



Nationwide Funds®

Mutual Fund Application for New Accounts

- Coverdell Education Savings Account
Nationwide Bank Custodian

INSTRUCTIONS

- Complete all applicable sections of this form
 - Read the Nationwide Funds Privacy Statement
 - Select your Fund investment(s)
 - Sign the application at the bottom of Section 6
- **Mail your application to:**
Nationwide Funds
P.O. Box 701
Milwaukee, WI 53201-0701
- **For special delivery or overnight services, mail to:**
Nationwide Funds
615 E. Michigan St., FL3
Milwaukee, WI 53202-5207

Questions? Call 1-800-848-0920



PRIVACY STATEMENT

We value you as a customer and respect your right to privacy. We know that you purchase our products and services because you trust that we will stand behind our promises. We pledge our commitment to treat your information responsibly, and we created this privacy policy to show you that we are working hard to protect your privacy.

Confidentiality and security

We use physical and technical safeguards to protect your information. We restrict access to your information to those who need it to perform their jobs. Third-party business partners are bound by law to use the information only for our purposes. They may not disclose it or use it in any other way. We comply with all data security laws.

Collecting your personal information

We collect personal information about you from different sources. We collect information you send us on applications and forms. We collect information from your transactions with us, our sister companies, brokers or other financial intermediaries through whom you buy or sell shares of Nationwide Funds, or others. Based on the product or services requested, we may collect information from a consumer reporting agency.

Sharing your personal information

We do not sell your information to anyone. We may share this information with a business that carries out services and marketing for us. We may disclose your information as required or permitted by law, including to affiliates. We may disclose your information for a legal or regulatory purpose or to combat fraud or inappropriate trading practices in shares of Nationwide Funds. These include the following types of information.

- **Information we receive from you on applications or other forms. This may include your name, address, beneficiaries, Social Security number, and family member information. This may also include assets, income, and the property address and value.**
- **This may include information from your transactions with our sister companies, us or other financial intermediaries. It may include your account balance, trading history, policy coverage, and payment history. It may also include premium paid, preferences, shares you purchase, claims, and purchase method.**
- **This may include information we receive from a consumer-reporting agency or other reporting agencies. It may include your credit report and employment data. These depend on the products you select.**
- **We may share your information with our investment adviser, investment company, broker-dealer, IRA custodian and transfer agent affiliates, as well as to other of our affiliates.**

Information sharing and opt out

We do not sell your personal information to anyone for any reason. We do not share it, except for the reasons described in this notice, which are permitted by federal and state law. Therefore, there is no need for you to opt out. If we change our policy, we will tell you and give you a chance to opt out before we share your information.

Questions

We value our customers and want you to understand how we use the information we collect. If you have any questions about our privacy policy, please contact us toll free at 800-848-0920.

We have a process that allows you to review your information. We can only give access to information that we control and can reasonably retrieve. We also check the identity of the person making the request.

You may request that we correct your information in our files. Please note that we do not control the items provided by third parties. So, you will need to contact the third party and correct their information.

This privacy statement describes our privacy practices for both current and former customers. If you request, we will send more copies of this statement.

**Thank you for choosing us.
Nationwide is On Your Side.®**

**Nationwide Funds Group
Nationwide Mutual Funds
Nationwide Variable Insurance Trust
Nationwide Fund Advisors
Nationwide Fund Management LLC
Nationwide Fund Distributors LLC**

June 2011



**Nationwide
Funds®**

On Your Side®

1. ACCOUNT REGISTRATION

IMPORTANT INFORMATION ABOUT PROCEDURES WHEN OPENING A NEW ACCOUNT: To help the government fight the funding of terrorism and money-laundering activities, the USA Patriot Act requires all financial institutions 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 may 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. We will return your application if any of this information is missing. In the rare event that we are unable to verify your identity, Nationwide Funds reserves the right to redeem your account as an age-appropriate distribution at the current day's net asset value.

A. Type of Account

Refer to the disclosure statement for eligibility requirements and contribution limits.

Choose ONE of the following account types:

Coverdell Education Savings Account (CESA) For tax year _____

Rollover Account – specify the type of rollover:

Account Owner's CESA to Account Owner's CESA

Qualifying Family Member's CESA to Account Owner's CESA

Transfer Account – a direct transfer from current CESA custodian

B. Designated Beneficiary/Account Owner

Child's Name (First, Middle Initial, Last)

Date of Birth (mm/dd/yyyy)

Social Security Number

Address (Number and Street)

City

State

ZIP

Check if minor should receive statements

C. Responsible Party

Name (First, Middle Initial, Last)

Date of Birth (mm/dd/yyyy)

Social Security Number

Address (Number and Street)

City

State

ZIP

Daytime Phone Number

Relationship to Designated Beneficiary

Email Address

The following two options will be added to your account. If you do not want these options, check the boxes below.

I. The responsible party will continue to control the account after the Account Owner attains age of majority in his/her state in accordance with the terms as described in the Coverdell Education Savings Account agreement.

The responsible party **DOES NOT** wish to control the account after the Account Owner attains age of majority.

II. The responsible party has the authority to change the beneficiary designated under this agreement to another member of the designated beneficiary's family as described in the Coverdell Education Savings Account agreement.

The responsible party **MAY NOT** change the beneficiary.

D. Duplicate Statements (optional)

Complete this section if you wish someone other than the Account Owner(s) to receive a copy of your account statements.

Duplicate Statement #1

Duplicate Statement #2

Company Name

Company Name

Name

Name

Address

Address

City State ZIP

City State ZIP

2. CITIZENSHIP AND AFFILIATIONS

A. U.S. Citizen U.S. Resident Alien Non-resident Alien

Note: For non-resident aliens, attach IRS Form W-8. *Dividends are subject to tax withholding.* In addition to submitting an IRS Form W-8, one of the following is required: An Individual Taxpayer Identification Number, passport number with country of issuance, alien identification card number, or number with country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or similar safeguard and a copy of the document.

