #2. If you are a nonspouse beneficiary or you are a spouse beneficiary but you are not the sole beneficiary, then you have two options:

Five-Year Payout – All funds must be distributed by December 31 of the year that contains the fifth anniversary of the accountholder's death. As much or as little as you desire can be removed each year, as long as the entire Roth IRA balance is distributed by the deadline.

Life-Distribution Rule – Under this option, the distribution is based on your (the beneficiary's) life expectancy, using one-year reduction. This is the option which automatically applies unless you elect the five-year payout option on or before 12/31 of the year after the year of death.

If a beneficiary using the life-distribution rule neglects to take a distribution when required, normally a 50% excise tax would be owing on the amount which was required to be withdrawn but was not. The IRS is allowed to waive this excise tax if the beneficiary would agree to a total distribution of the IRA account by 12/31 of the year which includes the fifth anniversary of the accountholder's death. In essence, under this special situation, the Inherited account

will be treated as though the beneficiary had originally elected the five-year payout option. However, although the IRS is allowed to waive the 50% excise tax, it is not required to do so.

Situation #3. If the accountholder did not designate a living person as a beneficiary or designated a church, college or other non-person entity in addition to living persons, then the estate or other beneficiary(ies) will be required to use the five-year rule.

What life-expectancy table is used to determine the life-expectancy factor which applies to an inheriting Roth IRA beneficiary? The Single Life Table applies.

Single Life Table

Age of IRA Beneficiary	Distribution Period (in yrs)	Age of IRA Beneficiary	Distribution Period (in yrs)	Age of IRA Beneficiary	Distribution Period (in yrs)	Age of IRA Beneficiary	Distribution Period (in yrs)
0	82.4	28	55.3	56	28.7	84	8.1
1	81.6	29	54.3	57	27.9	85	7.6
2	80.6	30	53.3	58	27.0	86	7.1
3	79.7	31	52.4	59	26.1	87	6.7
4	78.7	32	51.4	60	25.2	88	6.3
5	77.7	33	50.4	61	24.4	89	5.9
6	76.7	34	49.4	62	23.5	90	5.5
7	75.8	35	48.5	63	22.7	91	5.2
8	74.8	36	47.5	64	21.8	92	4.9
9	73.8	37	46.5	65	21.0	93	4.6
10	72.8	38	45.6	66	20.2	94	4.3
11	71.8	39	44.6	67	19.4	95	4.1
12	70.8	40	43.6	68	18.6	96	3.8
13	69.9	41	42.7	69	17.8	97	3.6
14	68.9	42	41.7	70	17.0	98	3.4
15	67.9	43	40.7	71	16.3	99	3.1
16	66.9	44	39.8	72	15.5	100	2.9
17	66.0	45	38.8	73	14.8	101	2.7
18	65.0	46	37.9	74	14.1	102	2.5
19	64.0	47	37.0	75	13.4	103	2.3
20	63.0	48	36.0	76	12.7	104	2.1
21	62.1	49	35.1	77	12.1	105	1.9
22	61.1	50	34.2	78	11.4	106	1.7
23	60.1	51	33.3	79	10.8	107	1.5
24	59.1	52	32.3	80	10.2	108	1.4
25	58.2	53	31.4	81	9.7	109	1.2
26	57.2	54	30.5	82	9.1	110	1.1
27	56.2	55	29.6	83	8.6	111+	1.0

If the accountholder designates a trust as the Roth IRA beneficiary, will such trust be entitled to use a distribution period which normally would apply only to a beneficiary who is an individual? Yes. If special rules are met, the beneficiaries of a trust will be treated as if they had been the beneficiaries of the Roth IRA. The effect of this is that the age of such beneficiary(ies) may then be used to determine the distribution period which applies after the accountholder's death. Upon your request, we will inform you of these special rules.

What if I want to take a lump-sum distribution from the Roth IRA? You may take a lump-sum distribution. A beneficiary generally has the right to take more than his or her required distribution.

