

# Coverdell Education Savings Account

## PRIVACY NOTICE

This Notice is provided on behalf of Trustar® Retirement Services, a trade name of Delaware Charter Guarantee & Trust Company.

### PROTECTING YOUR PRIVACY

This Notice is required by law. It tells how we handle personal information.

This Notice applies to:

- People, including IRA account holders, who own or apply for our products or services for personal use
- Employee benefit plan participants and beneficiaries

In this Notice, “you” refers to only these people. The Notice does not apply to an employer plan sponsor.

### WE PROTECT INFORMATION WE COLLECT ABOUT YOU

We follow strict standards to protect personal information. These standards include limiting access to data and regularly testing our security technology.

### HOW WE COLLECT INFORMATION

We collect data about you as we do business with you. Some of the sources of this data are as follows:

- **Information we obtain when you apply or enroll for products or services.** You may provide facts such as your name, address, Social Security number, and employment data.
- **Information we obtain from others.** This includes market value data about your account and similar data.
- **Information we obtain through our transactions and experience with you.** This includes investment records and account values.
- **Information we obtain through the Internet.** This includes data from online forms you complete. It also includes data we receive when you visit our website.

### HOW WE SHARE INFORMATION WITH OTHERS

In the course of doing business we may share data with others. This could include personal information about you or about former customers, plan participants or beneficiaries. Personal information may be shared with others for the following purposes:

- in response to a subpoena,
- to prevent fraud,
- to comply with inquiries from government agencies or other regulators, or
- for other legal purposes.

We also may share personal information about you or former customers:

- with others that service your accounts, or that perform services on our behalf,
- with other companies with your consent, at your request or as allowed by law.

### ACCURACY OF INFORMATION

We believe our records are accurate. Please tell us if you receive any incorrect materials from us. We will make the appropriate changes.

### MORE INFORMATION

You can write to us if you have questions about our Privacy Notice. Contact our Privacy Officer at P.O. Box 8963, Wilmington, DE 19899-8963.

*Receipt of this notice does not mean your application has been accepted.*

*We may change our privacy practices at times. We will give you a revised notice when required by law.*

*Our privacy practices comply with all applicable state laws. If a state’s privacy laws are more restrictive than those stated in this Notice, we comply with those laws.*

*Your agent, broker, registered representative, consultant or advisor may have a different privacy policy.*

## About the Coverdell Education Savings Account

A Coverdell Education Savings Account is a trust that is created to help pay the qualified education expenses of the designated beneficiary of the account. The Coverdell Education Savings Account provides a unique savings vehicle where distributions of contributions and earnings are potentially tax-free if used to pay for certain education expenses.

### Parties involved in the account

Several parties are involved in the account:

- *Trustee/Custodian* — maintains the IRA on behalf of the designated beneficiary.
- *Grantor/Depositor* — establishes the IRA for the benefit of a designated beneficiary. The grantor *does not* have to be a family member. The grantor can also be the Responsible Individual.
- *Designated Beneficiary* — individual under age 18\* who is named in the document and will receive the benefit of the funds in the account.
- *Responsible Individual* — usually the parent or guardian of the designated beneficiary. In some cases, the designated beneficiary can become the responsible individual at the age of majority. The grantor can also be the responsible individual.
- *Contributor* — The grantor is the initial contributor, but any eligible individual, including the designated beneficiary, can contribute to the account.
- *Death Designated Beneficiary* — person or entity named to receive the assets upon the death of the designated beneficiary.
- *Replacement Designated Beneficiary* — qualified family member who replaces the original designated beneficiary.

### Who is eligible?

The beneficiary must be under age 18\* when original contributions are made to the account. The Contributor must meet modified adjusted gross income (MAGI) requirements to fund a Coverdell Education Savings Account. Entities can contribute and the MAGI limits do not apply. For an individual, including married filing a separate return, the contribution is reduced with MAGI between \$95,000 - \$110,000. For contributors who are married filing a joint return, the contribution is reduced with MAGI between \$190,000 - \$220,000. The contributor does not have to have earned income to make a contribution. A grandparent receiving pension benefits only could use a portion of the money to contribute to Coverdell Education Savings Account of a grandchild. Or, a child could use money received as a gift to contribute it to his or her own Coverdell Education Savings Account.