Please indicate form of identification: Alien ID Card Passport Other

Alternate Identification Number Issuing Body Country of Origin

B. Are you or the joint owner a current or former employee, representative, or agent of a foreign (non-U.S.) government or any agency or instrumentality of a foreign (non-U.S.) government, including the military?

No Yes. If Yes, please provide details, including all positions and titles held, and dates held _____

C. Within the past five years, has any immediate family member of you or the joint owner been an employee, representative or agent of a foreign (non-U.S.) government or any agency or instrumentality of a foreign (non-U.S.) government, including the military?

No Yes. If Yes, please provide details, including all positions and titles held, and dates held _____

3. FUND SELECTION

Indicate fund(s), investment amount(s) in dollars and share class(es).

Checks must be made payable to Nationwide Funds.

Type of Investment Net Asset Value privilege (Class A shares only): **Please complete Sales Load Waiver Certification form. (Please refer to the Fund prospectus or SAI for information regarding eligibility.)**

Type of Payment **Check** (in U.S. dollars) payable to Nationwide Funds
 By wire (Call 1-800-848-0920 for further instructions.)
 Transfer/Rollover/Conversion: **Please complete the IRA Transfer/Direct Rollover Authorization Forms.**
 Transfer funds from another Nationwide Funds account _____

Account Number

Direct Deposit (Complete, sign and mail this application as instructed. A representative from the Nationwide Funds' transfer agent will call you within three business days of receipt of your application with your account number. Please request a Direct Deposit Authorization Form and follow the instructions provided on the form.)

Important Information

An annual custodial fee of \$10 will be charged to each CESA Account. Only one fee will be charged, no matter how many CESAs exist for the CESA Account responsible party. The custodial fee will be deducted from the CESA, unless paid by separate check prior to December 1 of each year. Your check should be made payable to Nationwide Funds and clearly marked "CESA Custodial Fee."

NATIONWIDE FUNDS

(\$1,000 minimum per fund; \$100 subsequent deposits by check. No minimum for accounts opened with an Automatic Asset Accumulation Plan.)

If you do not choose an option for distribution of your capital gains and dividends, Nationwide Funds automatically will reinvest them into your account.

If you choose "cash" as your distribution option, Nationwide Funds will mail a check to the address of record unless otherwise indicated.

I wish to open my account with an Automatic Investment Plan (Please complete Section 4D and Section 5).

	INVESTMENT AMOUNT	CLASS A SHARES	CLASS C SHARES	CAPITAL GAINS		DIVIDENDS	
ALTERNATIVES FUND							
Nationwide Alternatives Allocation Fund	\$ _____	<input type="checkbox"/> 3556	<input type="checkbox"/> 3557	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
TARGET DESTINATION FUNDS							
Nationwide Destination 2010 Fund	\$ _____	<input type="checkbox"/> 3266	<input type="checkbox"/> 3339	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide Destination 2015 Fund	\$ _____	<input type="checkbox"/> 3267	<input type="checkbox"/> 3340	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide Destination 2020 Fund	\$ _____	<input type="checkbox"/> 3268	<input type="checkbox"/> 3341	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide Destination 2025 Fund	\$ _____	<input type="checkbox"/> 3269	<input type="checkbox"/> 3342	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide Destination 2030 Fund	\$ _____	<input type="checkbox"/> 3270	<input type="checkbox"/> 3343	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide Destination 2035 Fund	\$ _____	<input type="checkbox"/> 3271	<input type="checkbox"/> 3344	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide Destination 2040 Fund	\$ _____	<input type="checkbox"/> 3272	<input type="checkbox"/> 3345	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide Destination 2045 Fund	\$ _____	<input type="checkbox"/> 3273	<input type="checkbox"/> 3346	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide Destination 2050 Fund	\$ _____	<input type="checkbox"/> 3274	<input type="checkbox"/> 3347	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide Destination 2055 Fund	\$ _____	<input type="checkbox"/> 3278	<input type="checkbox"/> 3351	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide Retirement Income Fund	\$ _____	<input type="checkbox"/> 3275	<input type="checkbox"/> 3348	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
INVESTOR DESTINATIONS FUNDS							
Nationwide Investor Destinations Aggressive Fund	\$ _____	<input type="checkbox"/> 3389	<input type="checkbox"/> 3303	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide Investor Destinations Moderately Aggressive Fund	\$ _____	<input type="checkbox"/> 3392	<input type="checkbox"/> 3304	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide Investor Destinations Moderate Fund	\$ _____	<input type="checkbox"/> 3395	<input type="checkbox"/> 3305	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide Investor Destinations Moderately Conservative Fund	\$ _____	<input type="checkbox"/> 3398	<input type="checkbox"/> 3306	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide Investor Destinations Conservative Fund	\$ _____	<input type="checkbox"/> 3410	<input type="checkbox"/> 3307	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
EQUITY FUNDS							
Nationwide Fund	\$ _____	<input type="checkbox"/> 3533	<input type="checkbox"/> 3301	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide Growth Fund	\$ _____	<input type="checkbox"/> 3528	<input type="checkbox"/> 3302	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide International Value Fund	\$ _____	<input type="checkbox"/> 3277	<input type="checkbox"/> 3350	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide Small Company Growth Fund	\$ _____	<input type="checkbox"/> 3554	<input type="checkbox"/> N/A	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide U.S. Small Cap Value Fund	\$ _____	<input type="checkbox"/> 3276	<input type="checkbox"/> 3349	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
FIXED-INCOME FUNDS							
Nationwide Bond Fund	\$ _____	<input type="checkbox"/> 3535	<input type="checkbox"/> 3461	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide Enhanced Income Fund	\$ _____	<input type="checkbox"/> 3525	<input type="checkbox"/> N/A	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide Government Bond Fund	\$ _____	<input type="checkbox"/> 3529	<input type="checkbox"/> 3459	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide Money Market Fund	\$ _____	<input type="checkbox"/> 3530	<input type="checkbox"/> 3308	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide Short Duration Bond Fund	\$ _____	<input type="checkbox"/> 3443	<input type="checkbox"/> 3364	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
INDEX FUNDS							
Nationwide Bond Index Fund	\$ _____	<input type="checkbox"/> 3408	<input type="checkbox"/> 3312	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide International Index Fund	\$ _____	<input type="checkbox"/> 3405	<input type="checkbox"/> 3311	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide Mid Cap Market Index Fund	\$ _____	<input type="checkbox"/> 3415	<input type="checkbox"/> 3313	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide S&P 500 Index Fund	\$ _____	<input type="checkbox"/> 3418	<input type="checkbox"/> 3309	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest
Nationwide Small Cap Index Fund	\$ _____	<input type="checkbox"/> 3402	<input type="checkbox"/> 3310	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest	<input type="checkbox"/> Cash	<input type="checkbox"/> Reinvest