Can I designate my own beneficiary(ies)? Yes. The governing rules have been changed to allow you, as an inheriting beneficiary, to designate your own beneficiary(ies).

Understanding the tax consequences of distributions from an Inherited Roth IRA

There are numerous tax rules which apply to distributions from an Inherited Roth IRA. These rules are discussed and explained below.

You, as the Roth IRA beneficiary, may begin withdrawals at any time. However, you will want to understand the income tax consequences of taking distributions at certain times.

A distribution from an Inherited Roth IRA is not includable in your gross income if it is a qualified distribution. A qualified distribution is one that is both—made after a five-taxable year period; and made to a beneficiary or your estate on or after the date of your death.

The five-year period for your Inherited Roth IRA begins on the first day of the taxable year for which the first regular/annual contribution was made to any Roth IRA or, if earlier, the first day of the taxable year in which the first conversion contribution was made to any of the deceased accountholder's Roth IRAs.

This means if you inherit a Roth IRA, then you will have a separate five-year period for the Inherited Roth IRA versus any Roth IRAs which you have established for yourself.

If you are a spouse beneficiary who elects or who is deemed to have elected your deceased spouse's Roth IRA as your own, then you will determine just one five-year calculation. Your five-year period will end on the earlier of the five-year period which applied for the decedent or the five-year period which applies to your own Roth IRAs.

A distribution from a Roth IRA is not includable in your gross income even if it is not a qualified distribution to the extent that the distribution, when added to the amount of all previous distributions

(whether or not they were qualified distributions from the accountholder's Roth IRA) exceeds the contributions to all of his or her Roth IRAs.

A distribution from a Roth IRA is not includable in your gross income, even if it is not a qualified distribution, if it involves the withdrawal of an excess contribution in accordance with section 408(d)(4). The return of the contribution is not required to be included in income, but the related income must be included in income for the year in which the excess contribution was made.

A distribution from a Roth IRA can be comprised of one or more of the following: regular contributions, conversion contributions or earnings.

The law mandates the following order for distributions: (1) from regular/annual contributions; (2) from conversion contributions on a first-in-first-out basis and (3) from earnings. The order is determined as of the end of the taxable year, and each category must be exhausted before the next is used. With respect to a conversion contribution, it is treated as being made first from the portion, if any, that was includable in gross income as a result of the conversion.

To aid in administering this ordering, the IRS has created the following rules.

a. All distributions from all of an individual's Inherited Roth IRAs with respect to a specific beneficiary made during a taxable year are aggregated. There are two exceptions.

First, a distribution which is rolled over to another Roth IRA is disregarded.

Second, a distribution of an excess contribution along with the net income is disregarded.

b. All regular/annual contributions made for the same taxable year to all of the individual's Roth IRAs are aggregated and added to the undistributed total of regular/annual contributions for prior years. Note that there are two exceptions.

First, a rollover contribution from another Roth IRA is disregarded.

Second, the making of an excess contribution is disregarded if it is corrected in accordance with the rules.

c. All conversion contributions received during the same tax year by all of the individual's Roth IRAs are aggregated. Thus, if there are two conversion contributions in 1998 and three in 1999, then the two 1998 conversion contributions will be aggregat-

ed, as will the 1999 conversion contributions. However, there is a special rule. The conversion contributions received in 1999 must be segregated into two types. Type one is comprised of those Roth conversion contributions withdrawn in 1998 but recontributed in 1999 and with respect to which the 4-year spread method was selected. Type two is comprised of all other Roth conversions contributed in 1999.

There are three special rules.

First, a rollover contribution from another Roth IRA is disregarded.

Second, the making of an excess contribution is disregarded if it is corrected in accordance with the rules.