### How much can be contributed?

The most that can be contributed during a given year for a designated beneficiary is \$2,000, excluding rollovers from another Coverdell Education Savings Account. A designated beneficiary can have more than one account, but the total annual contribution to all accounts combined cannot exceed \$2,000. Contributions must be made by tax-filing deadlines, not including extensions. Contributions must be made in cash and are not tax deductible.

### Who makes the investments?

The contributor usually chooses the initial investment for the account. Afterwards, the responsible individual has the power to change the initial investment and make decisions about investments for subsequent contributions.

### Tax-Free distributions

Distributions from a Coverdell Education Savings Account are tax free if the distribution is used to pay for qualified education expenses at an eligible educational institution. Qualified education expenses include tuition, fees, books, supplies, equipment, academic tutoring, special needs services, uniforms, transportation, educational computer technology including Internet access, and room and board in certain situations (the student must be enrolled at least as a half-time student at an eligible educational institution). The beneficiary must file IRS Form 8606 with the IRS to report Coverdell Education Savings Account distributions.

### Rollovers

Once the beneficiary attains age 30\*, any assets remaining in the account must either be distributed or rolled into a qualified family member's Coverdell Education Savings Account. Almost any relative will qualify as long as he or she is under age 30\*. Only one rollover is permitted per Coverdell Education Savings Account per 12 months, and rollovers must be done within 60 days of receipt of the last asset. Also, rollovers must be in cash.

### Excess contributions

In the event of an excess contribution, the excess will be returned to the designated beneficiary. The excess amount must be withdrawn by the first day of the sixth month following the taxable year (May 31) or the excess contribution will be subject to a six percent excise tax. The excise tax will be imposed for each year the excess amount remains in the account.

**\* Note: Age limits for contributions, distributions, and rollovers do not apply to individuals with special needs.**

## About the Coverdell Education Savings Account

### Definitions

*Half-time student* – The requirement that a student be at least a half-time student applies to room and board only. For example, John takes two courses (three credits each) at a qualified college. He can take a tax-free withdrawal to pay for education expenses associated with taking the courses, but cannot take a tax-free withdrawal to pay for his off-campus apartment because a full-time student at his college takes a minimum of a 16-credit work load.

*Eligible educational institution* – If the post-secondary educational institution is eligible to participate in a student aid program administered by the Department of Education, and then it is an

eligible educational institution. In addition to eligible post-secondary educational institutions, elementary and secondary schools (kindergarten through grade 12) are included in the definition of eligible educational institutions.

*This booklet is informational only and should not be construed as providing individual tax or legal advice. For more information, consult IRS Notice 97-60 (available at <http://www.irs.ustreas.gov/prod/hot/not97-603.html>). Both the depositor and responsible individual should read this Notice carefully. Please consult your own tax adviser or attorney regarding your individual situation.*

### Schedule of Fees effective January 1, 2002

---

#### ACCEPTANCE FEE

Opening the trust account	\$45.00
---------------------------	---------

#### ANNUAL FEE

Annual fee (not prorated)	\$45.00
---------------------------	---------

#### TERMINATION FEE

Transfer or termination of an existing Trust in addition to annual fees	\$50.00
---	---------

*Brokerage commissions are considered a cost of the security and are billed separately. These commissions are in addition to the above Trustee Fees.*

# Instructions for Coverdell Education Savings Account

## CONSULT WITH YOUR ATTORNEY

Carefully read the enclosed information. Please consult with your attorney and tax adviser if you are thinking about starting your own trust.

## DISCLOSURE STATEMENT & TRUST AGREEMENT

Prior to completing any forms, read the Disclosure Statement and Form 5305-E in their entirety.

## WHAT IS REQUIRED TO ESTABLISH A COVERDELL EDUCATION SAVINGS ACCOUNT?

When you decide to start your program, complete the application and both 5305-E forms found in this package and return them with your \$45 acceptance fee check payable to Mesirow Financial.

## APPLICATION

This is the basic legal document through which you join the Trust. It should be carefully considered.