TOTAL AMOUNT \$ _____

4. SHAREHOLDER PRIVILEGES

A. Electronic Delivery (optional)

You may elect to receive your account statements, investment confirmations, tax statements and regulatory documents electronically. If you do not select one of the options below, Nationwide Funds will send all materials to you via U.S. mail. To take advantage of this feature, you will need to visit nationwide.com/mutualfunds to register for on-line access once your account is established.

- I wish to receive my account statements and investment confirmations electronically.
- I wish to receive my regulatory documents (prospectuses and financial reports) electronically.
- I wish to receive my tax statements electronically.

Email Address for Electronic Delivery

B. Householding Delivery of Documents (optional)

This feature is available only if you did not choose to receive all of your documents electronically.

Unless you elect otherwise below, we will automatically deliver to your address only one copy of any prospectus or financial report mailed by Nationwide Funds to shareholders, even if more than one person at your address is a shareholder of Nationwide Funds. By "householding" these mailings, we can reduce the volume of mail you receive from us and help reduce fund expenses. Please note that you may continue to receive multiple mailings if you or others at your address hold Nationwide Funds shares through a broker or other financial institution.

- I do **NOT** wish to participate in Householding. Please send me my own prospectus and financial reports.

C. Telephone and Internet Privileges (optional)

Unless indicated below, I authorize Nationwide Funds to accept instructions from any authorized owner to exchange or redeem shares in my account(s) by telephone or over the Internet in accordance with the procedures and conditions covered in the prospectus. *Please allow up to 20 days after submitting your application before initiating a transaction.*

- I **DO NOT** want the Telephone and Internet Exchange Privilege
- I **DO NOT** want the Telephone and Internet Redemption Privilege

D. Automatic Investment Plan (optional)

Your first transaction will be effective following verification from your financial institution. Please allow up to 30 days to change or discontinue this feature.

- I authorize Nationwide Funds to deduct the dollar amount(s) specified below and to invest the amounts
 - monthly
 - twice monthlyinto the Fund(s) of my choice. **(Please complete Section 5.)**

Fund Name(s)

(\$50 Minimum)

Please specify an investment date. For twice monthly, please specify two dates that are a minimum of seven days apart. If you do not specify a date, Nationwide Funds will make your investment on the 15th of each month.

First date

Second date

5. BANK ACCOUNT INFORMATION

Complete this section if you selected an electronic transfer option in Section 4(D). A Medallion Signature Guarantee is required if the name(s) on your bank account is/are not identical to the name(s) on your Nationwide Funds account.

This option will be effective following verification from your financial institution. Please allow up to 30 days to change or discontinue this feature.

I authorize Nationwide Funds to add bank Automated Clearing House (ACH) purchase and ACH redemption information to my Fund account.

Bank Name _____ Bank Telephone Number _____

Account Type Checking Savings

Please attach a voided check or deposit slip below.

John Doe Jane Doe 123 Main Street Anytown, USA 12345	00000
Pay to the order of _____	\$ _____
_____	DOLLARS
Memo _____	Signed _____
⑆12345⑆789⑆ : ⑆123456789⑆	

6. CERTIFICATION AND SIGNATURES

A. Customer Terms

I have received and read the current summary prospectus(es) and/or prospectus(es) and agree to be bound by its/their terms. I hereby acknowledge that I understand and agree to the terms set forth in the Nationwide Mutual Funds Application for New Coverdell Education Savings Accounts and represent that the information provided by me in this document accurately reflects my account registration information, citizenship and tax certification. Also, I have read the Nationwide Funds Privacy Statement as part of this document.

B. Acknowledgement for Coverdell Education Savings Account

Depositor and Custodian hereby adopt an agreement establishing a Coverdell Education Savings Account utilizing the language of the Coverdell Education Savings Account Custodial Agreement and as supplemented by the provisions of this application. Depositor acknowledges receipt of a copy of the Coverdell Education Savings Account Custodial Agreement and the required Disclosure Statement. Depositor acknowledges:

(1) That this agreement shall be construed, administered and enforced according to the laws of Ohio. (2) That he or she is of legal age to establish this Coverdell Education Savings Account and a copy of the applicable fund summary prospectus and/or prospectus was received and read prior to the execution of this application, and that he or she understands the fund(s) investment objectives and has determined that the fund(s) is (are) a suitable investment(s) based upon his or her investment needs and financial situation, and he or she certifies that the Social Security number(s) on this form are true, correct and complete. (3) That Nationwide Bank is appointed to act as Agent for Depositor in buying shares for the Coverdell Education Savings Account, and Nationwide Bank is authorized to deduct all applicable fees from the account hereby established.