There is also a special rule arising from the recharacterization rules. If an individual recharacterizes a regular or a conversion contribution made to a Roth IRA by transferring it to a traditional IRA, then the original contribution to the Roth IRA and the recharacterizing transfer are disregarded in determining the amount of both contributions and distributions for the Roth IRA.

If the accountholder died before the five-year requirement has been satisfied, then a portion of any distribution may be required to be included in income. If there are multiple beneficiaries, there must be a method to allocate the different types of contributions to the beneficiaries. The method to be used is a pro rata method. Assume the following: a Roth IRA accountholder dies in 2002; the Roth IRA contains regular/annual contributions of \$4,000; a conversion contribution of \$20,000 and earnings of \$2,000; beneficiary #1 is to receive 50%, beneficiary #2 is to receive 30% and beneficiary #3 is to receive 20%; and beneficiary #3 is distributed \$3,000. The share for beneficiary #3 is \$5,200 allocated as follows: \$800 (\$4,000 x 20%) of regular contributions; \$4,000 (\$20,000 x 20%) of conversion contributions; and \$400 (\$2,000 x 20%) of earnings. Of the \$3,000 withdrawn, \$800 is allocated to regular contributions and the remainder of \$2,200 is allocated to conversion contributions.

RMDs for Beneficiaries of an Inherited Roth IRA Arising from a Direct Rollover from a Designated Roth Account with in a 401(k) Plan or Other Eligible Employer Retirement Plan (ERP)

On or after January 1, 2007, if you are a nonspouse beneficiary of a deceased plan participant, then you will be able to directly

roll over your designated Roth account inherited funds into a new type of inherited Roth IRA, if the plan is amended to authorize such a direct rollover. Prior to 2007, a nonspouse beneficiary of a pension plan participant was unable to roll over such inherited funds. He or she was required to take distributions from the pension plan as the plan stipulated.

You will be required to take required distributions from this new type of inherited Roth IRA. The IRS has adopted the approach that the inherited Roth IRA established to receive the direct rollover must apply the same required distribution rules as set forth in the ERP. That is, if the ERP mandated that the 5-year rule applies, then the 5-year rule must be applied by the Roth IRA, unless a special election has been made to use the life-distribution rule. If the ERP mandated the life-distribution rule, then the life-distribution rule must be applied by the Roth IRA.

Special rule and election. If the 5-year rule applies, the nonspouse beneficiary may elect to use the life-distribution rule rather than the 5-year rule. There are two requirements. First, the funds must be directly rolled over before the end of the year following the year of death. Secondly, the life-distribution rule must be determined using the same nonspouse beneficiary. Note that the amount ineligible to be directly rolled over includes the required distribution amount for any prior year and current year to the extent not distributed.

Will the 10% excise tax ever be assessed? No. All payments from an Inheriting Roth IRA Beneficiary escape the 10% tax.

Do the withholding rules apply to distributions from a Roth IRA? No. The law was retroactively changed as of December 21, 2000, so that a Roth IRA custodian/trustee is not required to withhold federal income tax from a Roth IRA distribution. President Clinton signed into law on December 21, 2000, the Consolidated Appropriations Act (Public Law 106-554) which retroactively adopted this technical correction effective as of January 1, 1998.

Is it permissible for me as an inheriting Roth IRA beneficiary to correct an excess contribution as made by the Roth IRA accountholder? Yes. You will need to comply with the time limits which the

IRS has established. You should refer to Publication 590.

Is it permissible for me as an inheriting Roth IRA beneficiary to recharacterize a contribution as made by the Roth IRA accountholder? Yes. You will need to comply with the rules as established by the IRS. You should refer to Publication 590.

What happens to my Inherited Roth IRA once I die? If you have named a beneficiary or beneficiaries, your beneficiary(ies) will have the right to continue to take the same required minimum distributions which you would have been required to take. That is, the distribution period over your life expectancy will continue to apply to your beneficiaries. Generally, they have the right to withdraw more than the required minimum amount.

Special Taxes that Apply Even Though No Distribution.