Please complete and sign the application. Send the original to Mesirow Financial, Inc. Make a copy for your records. An incomplete or unsigned application cannot be accepted.

When Mesirow Financial, Inc. has approved the Application, the Trust will become effective.

## IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT

To help the government fight the funding of terrorism and money laundering activities, Federal law requires Delaware Charter Guarantee & Trust Company 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, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

## TRUST INSTALLATION AND NOTICE

Individual accounts will be opened by your investment executive. The title of the account will be as follows:

DELAWARE CHARTER GUARANTEE & TRUST CO., TRUSTEE

FBO Coverdell Education  
Savings Account

*Our Federal Tax I.D. number should appear when opening cash accounts. It is 51-0099493. When a cash account is opened, both Trustee & Designated Beneficiary must receive a statement.*

## INVESTMENTS

It is the responsibility of the Designated Beneficiary or Responsible Individual to direct the investment of the Trust funds. Investment directions may be given directly to your brokerage firm. Investment confirmations will be sent to you by your brokerage firm. Any transactions not generating a confirmation must be accompanied by additional written instructions.

The facilities of your brokerage firm will be available to you so that you may obtain research material in connection with your investments. Your brokerage firm will receive only brokerage commissions or appropriate dealer markups for the purchase and sale of securities within your account.

The firm cannot exercise discretion or control over your account, unless you are using the services of a registered investment adviser. Although they may provide investment information and advice to you, they do not intend that any advice given by them will serve as the primary basis for your investment decisions. Furthermore, it is our understanding that you will exercise independent judgment in making your investment decisions.

## CONTRIBUTIONS

**IMPORTANT:** Forward all contributions to your investment executive. Contributions will be reported for the tax year in which they are made. All Rollovers must be made in the form of cash.

**NOTE:** With the exception of rollovers, contributions in excess of \$2,000 per year cannot be accepted. Do not over-invest as this will cause a debit balance and may disqualify your Plan. Commissions are part of the cost of the investment and may not be paid separately.

## MAILING INSTRUCTIONS

Address to:

### Mesirow Financial, Inc.

Attn: Cash Management  
350 North Clark Street  
Chicago, Illinois 60610

## RECORDS

It is extremely important for you to keep good records covering your contributions and investments. **Remember that you assume the responsibility for filing all Federal and State tax returns and forms required as a participant of a Coverdell Education Savings Account.**

---

Name of Designated Beneficiary

## Disclosure Statement for Coverdell Education Savings Account

In compliance with Regulation, Section 530, Delaware Charter Guarantee & Trust Company, as Trustee, hereby submits the following Disclosure Statement for our Education Retirement Trust to the "Grantor" who has established the account for the benefit of the "Designated Beneficiary" (Beneficiary).

### A. REVOCATION

A Responsible Individual or Grantor is entitled to revoke this account within seven days from the date the Grantor adopts this Trust. Upon revocation, the entire account plus the acceptance fee will be returned. The notice of revocation shall be in writing. The written notification of revocation may be mailed or hand delivered to the Trustee on or before seven days after the date the Grantor adopted the Trust.

In the event that the written notification is mailed, it shall be deemed to be mailed on the date of the postmark or if sent by certified or registered mail, it shall be deemed to be mailed as of the date of certification or registration. If mailed, the written notice of revocation shall be mailed in the United States in an envelope or other appropriate wrapper, and it is to be mailed by first class mail with the postage prepaid and is to be addressed to:

Mesirow Financial, Inc.  
Attn: New Accounts  
350 North Clark Street  
Chicago, Illinois 60610

### B. OVERVIEW

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

A Coverdell Education Savings Account may be established for the benefit of any child under the age of 18\*. Contributions will not be accepted after the Designated Beneficiary reaches his or her 18<sup>th</sup> birthday.

There is no limit on the number of Coverdell Education Savings Accounts that may be established with a particular child as beneficiary. However, the total aggregate contributions to all of the accounts for a particular child may not exceed \$2,000 in any given tax year.

You can open a Coverdell Education Savings Account with any bank or other entity that has been approved to serve as a nonbank trustee or custodian of an IRA that also offers Coverdell Education Savings Accounts.