C. Tax Certification

THE INTERNAL REVENUE SERVICE DOES NOT REQUIRE YOUR CONSENT TO ANY PROVISION OF THIS DOCUMENT OTHER THAN THE CERTIFICATION REQUIRED TO AVOID BACKUP WITHHOLDING.

Under penalties of perjury, I certify that:

- 1. The number shown on this form is my correct Taxpayer Identification Number(s), (or I am waiting for a number to be issued to me), and**
- 2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and**
- 3. I am a U.S. citizen or other U.S. person (as defined in the Form W-9 instructions).**

Cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return.

APPLICATIONS CANNOT BE PROCESSED WITHOUT YOUR SIGNATURE.

Account Owner Name

Account Owner Signature

Date

7. INVESTMENT PROFESSIONAL

The Broker-Dealer signing below authorizes the Nationwide Funds' Transfer Agent to act as our agent in connection with transactions under this application.

Name of Broker-Dealer

Firm

Branch Street Address

City

State

ZIP

Branch Phone Number

Name of Investment Professional

Investment Professional No.

Dealer No.

Branch No.

! BEFORE YOU MAIL, HAVE YOU:

- Completed all USA Patriot Act information in Section 1?
 - Social Security number or Taxpayer ID Number
 - Birth date
 - Full name
 - Permanent street address
- Enclosed your personal check made payable to the Fund (if applicable)?
- Attached a voided check or deposit slip to Section 5 (if applicable)?
- Enclosed any additional documentation that is required?
- Signed your application in Section 6?

THIS PAGE INTENTIONALLY LEFT BLANK.

Coverdell Education Savings Account Plan Documents

COVERDELL ESA CUSTODIAL ACCOUNT AGREEMENT

Form 5305-EA Under Section 530 of the Internal Revenue Code

FORM (REV. MARCH 2002)

The Depositor whose name appears on the Application is establishing a Coverdell Education Savings Account under Section 530 for the benefit of the Designated Beneficiary whose name appears on the Application exclusively to pay for the qualified elementary, secondary, and higher education expenses, within the meaning of Section 530(b)(2), of such Designated Beneficiary.

The Depositor has assigned the custodial account the sum indicated on the Application.

The Depositor and the Custodian make the following agreement:

ARTICLE I

The Custodian may accept additional cash contributions provided the Designated Beneficiary has not attained the age of 18 as of the date such contributions are made. Contributions by an individual contributor may be made for the tax year of the Designated Beneficiary by the due date of the beneficiary's tax return for that year (excluding extensions). Total contributions that are not rollover contributions described in section 530(d)(5) are limited to \$2,000 for the tax year. In the case of an individual contributor, the \$2,000 limitation for any year is phased out between modified adjusted gross income (AGI) of \$95,000 and \$110,000. For married individuals filing jointly, the phase-out occurs between modified AGI of \$190,000 and \$220,000. Modified AGI is defined in section 530(c)(2).

ARTICLE II

No part of the custodial account funds may be invested in life insurance contracts, nor may the assets of the custodial account be commingled with other property except in a common trust fund or a common investment fund (within the meaning of Section 530(b)(1)(D)).

ARTICLE III

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

ARTICLE IV

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

ARTICLE V

The Responsible Individual named by the Depositor shall be a parent or guardian of the Designated Beneficiary. The custodial account shall have only one Responsible Individual at any time. If the Responsible Individual becomes incapacitated or dies while the Designated Beneficiary is a minor under state law, the successor Responsible Individual shall be the person named to succeed in that capacity by the preceding Responsible Individual in a witnessed writing or, if no successor is so named, the successor Responsible Individual shall be the Designated Beneficiary's other parent or successor guardian. Unless otherwise directed by checking the option on the Application, 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.

ARTICLE VI

(See the Application and Section 10.05 of this agreement for information regarding the Responsible Individual's ability to change the Designated Beneficiary named by the Depositor.)

ARTICLE VII

1. The Depositor agrees to provide the Custodian with all information necessary to prepare any reports required by Section 530(h).
2. The Custodian agrees to submit to the Internal Revenue Service (IRS) and Responsible Individual the reports prescribed by the IRS.

ARTICLE VIII

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

ARTICLE IX

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

ARTICLE X

10.01 *Definitions:* The "Investment Company" is the financial organization, mutual fund company or other entity named on the Application where the Coverdell ESA is established.

10.02 *Notices And Change Of Address:* Any required notice regarding this Coverdell ESA will be considered effective when the Custodian mails it to the last address of the intended recipient which the Custodian has in its records. Any notice to be given to the Custodian will be considered effective when the Custodian actually receives it. The Responsible Individual must notify the Custodian of any change of address.