A. Six Percent Excise Tax on Excess Contributions. You must pay a 6% excise tax each year on excess amounts that remain in your Inherited Roth IRA. The tax cannot be more than 6% of the value of your Roth IRA as of the end of the tax year.

In general, an excess contribution is an impermissible contribution. It could have either been made by the original Roth IRA accountholder or you.

If the excess contribution is made for the current tax year, you will not have to pay the 6% excise tax if you withdraw or eliminate the excess amount by the date, including extensions, your tax return is due for the current year.

If the excess contribution is attributable to a prior year, you will not have to pay the 6% excise tax if you withdraw or eliminate the excess by December 31 of the current year. The carryback concept does not apply in this situation.

B. Fifty Percent Excise Tax on Excess Accumulations Within an Inherited Roth IRA. There is a 50% excise tax on any excess accumulations which occur within your Inherited Roth IRA. An excess accumulation is the difference between the amount actually distributed to you, and the amount required to be distributed.

Form 5329—Reporting Requirements When an Excise Tax Applies. If you or your beneficiary(ies) owe the 6% excise tax on an excess contribution or the 50% excise tax for failing to satisfy the minimum

distribution requirements, you or your beneficiary(ies) must file IRS Form 5329. If you only owe the 10% additional tax for premature distributions, and the payer properly shows the correct code on the Form 1099-R, you may not have to file Form 5329. See the instructions for Form 5329 for more information. You may be required to file Form 5329 even though your income level would not otherwise require the filing of an income tax return (i.e. Form 1040 or 1040A). If you engaged in a prohibited transaction and you were under age 59½ as of the first day of the year, then you must report the entire Roth IRA's value as of such day as being distributed.

Reporting Requirements For a Roth IRA. The IRS generally requires you to file the Form 8606 for a given tax year if any of the following apply: (1) you receive a distribution from your Inherited Roth IRA; (2) you recharacterize amounts that were converted to a Roth IRA; or (3) you have a recharacterization involving a Roth IRA contribution. You should review the IRS' instructions for the Form 8606 each year to see if the IRS has changed the filing requirements for the Form 8606.

Special Rule for Hurricane Katrina, Rita, and/or Wilma Distributions. Unless a person elects otherwise, a person who receives a qualified Hurricane Katrina, Rita, or Wilma distribution will include 1/3 of the distribution in income for the year of the distribution, plus 1/3 of the distribution in each of the following two years.

The standard tax rule is that the amount distributed must be included in income for the year of receipt. By spreading the distribution over 3 years, an individual will generally lessen the amount of income tax owing than if the entire amount is included in income in just one year.

The IRS has adopted the procedure that a qualifying individual should inform the Roth IRA custodian in writing on a Roth IRA distribution form whether or not his or her distribution is to be considered a Qualified Hurricane Katrina, Rita, or Wilma Distribution.

Definitions:

Qualified Individual for a Qualified Hurricane Katrina Distribution—An individual whose principal place of abode on August 28, 2005, was located in the Hurricane Katrina disaster area and who has sustained economic loss by reason of Hurricane Katrina.

Qualified Individual for a Qualified Hurricane Rita Distribution—An individual whose principal place of abode on September 23, 2005, was located in the Hurricane Rita disaster area and who has sustained economic loss by reason of Hurricane Rita.

Qualified Individual for a Qualified Hurricane Wilma Distribution—An individual whose principal place of abode on October 23, 2005, was located in the Hurricane Wilma disaster area and who has sustained economic loss by reason of Hurricane Wilma.

Qualified Hurricane Katrina Distribution—Any distribution from a traditional IRA or IRA annuity, Roth IRA, SEP-IRA, SIMPLE-IRA, a qualified trust, 403(a) plan, 403(b) plan or an eligible 457 plan made **on or after August 25, 2005, and before January 1, 2007**, to a qualified individual as defined above.