The Grantor must name a Responsible Individual when the trust is established. The following rules apply to a Responsible Individual:

- A Responsible Individual shall be a parent or guardian of the Designated Beneficiary.
- The trust will only have one Responsible Individual.
- If the Responsible Individual dies or becomes incapacitated while the Designated Beneficiary is a minor, the successor Responsible Individual shall be the person named to succeed in that capacity by the preceding Responsible Individual. The successor Responsible Individual must be named in writing and the appointment must be witnessed. If no successor Responsible Individual is named, the successor Responsible Individual shall be the Designated Beneficiary's other parent or successor guardian.
- The Designated Beneficiary shall become the Responsible Individual upon reaching the age of majority, unless the Grantor elects for the named Responsible Individual to continue to serve in that capacity. The election is made by marking the appropriate option on Form 5305-E.
- If the Designated Beneficiary dies and a family member under the age of majority becomes the Designated Beneficiary by reason of being a named death beneficiary, the Responsible Individual shall be such Designated Beneficiary's parent or guardian.
- For purposes of a Coverdell Education Savings Account, a family member includes a:
  - 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,
  - spouse.

**\* Note: Age limits for contributions, distributions, and rollovers do not apply to individuals with special needs.**

There are two definitions you should be familiar with regard to Coverdell Education Savings Accounts:

## Disclosure Statement for Coverdell Education Savings Account

**1. Qualified education expenses** – Expenses for tuition, fees, books, supplies, equipment, academic tutoring, special needs services, uniforms, transportation, and educational computer technology including internet access required for the enrollment or attendance of the Designated Beneficiary at an eligible educational institution. These expenses also include:

- Amounts contributed to a qualified state tuition program
- Room and board (generally, the schools' posted room and board charge, or \$2,500 per year for students living off-campus and not at home) if the student is at least a half-time student at an eligible educational institution.

**2. Eligible educational institution** – Any college, university, vocational school, or other post-secondary educational institution including elementary and secondary schools (kindergarten through grade 12) that is described in Section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088) and therefore eligible to participate in the student aid programs administered by the Department of Education. This category includes almost all accredited public, nonprofit, and proprietary post-secondary institutions.

### C. CONTRIBUTIONS

The following rules for contributions apply to a Coverdell Education Savings Account.

- **Amount** – Up to \$2,000 per year in **aggregate** contributions may be made for the benefit of any child. The contributions may be placed in a single Coverdell Education Savings Account or in multiple Coverdell Education Savings Accounts. There is no limit on the number of education accounts that may be established designating a child as beneficiary, as long as the *total* contributions to all accounts do not exceed \$2,000.
- **Timing** – Contributions must be made by the tax filing deadline, not including extensions of the year to which they apply.
- **Type** – Contributions will be accepted in cash only.
- **Restrictions** – Any individual (including the child) may contribute to a Coverdell Education Savings Account if the individual's modified adjusted gross income (MAGI) for the taxable year is no more than \$95,000 (\$190,000 for married taxpayers filing jointly). The \$2,000 limit is reduced for individuals with modified adjusted gross income between \$95,000 and \$110,000 (between \$190,000 and \$220,000 for married taxpayers filing jointly). Taxpayers with MAGI above \$110,000 (\$220,000 if married filing jointly) cannot make contributions to anyone's Coverdell Education Savings Account.

To figure your maximum contribution:

$$\begin{aligned} & \text{MAGI - Max limit of } \$95,000 \\ & \$2,000 \text{ Maximum X (assumes single filer) = Contribution} \\ & \quad \$15,000 \text{ (spread between} \\ & \quad \text{\$95,000 and \$110,000)} \end{aligned}$$

For instance, an unmarried taxpayer with MAGI of \$96,500 could make a maximum contribution per child of \$200 for that year ( $\$2000 \times (\$96,500 - \$95,000) / \$15,000 = \$200$ ).