10.03 *Representations And Responsibilities:* The Depositor and the Responsible Individual represent and warrant to the Custodian that any information the Depositor and Responsible Individual have given or will give the Custodian with respect to this agreement is complete and accurate. Further, the Depositor and the Responsible Individual agree that any directions they give the Custodian, or action they take will be proper under this agreement and that the Custodian is entitled to rely upon any such information or directions. The Custodian shall not be liable for acting upon any instructions given by the Responsible Individual named on the Application prior to the time the Custodian receives appropriate written notice that the Designated Beneficiary has met the requirements for assuming control of the Coverdell ESA, or that a new Responsible Individual has been appointed. The Custodian shall not be responsible for losses of any kind that may result from the Depositor's and Responsible Individual's directions to it or the Depositor's and Responsible Individual's actions or failures to act. The Depositor and Responsible Individual agree to reimburse the Custodian for any loss the Custodian may incur as a result of such directions, actions or failures to act. The Custodian has no duty to determine whether the contributions or distributions with respect to this Coverdell ESA comply with the Code, regulations, rulings or this agreement and shall not be responsible for any penalties, taxes, judgments or expenses of the Designated Beneficiary or any Depositor to this Coverdell ESA. The Custodian shall retain records of investments and transactions related to the Coverdell ESA, and shall furnish reports required under the Code and regulations to the Designated Beneficiary, Responsible Individual, and the IRS in a timely manner. The Responsible Individual will have sixty (60) days after he or she receives the reports to notify the Custodian in writing of any errors or inaccuracies reflected in these reports, otherwise the reports shall be deemed correct and accurate and the Custodian shall have no further liability or obligation for such reports or the transactions described therein.

By performing services under this agreement the Custodian is acting as the Responsible Individual's agent. The Responsible Individual acknowledges and agrees that nothing in this agreement shall be construed as conferring upon the Custodian fiduciary status. The Custodian shall not be required to perform any additional services unless specifically agreed to under the terms and conditions of this agreement or as required under the Code and the regulations promulgated thereunder with respect to Coverdell ESAs. The Responsible Individual agrees to indemnify and hold us harmless for any and all claims, actions, proceedings, damages, judgments, liabilities, costs and expenses, including attorney's fees, arising from, or in connection with this agreement.

Notwithstanding anything in this agreement to the contrary, the Custodian may establish a policy permitting someone other than the Designated Beneficiary's parent or legal guardian to serve as Responsible Individual, provided the individual is not prohibited by law from serving in that capacity and fulfilling his or her obligations under this agreement.

10.04 *Service Fees:* The Custodian has the right to charge an annual service fee or other designated fees (for example, transfer, rollover, legal fees, investment commissions or termination fees) for maintaining this Coverdell ESA. In addition, the Custodian has the right to be reimbursed for all reasonable expenses incurred in connection with the administration of this Coverdell ESA including legal expenses. The Custodian may charge the Designated Beneficiary separately for any fees or expenses or may deduct the amount of the fees or expenses from the assets in this Coverdell ESA at the Custodian's discretion. Certain fees, such as commissions, must be deducted directly from your Coverdell ESA. Fees such as sub-transfer agent fees or commissions may be paid to the Custodian by third parties for assistance in performing certain transactions with respect to this Coverdell ESA. The Custodian reserves the

right to change a fee or charge any additional fee upon 30 days notice to the Responsible Individual that the fee will be effective.

Any brokerage commissions attributable to the assets in the Coverdell ESA will be charged to the Coverdell ESA. The Responsible Individual, Depositor or Designated Beneficiary cannot reimburse the Coverdell ESA for those commissions.

10.05 *Beneficiary(ies):*

1. Unless indicated otherwise on the Application, the Responsible Individual may not change the Designated Beneficiary. If the Depositor has indicated on the Application that the Responsible Individual may change the beneficiary designated under this agreement and the Responsible Individual chooses to do so, the Responsible Individual must designate a member of the family (as defined in Section 529(e)(2)) of the existing Designated Beneficiary. This designation can only be made on a form prescribed by the Custodian.
2. The Depositor or Responsible Individual may name one or more person or entity as death beneficiary of this Coverdell ESA. This designation can only be made on a form prescribed by the Custodian and it will only be effective when it is filed with the Custodian during the lifetime of the Designated Beneficiary. Each beneficiary designation filed with the Custodian will cancel all previous ones unless the beneficiary designation specifies otherwise. The consent of a death beneficiary shall not be required in order to revoke a death beneficiary designation. If a death beneficiary is not designated with respect to this Coverdell ESA, the Designated Beneficiary's estate will be the death beneficiary.

10.06 *Termination:* Either the Custodian or the Responsible Individual may terminate this agreement at any time by giving written notice to the other. The Custodian can resign as Custodian at any time effective 30 days after mailing written notice of its resignation to the Responsible Individual. Upon receipt of that notice, the Responsible Individual must make arrangements to transfer the Coverdell ESA to another financial organization. If the Responsible Individual does not complete a transfer of the Coverdell ESA within 30 days from the date the Custodian mails the notice to the Responsible Individual, the Custodian has the right to transfer the Coverdell ESA assets to a successor Coverdell ESA trustee or custodian that the Custodian chooses in its sole discretion or the Custodian may pay the Coverdell ESA balance to the Designated Beneficiary in a single sum. If the balance of the Coverdell ESA drops below the balance required under the applicable Fund(s), the Custodian may distribute the balance of the Coverdell ESA to the beneficiary in cash or property. The Custodian shall not be liable for any actions or failures to act on the part of any successor trustee or custodian nor for any tax consequences the Designated Beneficiary may incur that result from the transfer or distribution of the Coverdell ESA assets pursuant to this section.

If this agreement is terminated, the Custodian may hold back from the Coverdell ESA a reasonable amount of money that it believes is necessary to cover any one or more of the following:

- any fees, expenses or taxes chargeable against the Coverdell ESA;
- any penalties associated with the early withdrawal of any savings instrument or other investment in the Coverdell ESA.

If the Custodian is merged with another organization (or comes under the control of any Federal or State agency) or if the entire organization (or any portion which includes the Coverdell ESA) is bought by another organization, that organization (or agency) shall automatically become the trustee or custodian of the Coverdell ESA, but only if it is the type of organization authorized to serve as a Coverdell ESA trustee or custodian.