Qualified Hurricane Rita Distribution—Any distribution from a traditional IRA or IRA annuity, Roth IRA, SEP-IRA, SIMPLE-IRA, a qualified trust, 403(a) plan, 403(b) plan or an eligible 457 plan made **on or after September 23, 2005, and before January 1, 2007**, to a qualified individual as defined above.

Qualified Hurricane Wilma Distribution—Any distribution from a traditional IRA or IRA annuity, Roth IRA, SEP-IRA, SIMPLE-IRA, a qualified trust, 403(a) plan, 403(b) plan or an eligible 457 plan made **on or after October 23, 2005, and before January 1, 2007**, to a qualified individual as defined above.

Note: Qualified Hurricane Katrina, Wilma, or Rita distributions, when aggregated, must equal \$100,000 or less. Distributions **in excess of \$100,000** (in the aggregate) will not receive the other favorable treatments discussed herein.

Discussion of the Special Rules Applying to Tax-Free Charitable IRA Distributions/Contributions.

What requirements must I meet in order to take advantage of this charitable contribution law? (a) You must be age 70½ or older; (b) You must have a traditional or Roth IRA; (c) You must be allowed to itemize deductions on your Form 1040 income tax return; (d) Your contribution to a qualifying charity must also have been able to qualify as an itemized deduction, but for this special charitable contribution rule under Code section 170 (disregard the percentage limits). **Caution:** You

receive the tax-free charitable contribution treatment only if the entire amount would have qualified as a charitable deduction. Thus, if the contribution amount is reduced because of a benefit received by you in exchange, or because the custodian does not obtain sufficient substantiation, the exclusion is not available with respect to any part of the IRA distribution; (e) The distribution, but for this rule, must otherwise have been required to be included in your gross income; and (f) Payment, no matter in what form (electronic transfer, check, etc.), must be made directly from the IRA to the qualifying charitable organization. The instrument used for payment must not be negotiable by the IRA account holder.

Note. The withdrawal of basis from a Roth IRA is not includable in income, and consequently, such withdrawal does not qualify as a tax-free charitable contribution. The withdrawal of earnings in a nonqualified distribution may qualify as a tax-free charitable distribution.

Is there a limit on the amount which can be contributed to a charity each year? Yes, you may contribute up to a maximum of \$100,000 each year to a qualifying charity for years 2006 and 2007.

Summary of Contractual Terms

1. You must refer to your savings or time deposit agreement(s) for the terms which govern the investment of your Roth IRA deposits, including an early withdrawal penalty or fee for taking a distribution prior to maturity, if applicable.
2. You have the right to designate a beneficiary or beneficiaries to inherit your Roth IRA account. Refer to Section 1.6 of Article IX so that you can understand the rules and procedures.
3. You do not have any ability to assign your rights in this Inherited Roth IRA.
4. We may charge fees as set forth in section 2.5 of Article IX.
5. We may amend the terms of this Inherited Roth IRA from time to time to comply with law changes. If we amend it for any other reason, such amendment becomes effective 30 days after we have sent our notice of amendment to you.
6. You are to refer to Article IX for the following topics: withdrawals, withholding rules, reporting errors, changes in the Roth IRA custodian or trustee, good faith payments, termination and resignation of the Roth IRA custodian or

trustee, withholding payments and resolution of disputes, transfer and rollovers and payment of taxes.

Miscellaneous.

1. **Approved as to Form.** Your Roth IRA has been approved as to form for use as a Roth IRA by the IRS. This approval as to form does not represent a determination of the merits of such Roth IRA or its investments.
2. **Further Roth IRA Information.** You may obtain further information about Roth IRAs from any district office of the IRS. IRS Publication 590 discusses all types of IRAs, including Roth IRAs, very thoroughly.
3. **Financial Disclosure Information.** You are to refer to the application page and the reverse side of the application for this information.
4. **Administrative Fees or Costs.** We have the right to charge service fees as indicated in Article IX.