- **Deductibility** – Contributions to a Coverdell Education Savings Account are not deductible.
- **Excess Contributions** – There are three ways you can over-contribute to the account. They are:
  - 1) If the aggregate contributions for the benefit of a particular child exceed \$2,000 for a calendar year,
  - 2) If the contributions exceed the contribution limit based on the contributor's MAGI, even if less than \$2,000,
  - 3) If contributions are made to the account after the Designated Beneficiary turns 18\*.

The excess amount must be withdrawn by the first day of the sixth month following the taxable year (May 31), or the excess contributions will be subject to a six percent excise tax. The excise tax will be imposed for each year the excess amount remains in the account.

**\*Note: Age limits for contributions, distributions, and rollovers do not apply to individuals with special needs.**

### D. ROLLOVERS

In general:

- Funds from a Coverdell Education Savings Account can only be deposited to another Coverdell Education Savings Account,
- Funds must be deposited not later than 60 days after the date the distribution is made,
- The receiving Coverdell Education Savings Account must be for the benefit of the same Beneficiary or a member of the Beneficiary's family (as described in Section B),
- The Beneficiary of the receiving Coverdell Education Savings Account must not have attained age 30\* as of the date the funds are deposited,
- Only one rollover is allowed per year,
- The \$2,000 limit does not apply to rollover contributions,
- Rollovers must be made in the form of cash.

## Disclosure Statement for Coverdell Education Savings Account

### E. INVESTMENTS

The Grantor has the authority to direct the trustee regarding the investment of the amount the Grantor assigns to the trust (plus earnings). The Responsible Individual, however, can redirect the trustee regarding such amount and any additional contributions (and earnings) to the trust.

No part of the trust funds may be invested in life insurance contracts.

The assets of the trust may not be commingled with other property except in a common trust fund or common investment fund.

No investments in Limited Partnerships or Limited Liability Companies are permitted in Delaware Charter Guarantee & Trust Company Coverdell Education Savings Accounts.

It is the responsibility of the Responsible Individual to select and direct the investment of the Trust Fund, either in person or through an Investment Manager. Selection of investments must conform to the Trust. As an example but not limited to, investments may be made in common stocks, government and corporate bonds, mutual funds, savings programs, certain option transactions, and other lawful trust investments as stated in the Trust. Investments not generating confirmations must be accompanied by additional written instructions. An investment in collectibles with the exception of certain U.S. minted coins will be treated as a distribution, Code 408(m). Although your brokerage firm may provide investment information to your account, they do not intend that any information given by them will serve as a primary basis for investment decisions. Furthermore, it is our understanding that you will exercise independent judgment in making your investment decisions. The investment executive is only acting as the Trustee's agent for the purpose of the completion of the Application and for providing brokerage services as outlined in the Coverdell Education Savings Account. Any questions concerning the authority of your investment executive should be directed to the Trustee. The investment executive is not an employee of Delaware Charter. Delaware Charter does not supervise or control the activity of the investment executive.

### F. DISTRIBUTIONS

Distributions to a Designated Beneficiary are tax free if:

- The amount of the withdrawal does not exceed the Designated Beneficiary's qualified education expenses (as defined in Section B),
- The Designated Beneficiary is enrolled in an eligible educational institution (as defined in Section B).

The Designated Beneficiary may be enrolled full-time, half-time, or less than half-time.

If the Designated Beneficiary withdraws an amount from a Coverdell Education Savings Account and does not have any qualified education expenses during the taxable year, the portion of the distribution that represents earnings that have accumulated tax-free in the account, are taxable. The taxable portion of the distribution is also subject to a 10 percent additional tax, unless an exception applies. Exceptions are:

- 1) Payments made to a death beneficiary (or to the estate of the Designated Beneficiary) on or after the death of the Designated Beneficiary,
- 2) Made to the Designated Beneficiary on account of being disabled (within the meaning of Section 72(m)(7)).
- 3) Made on account of a scholarship, allowance, or payment described in Section 25A(g)(2), received by the account holder to the extent the amount of the payment or distribution does not exceed the amount of the scholarship, allowance, or payment; or
- 4) The Designated Beneficiary elects to waive the tax exempt benefit under Section 503(d)(2).

### Required Distributions

Any balance remaining in a Coverdell Education Savings Account must be distributed:

- within 30 days of the date the Beneficiary attains age 30\*, or
- within 30 days after the date of death of such Beneficiary.