If the Custodian is required to comply with Section 1.408-2(e) of the Treasury Regulations and fails to do so, or the Custodian is not keeping the records, making the returns or sending the statements as are required by forms or regulations, the IRS may, after notifying the Responsible Individual or the Designated Beneficiary, require that a substitute trustee or custodian be appointed.

10.07 *Amendments:* The Custodian shall have the right to amend this agreement at any time. Any amendment the Custodian makes to comply with the Code and related regulations does not require the consent of either the Responsible Individual or the Depositor. Notwithstanding anything in this agreement to the contrary, other amendments may be made with the consent of the Responsible Individual. The Responsible Individual will be deemed to have consented to any other amendment unless, within 30 days from the date the Custodian mails the amendment, the Responsible Individual notifies the Custodian in writing that the Responsible Individual does not consent.

10.08 *Transfers From Other Plans:* The Custodian can receive amounts transferred to the Coverdell ESA from the custodian or trustee of another Coverdell ESA.

10.09 *Liquidation Of Assets:* The Custodian has the right to liquidate assets in the Coverdell ESA if necessary to make distributions or to pay fees, expenses or taxes properly chargeable against the Coverdell ESA. If the Responsible Individual fails to direct the Custodian as to which assets to liquidate, the Custodian will decide in its complete and sole discretion and the Responsible Individual agrees not to hold the Custodian liable for any adverse consequences that result from the Custodian's decision.

10.10 *Restrictions On The Fund:* Neither the Responsible Individual, the Designated Beneficiary (nor anyone acting on behalf of the Designated Beneficiary), the Depositor nor any contributor may sell, transfer or pledge any interest in the Coverdell ESA in any manner whatsoever, except as provided by law or this agreement.

The assets in the Coverdell ESA shall not be responsible for the debts, contracts or torts of the Responsible Individual, the Designated Beneficiary, the Depositor or any person entitled to distributions under this agreement.

10.11 *What Law Applies:* This agreement is subject to all applicable Federal and State laws and regulations. If it is necessary to apply any State law to interpret and administer this agreement, the law of the Custodian's domicile shall govern.

If any part of this agreement is held to be illegal or invalid, the remaining parts shall not be affected. Neither the Responsible Individual's nor the Custodian's failure to enforce at any time or for any period of time any of the provisions of this agreement shall be construed as a waiver of such provisions, or the parties' right thereafter to enforce each and every such provision. The Custodian reserves the right to interpret any provision in this agreement and the Responsible Individual agrees that the Custodian's interpretation shall be binding.

INSTRUCTIONS

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

PURPOSE OF FORM

Form 5305-EA is a model custodial account agreement that meets the requirements of Section 530(b)(1) and has been pre-approved by the IRS. A Coverdell Education Savings Account (ESA) is established after the form is fully executed by both the Depositor and the Custodian. This account must be created in the United States for the exclusive purpose of paying the qualified elementary, secondary, and higher education expenses of the Designated Beneficiary.

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

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

DEFINITIONS

Custodian: The Custodian must be a bank or savings and loan association, as defined in Section 408(n), or any person who has the approval of the IRS to act as Custodian.

Any person who may serve as a Custodian of a Traditional IRA may serve as the Custodian of a Coverdell ESA.

Depositor: The Depositor is the person who establishes the custodial account.

Designated Beneficiary: The Designated Beneficiary is the individual on whose behalf the custodial account has been established.

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

Responsible Individual: The Responsible Individual, generally, is a parent or guardian of the Designated Beneficiary. However, under certain circumstances, the Responsible Individual may be the Designated Beneficiary.

IDENTIFICATION NUMBERS

The Depositor's and Designated Beneficiary's social security numbers will serve as their identification numbers. If the Depositor is a nonresident alien and does not have an identification number, write "Foreign" 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 Depositor and Custodian to complete the agreement. They may include, for example, provisions relating to: definitions, investment powers, voting rights, exculpatory provisions, amendment and termination, removal of the Custodian, Custodian's fees, state law requirements, treatment of excess contributions, and prohibited transactions with the Depositor, Designated Beneficiary, or Responsible Individual, etc. Attach additional pages as necessary.

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

DISCLOSURE STATEMENT

REQUIREMENTS OF A COVERDELL ESA

- A. **CASH CONTRIBUTIONS** – A Coverdell ESA contribution must be in cash.
- B. **MAXIMUM CONTRIBUTION** – The total amount that may be contributed to any and all Coverdell ESAs on behalf of a Designated Beneficiary is \$2,000 per year, excluding rollover and transfer contributions.

Contributions may not be made to a Coverdell ESA after the Designated Beneficiary's 18th birthday, except in the case of a special needs beneficiary.

The Coverdell ESA contribution that may be made by a Depositor is further limited if the Depositor's modified adjusted gross income (MAGI) exceeds \$190,000 and he or she is a married individual filing jointly (\$95,000 for single taxpayers). Married individuals filing jointly with MAGI exceeding \$220,000 may not fund a Coverdell ESA. Single individuals with MAGI exceeding \$110,000 may not fund a Coverdell ESA. The MAGI limits apply only to Depositors that are individuals.

If the Depositor is married filing jointly with MAGI between \$190,000 and \$220,000, the maximum Coverdell ESA contribution is determined as follows: (1) subtract the Depositor's MAGI from \$220,000, (2) divide the difference by \$30,000, and (3) multiply the result in step (2) by \$2,000. For example, if the Depositor's MAGI is \$205,000, the maximum Coverdell ESA contribution that may be made by such Depositor is \$1,000. This amount is determined as follows: [(\$220,000 minus \$205,000) divided by \$30,000] multiplied by \$2,000.

If the Depositor is a single tax filer with MAGI between \$95,000 and \$110,000, the maximum Coverdell ESA contribution is determined as follows: (1) subtract the Depositor's MAGI from \$110,000, (2) divide the difference by \$15,000, and (3) multiply the result in step (2) by \$2,000. For example, if the Depositor's MAGI is \$98,000, the maximum Coverdell ESA contribution that may be made by such Depositor is \$1,600. This amount is determined as follows: [(\$110,000 minus \$98,000) divided by \$15,000] multiplied by \$2,000.

The Coverdell ESA contribution that may be made by a Depositor is not limited by contributions made by the Depositor to Traditional or Roth IRAs. In addition, there is no earned income requirement to be eligible to contribute to a Coverdell ESA. There is no requirement that the Depositor be related to the Designated Beneficiary in order to make contributions. In addition, the Designated Beneficiary may contribute to his or her own Coverdell ESA.

- C. **ELIGIBLE CUSTODIANS** – The Custodian of the Coverdell ESA must be a bank, savings and loan association, credit union, or person approved by the Secretary of the Treasury.
- D. **COMMINGLING ASSETS** – The assets of the Coverdell ESA cannot be commingled with other property except in a common trust fund or common investment fund.
- E. **LIFE INSURANCE** – No portion of the Coverdell ESA may be invested in life insurance contracts.
- F. **COLLECTIBLES** – The assets of the Coverdell ESA may not be invested in collectibles (within the meaning of Internal Revenue Code (IRC) Sec. 408(m)). A collectible is defined as any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or other tangible personal property specified by the Internal Revenue Service (IRS). However, specially minted United States gold and silver bullion coins and certain state-issued coins are permissible investments. Beginning January 1, 1998, platinum coins and certain gold, silver, platinum or palladium bullion (as described in IRC Sec. 408(m)(3)) are also permitted as Coverdell ESA investments.
- G. **REQUIRED DISTRIBUTIONS** – Except in the case of a special needs beneficiary, the assets of the Coverdell ESA are required to be distributed to the Designated Beneficiary within 30 days of the Designated Beneficiary's attainment of age 30. The Designated Beneficiary will be subject to both income tax and an additional 10 percent tax on the portion of the distribution that represents earnings, if the Designated Beneficiary does not have any qualified education expenses in that year.

Any balance remaining in the Coverdell ESA upon the death of the Designated Beneficiary shall be distributed within 30 days of the Designated Beneficiary's death, unless a death beneficiary is named and the death beneficiary is a qualified family member under age 30. If the death beneficiary is a qualified family member under age 30, that individual will become the Designated Beneficiary as of the date of death.

- H. **RESPONSIBLE INDIVIDUAL** – The Responsible Individual is generally the parent or guardian of the Designated Beneficiary. However, the financial organization may establish a policy that permits someone other than the Designated Beneficiary's parent or legal guardian to serve as the Responsible Individual. Unless otherwise indicated on the Application, the Responsible Individual may not change the Designated Beneficiary. If the Depositor has

indicated on the Application that the Responsible Individual may change the Designated Beneficiary, the Responsible Individual may change the Designated Beneficiary to another member of the Designated Beneficiary's family. The Responsible Individual shall perform the following duties.

1. receive a copy of the plan agreement and disclosure statement.
2. direct the Custodian regarding the investment of contributions, including the ability to redirect the investment of the initial contribution.
3. direct the Custodian regarding the administration, management and distribution of the account, unless the plan agreement indicates otherwise.
4. name a successor responsible individual if the need arises.
5. notify the Custodian of any address change for the individuals identified on the plan agreement.
6. remove excess contributions made to the Coverdell ESA.

INCOME TAX CONSEQUENCES OF ESTABLISHING A COVERDELL ESA

- A. **CONTRIBUTIONS NOT DEDUCTED** – No deduction is allowed for Coverdell ESA contributions, including transfer and rollover contributions.
- B. **TAX-DEFERRED EARNINGS** – The investment earnings of the Coverdell ESA are not subject to federal income tax as they accumulate in the Coverdell ESA. In addition, distributions of the Coverdell ESA earnings will be free from federal income tax if the distributions are taken to pay for qualified education expenses, as discussed below.
- C. **TAXATION OF DISTRIBUTIONS** – The taxation of distributions from the Coverdell ESA depends on whether or not the distributions are used for qualified education expenses.

1. **Qualified Education Expenses** – The Designated Beneficiary may take tax-free distributions from a Coverdell ESA to pay for elementary, secondary or post-secondary education expenses at an eligible educational institution. Such expenses include tuition, fees, books, supplies, special needs services, room and board, uniforms, transportation, academic tutoring and supplementary items or services (including extended day programs). Also qualifying are expenses for the purchase of computer technology or equipment, Internet access and related services, if such technology, equipment or services are to be used by the Designated Beneficiary or Designated Beneficiary's family during any of the years the Designated Beneficiary is in school. Qualified expenses may also include amounts contributed to a qualified tuition program.
2. **Nonqualifying Distributions** – If a Designated Beneficiary withdraws amounts from a Coverdell ESA which exceed the qualified education expenses for the same year, or the distributions are not used for qualified education expenses, a portion of the distributions will be taxable. The amount in excess of the qualified education expenses is taxable pro rata, based on the earnings and the basis in the account.