If the Designated Beneficiary withdraws the funds from the account, they will be subject to income tax and the additional 10 percent tax on the amount that represents earnings.

The Designated Beneficiary may also:

- roll over the funds to another Coverdell Education Savings Account for the benefit of a member of their family who has not attained age 30\*, or
- if the terms of the Trust so permit, change the Designated Beneficiary to a new Designated Beneficiary who is a member of the previous Designated Beneficiary's family who has not attained age 30\* (See Section B).

## Disclosure Statement for Coverdell Education Savings Account

Amounts rolled over in compliance with the requirements in Section D or when the Designated Beneficiary is changed to a family member, will not be includible in income or subject to the 10 percent tax.

### Special rules for Death and Divorce

The transfer of a Designated Beneficiary's interest in a Coverdell Education Savings Account to a spouse under a divorce or separation agreement described in section 71(b)(2) will not be considered a taxable transfer. Furthermore, the interest, after such transfer, will be treated as a Coverdell Education Savings Account with the spouse as the Designated Beneficiary.

If the Designated Beneficiary dies and the surviving spouse is the designated death Beneficiary, the surviving spouse may treat the account as if they were the account holder.

**\*Note: Age limits for contributions, distributions, and rollover do not apply to individuals with special needs.**

### G. FINANCIAL DISCLOSURE

- 1) The amount of the money that will be available at any period of time will depend on the following:
  - Amount of contributions
  - Total years of participation
  - Earnings including interest, dividends, realized and unrealized gain and loss
  - Expenses

A guaranteed return or projected amount cannot be furnished because of the numerous investments available to you.

- 2) The fees charged by the Trustee on an annual basis, after the initial acceptance fee are as follows:
  - Annual fee — \$45
  - Termination or transfer of Trust — \$50 (in addition to annual fees)

In the event that the Trustee's compensation, taxes, and expenses are not paid within a reasonable time after demand for such payment has been made by the Trustee on the Responsible Individual, the Trustee will charge the Trust such fees, taxes, and expenses. The Trustee may also liquidate such assets of the Trust for such purposes as in its sole discretion it shall determine. The custodian will collect such fees, taxes, and expenses for the Trustee as so directed by the Trustee.

In the event the account becomes delinquent and it becomes necessary to collect the balance through the services of a collection agency, the Responsible Individual will be responsible for the fees of such collection agency, separate from the fees due to the Trustee.

The Trustee reserves the right to revise the fee schedule and will provide ample notice of any such revision to the Responsible Individual.

### H. FORM 5498

Form 5498 will be completed by the Trustee and forwarded to the Designated Beneficiary and the IRS. This form reports contributions and rollovers received during the year. To ensure accuracy, the individual's cash statement from the brokerage firm must reflect whether money coming into the account is a contribution or rollover.

### I. ADDITIONAL INFORMATION

- 1) The Grantor agrees that all controversies between the Grantor, Responsible Individual, and/or Designated Beneficiary and the Trustee and/or any of its officers, directors, or employees present or former concerning or arising from:
  - any retirement account maintained with the Trustee by the Grantor, Responsible Individual or Designated Beneficiary
  - any transaction involving the Designated Beneficiary's account, whether or not such transaction occurred in such account or accounts, or
  - the construction, performance, or breach of this Agreement between us, whether such controversy arose prior, on, or subsequent to the date hereof,

shall be determined by arbitration under the commercial arbitration rules of the American Arbitration Association. Any disputes as to the arbitrability of a matter or the manner of such arbitration shall be determined in such arbitration. Such arbitration shall be held in Wilmington, Delaware.

Arbitration Disclosures: Arbitration is final and binding on the parties; the parties are waiving their right to seek remedies in court, including the right to jury trial; pre-arbitration discovery is generally more limited than and different from court proceedings; the arbitrators' award is not required to include factual findings or legal reasoning, and any party's right to appeal or to seek modification of rulings by the arbitrators is strictly limited; the panel of arbitrators will consist of arbitrators from American Arbitration Association; the arbitration will be under the commercial arbitration rules of the American Arbitration Association; the arbitration shall be held in Wilmington, Delaware; and any disputes as to such arbitration or the manner thereof shall be determined in such arbitration.