In most cases of a nonqualified distribution, the taxable portion of a Coverdell ESA distribution is also subject to an additional 10 percent tax. There are several exceptions to the 10 percent tax including distributions made payable

- a. to a designated death beneficiary of the Coverdell ESA or to the estate of the Designated Beneficiary following the death of the Designated Beneficiary;
 - b. to the Designated Beneficiary if the Designated Beneficiary is disabled;
 - c. to the Designated Beneficiary if the Designated Beneficiary received a qualified scholarship, an educational assistance allowance or an excludable payment exception, but only to the extent the distribution is not more than the amount of the scholarship, allowance or excludable payment, and
 - d. to the Designated Beneficiary as a removal of excess along with the net income attributable.
3. **Hope or Lifetime Learning Credits** – A Designated Beneficiary may claim the Hope Credit or the Lifetime Learning Credit on his or her federal income tax return in the same taxable year that a tax-free distribution from a Coverdell ESA is claimed, as long as the distribution(s) does not cover the same expenses claimed for the Hope Credit or Lifetime Learning Credit.
- D. **ROLLOVERS** – Coverdell ESA amounts may be rolled over to another Coverdell ESA of the same Designated Beneficiary or that of a qualified family member, provided that all of the applicable rollover rules are followed. Rollover is a term used to describe a tax-free movement of cash to a Coverdell ESA from another Coverdell ESA. The rollover rules are generally summarized below. These transactions are often complex. If you have any questions regarding a rollover, please see a competent tax advisor.

1. **Coverdell ESA to Coverdell ESA Rollovers** – Funds distributed from a Coverdell ESA may be rolled over to another Coverdell ESA of the same Designated Beneficiary or that of a qualifying family member if the requirements of IRC Sec. 530(d)(5) are met. A proper Coverdell ESA to Coverdell ESA rollover is completed if all or part of a distribution is rolled over not later than 60 days after the distribution is received. The Responsible Individual may not have completed another rollover from the distributing Coverdell ESA during the 12 months preceding the date the distribution was received. Further, the Responsible Individual may roll the same dollars or assets only once every 12 months.
2. **Qualified Family Member** – A Coverdell ESA may be rolled to another Coverdell ESA of the same Designated Beneficiary or to a Coverdell ESA maintained for the benefit of a qualified family member of the Designated Beneficiary, who is under the age of 30. The age 30 limitation does not apply to qualified family members who are special needs beneficiaries. Qualified family members of the Designated Beneficiary include the Designated Beneficiary's child, grandchild, or stepchild, brother, sister, stepbrother, or stepsister, nephew or niece, parents, stepparents, or grandparents, uncle or aunt, spouses of all the family members listed above, cousin, and Designated Beneficiary's spouse.
3. **Rollover of Military Death Benefits** – If you receive or have received a military death gratuity or a payment from the Servicemembers' Group Life Insurance (SGLI) program, you may be able to roll over the proceeds to your Coverdell ESA. The rollover contribution amount is limited to the sum of the death benefits or SGLI payment received, less any such amount that was rolled over to a Roth IRA. Proceeds must be rolled over within one year of receipt of the gratuity or SGLI payment for deaths occurring on or after June 17, 2008. For deaths occurring between October 7, 2001 and June 17, 2008, proceeds may be rolled over no later than one year from June 17, 2008. Any amount that is rolled over under this provision is considered nontaxable basis in the Coverdell ESA.

E. **CARRYBACK CONTRIBUTIONS** – A contribution is deemed to have been made on the last day of the preceding taxable year if it is made by the deadline for filing the Depositor's income tax return (not including extensions), and the Depositor designates that contribution as a contribution for the preceding taxable year. For example, if the Depositor is a calendar year filer and makes a Coverdell ESA contribution on or before April 15, the contribution is considered to have been made for the previous tax year if the Depositor designates it as such.

LIMITATIONS AND RESTRICTIONS

- A. **PROHIBITED TRANSACTIONS** – If the Responsible Individual engages in a prohibited transaction with the Coverdell ESA as described in IRC Sec. 4975, the Coverdell ESA will lose its tax-exempt status and the Designated Beneficiary must generally include the value of the earnings in his or her account in his or her gross income for the year.
- B. **PLEDGING** – If the Responsible Individual pledges any portion of the Coverdell ESA as collateral for a loan, the amount so pledged will be treated as a distribution and may be included in the Designated Beneficiary's gross income for that year to the extent that it represents earnings.
- C. **ESTATE AND GIFT TAX** – Transfers of Coverdell ESA assets to a death designated beneficiary made during the Designated Beneficiary's life and at his or her request or because of the Designated Beneficiary's failure to instruct otherwise, may be subject to federal gift tax under IRC Sec. 2501 if made after October 22, 1986.
- D. **INCOME TAX TREATMENT** – Any withdrawal from the Coverdell ESA is not subject to federal income tax withholding.

FEDERAL TAX PENALTIES

- A. **EXCESS CONTRIBUTION PENALTY** – An excise tax of 6 percent is imposed upon any excess contribution made to a Coverdell ESA. This tax will apply each year in which an excess remains in the Coverdell ESA. An excess contribution is any contribution amount which exceeds the contribution limit, excluding rollover and direct transfer amounts. The contribution limit is \$2,000 per Designated Beneficiary per year. The contribution limit may be further limited by the Depositor's MAGI as discussed previously. The excess contribution should be removed by the Responsible Individual and made payable to the Designated Beneficiary.
- B. **PENALTY REPORTING** – The Designated Beneficiary must file form 5329 with the Internal Revenue Service to report and remit any penalties for excise taxes.

OTHER

- A. **IRS PLAN APPROVAL** – The agreement used to establish this Coverdell ESA has been approved by the IRS. The IRS approval is a determination only as to form. It is not an endorsement of the plan in operation or of the investments offered.
- B. **ADDITIONAL INFORMATION** – You may obtain further information on Coverdell ESAs from your District Office of the IRS. In particular, you may wish to obtain IRS Publication 970, *Tax Benefits For Higher Education*, by calling 1-800-TAX-FORM, or by visiting www.irs.gov on the Internet.