## **Disclosure Statement for Coverdell Education Savings Account**

- 2) Agreement is not enforceable in accordance with its terms in a particular jurisdiction shall not affect the validity or enforceability of the remaining provisions of this Trust Agreement generally or in any other jurisdiction or as to any other parties, but rather such unenforceable provisions shall be stricken or modified in accordance with such determination only as to such parties and this Trust Agreement, as so modified, shall continue to bind the specific parties involved therein and otherwise all other parties in unmodified form.
- 3) A signed copy of Form 5305-E "Education Individual Retirement Trust Account" will be mailed to the Grantor and the Responsible Individual upon the Trustee's Acceptance.
- 4) Further information can be obtained from any district office of the Internal Revenue Service.

# Coverdell Education Savings Account

Mesirow Financial, Inc.  
Attn: New Accounts  
350 North Clark Street  
Chicago, IL 60610

New     Rollover     Transfer

Please Print

## Designated Beneficiary's Information

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

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

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Date of Birth: \_\_\_\_\_

## Grantor's Information

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

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

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Date of Birth: \_\_\_\_\_ Relationship to Designated Beneficiary: \_\_\_\_\_

## Responsible Individual Information

(A Responsible Individual must be designated below and must be a parent or guardian of the Designated Beneficiary.)

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

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

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Date of Birth: \_\_\_\_\_ Relationship to Designated Beneficiary: \_\_\_\_\_

## Death Beneficiary Information (In the event of the Designated Beneficiary's Death.)

Name: \_\_\_\_\_ SSN: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

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

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Percent of account due: \_\_\_\_\_ Relationship: \_\_\_\_\_ Primary or Contingent: \_\_\_\_\_

Name: \_\_\_\_\_ SSN: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

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

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Percent of account due: \_\_\_\_\_ Relationship: \_\_\_\_\_ Primary or Contingent: \_\_\_\_\_  
(must total 100%)

Important: Please read before signing. **The signature of the Responsible Individual must be obtained if someone other than the Grantor will be the Responsible Individual.**

I understand the eligibility requirements for the type of IRA deposit I am making and I state that I do qualify to make the deposit. I have received a copy of the Application, 5305-E Plan Agreement, Disclosure Statement, and Schedule of Trustee fees. By signing below I acknowledge that I have read and understand the terms and conditions which apply to this Coverdell Education Savings Account that are contained in the aforementioned documentation.

I assume complete responsibility for:

1. Determining if I am eligible to contribute to a Coverdell Education Savings Account each year I make a contribution.
2. Ensuring that all contributions I make are within the limits set forth by the tax laws.
3. Certifying that I am qualified to assume the responsibilities of the Responsible Individual as set forth in this Agreement, if I am designated on this Application as the Responsible Individual.
4. Managing and administering the account and authorizing transactions involving contributions and distributions, if I am designated on this Application as the Responsible Individual.

\_\_\_\_\_  
(Education Savings Account Grantor)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Education Savings Account Responsible Individual)

\_\_\_\_\_  
(Date)

Account Number: \_\_\_\_\_

Brokerage Firm Name: \_\_\_\_\_

Investment Executive: \_\_\_\_\_

Phone Number: \_\_\_\_\_

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

\_\_\_\_\_  
**Trustee's Approval**

\_\_\_\_\_  
**Date**

Schedule of Trustee Fees

- Acceptance fee — \$45
- Annual fee — \$45
- Termination or transfer of Trust — \$50 (in addition to annual fees)

**Please retain a copy for your records.**

**Coverdell Education Savings Trust Account**  
 (Under section 530 of the Internal Revenue Code)

Do not file  
 with the Internal  
 Revenue Service

Name of grantor		Grantor's identification number	Check if amendment <input type="checkbox"/>
Name of designated beneficiary		Designated beneficiary's identification number	
Address of designated beneficiary		Date of birth of designated beneficiary	
Name of responsible individual (generally the parent or guardian of the designated beneficiary)			
Address of responsible individual			
Name of trustee		Address or principal place of business of trustee	

The grantor named above is establishing a Coverdell education savings trust account under section 530 for the benefit of the designated beneficiary exclusively to pay for the qualified elementary, secondary, and higher education expenses, within the meaning of section 530(b)(2), of such designated beneficiary.

The grantor has assigned the trust ..... dollars (\$ ..... ) in cash.

The grantor and the trustee make the following agreement:

**Article I**

The trustee 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 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 a common investment fund (within the meaning of section 530(b)(1)(D)).

**Article III**

1. Any balance to the credit of the designated beneficiary on the date on which he or she attains age 30 shall be distributed to him or her within 30 days of such date.
2. Any balance to the credit of the designated beneficiary shall be distributed within 30 days of his or her death **unless** the designated death beneficiary is a family member of the designated beneficiary and is under the age of 30 on the date of death. In such case, that family member shall become the designated beneficiary as of the date of death.

**Article IV**

The grantor shall have the power to direct the trustee regarding the investment of the above-listed amount assigned to the trust (including earnings thereon) in the investment choices offered by the trustee. The responsible individual, however, shall have the power to redirect the trustee regarding the investment of such amounts, as well as the power to direct the trustee regarding the investment of all additional contributions (including earnings thereon) to the trust. In the event that the responsible individual does not direct the trustee regarding the investment of additional contributions (including earnings thereon), the initial investment direction of the grantor also will govern all additional contributions made to the trust account until such time as the responsible individual otherwise directs the trustee. Unless otherwise provided in this agreement, the responsible individual also shall have the power to direct the trustee regarding the administration, management, and distribution of the account.

**Article V**

The "responsible individual" named by the grantor shall be a parent or guardian of the designated beneficiary. The trust shall have only one responsible individual at any time. If the responsible individual becomes incapacitated or dies while the designated beneficiary is a minor under state law, the successor responsible individual shall be the person named to succeed in that capacity by the preceding responsible individual in a witnessed writing or, if no successor is so named, the successor responsible individual shall be the designated beneficiary's other parent or successor guardian. Unless otherwise directed by checking the option below, at the time that the designated beneficiary attains the age of majority under state law, the designated beneficiary becomes the responsible individual. If a family member under the age of majority under state law becomes the designated beneficiary by reason of being a named death beneficiary, the responsible individual shall be such designated beneficiary's parent or guardian.

**Option** (*This provision is effective only if checked*): The responsible individual shall continue to serve as the responsible individual for the trust after the designated beneficiary attains the age of majority under state law and until such time as all assets have been distributed from the trust and the trust 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 trustee's procedures.

Article VII

- 1. The grantor agrees to provide the trustee with all information necessary to prepare any reports required by section 530(h).
2. The trustee 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 grantor and trustee whose signatures appear below.

Article X

Article X may be used for any additional provisions. If no other provisions will be added, draw a line through this space. If provisions are added, they must comply with applicable requirements of state law and the Internal Revenue Code.

Grantor's signature ..... Date .....
Trustee's signature ..... Date .....
Witness' signature ..... Date .....
(Use only if signature of the grantor or the trustee is required to be witnessed.)

General Instructions

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

Purpose of Form

Form 5305-E is a model trust 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 grantor and the trustee. 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 custodial account, see Form 5305-EA, Coverdell Education Savings Custodial Account.

Do not file Form 5305-E with the IRS. Instead, the grantor must keep the completed form in its records.

Definitions

Trustee. The trustee 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 trustee. Any person who may serve as a trustee of a traditional IRA may serve as the trustee of a Coverdell ESA.

Grantor. The grantor is the person who establishes the trust account.

Designated beneficiary. The designated beneficiary is the individual on whose behalf the trust 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 grantor and designated beneficiary's social security numbers will serve as their identification numbers. If the grantor is a nonresident alien and does not have an identification number, write "Foreign" in the block where the number is requested. 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 grantor and trustee 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 trustee, trustee's fees, state law requirements, treatment of excess contributions, and prohibited transactions with the grantor, designated beneficiary, or responsible individual, etc. Attach additional pages as necessary.

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

