

## CUSTOMER AGREEMENT

This customer agreement, the Exhibits, and the Individual Retirement Account (“IRA”) agreements attached to it (collectively hereinafter referred to as the “Agreement” or “Customer Agreement”), describe how Folio Investments, Inc., a Goldman Sachs company, handles your account and trades as an executing and clearing broker-dealer and custodian. The Agreement is a legal document that sets out our obligations to you and your obligations to us. It covers how we agree to address certain important issues that may arise between you and us.

### I. PARTIES TO THE AGREEMENT

a. “We”, “us”, and “our” in this Agreement refers to Folio Investments, Inc., a Goldman Sachs company, and our role as an executing and clearing broker-dealer and custodian. We are not an investment advisor, and we do not provide investment advice.

b. “You” and “your” in this Agreement refers to the customer, which includes individuals, corporations, partnerships, trusts, investment clubs, and other entities, and, unless the context requires otherwise, Authorized Persons (as defined below).

c. The customer may authorize other persons or entities to access and conduct business in the customer’s accounts (“Authorized Persons”). Authorized Persons include, but are not limited to, investment advisors (“Advisors”) and parties authorized by you and your Advisor to conduct business in your accounts (“Managers”), and apparent agents of Authorized Persons, such as, representatives, administration, and operations personnel. The authority, including any limitations on such authority, an Authorized Person has to conduct business in your account is determined as between you and the Authorized Person, whether in writing or otherwise. We will provide an Authorized Person access to your account as

instructed by you or them and will continue to provide such access until notified in writing by you or the Authorized Person to change or terminate such access, as further described below.

Your Authorized Persons may sign any necessary forms and agreements on your behalf to execute obligations with respect to your account, and you will be bound by those forms and agreements as though you had signed them yourself. Any such form or agreement will be in full force until revocation or termination by you or another Authorized Person. You agree that we are not responsible for any actions or omissions of any Authorized Person taken on your behalf or that we believe are taken on your behalf, or our own actions taken in reliance thereon. You must notify us immediately in writing if your Authorized Person does not have the authority to sign any forms and agreements on your behalf.

### II. OPENING AN ACCOUNT WITH US

By selecting “I Agree to this Agreement” or similar words presented during the account opening process or when this Agreement is modified or amended by us from time to time, you agree to the terms of this Agreement. Any and all references to “signing” your name to this or any other agreement includes selecting or checking “I Agree to this Agreement” or a similar words presented on a web page, mobile or other device or by rendering your name or initials in any electronic method we provide. By using our services, you also agree to any other online agreements of ours, including any changes we make to any of our agreements including this Agreement. You agree that the electronically signed Agreements are written contracts, and binding. This Agreement supplements and in no way limits or restricts rights that we may have under any other agreement with you. Investment advisors and broker-dealers executing this Agreement shall also be subject

to the terms and conditions of any other agreements they have executed with us for brokerage, clearing, and custody services and the terms of such agreements shall control the rights and obligations as between us if the terms and conditions of this Agreement conflict with such other agreements.

**a. Important Information about Procedures for Opening Your Account**

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. Accordingly, when you open an account with us we will require your name, address, date of birth, taxpayer identification number, and other information to allow us to identify you. A copy of your driver's license or other identifying documents may also be required. To the extent any information provided to us changes, you are required to notify us promptly so that we can update our records. Additional requirements may apply with respect to certain account types (e.g., accounts for legal entities or margin accounts).

You acknowledge that we may share the information you provide through a third-party provider in accordance with federal law. You authorize us to make inquiries for verifying your identity and creditworthiness, and to provide information regarding your performance under these agreements to credit reporting agencies and to affiliates. You further authorize us to share the results of these inquiries relating to the verification of your identity with your Authorized Persons as necessary. You understand that we may share this information with our affiliates to determine your eligibility for other products and services we may offer. You may opt out of such information sharing by providing us with written notification.

**b. Certifications You Make When You Sign This Agreement**

- If you are a natural person, you are, and any natural Authorized Person is, at least 18 years of age, a permanent resident of the United States and using a valid social security or taxpayer ID number. If you are a legal entity, you represent that you have all necessary power and authority to execute and perform under this Agreement and that the execution and performance of this Agreement will not cause you to violate any provisions in your charter, by-laws, partnership agreement, trust agreement or other constituting agreement or instrument.
- If you are executing this Agreement or other agreement on behalf of your client, you represent and warrant to us, that your client has the power to and has granted you authority to execute and deliver this Agreement or other agreement on behalf of your client and has taken all necessary action to authorize such execution and delivery by you.
- You have read and agree to all terms and conditions in this Agreement and any other agreement presented to you or an Authorized Person as part of the account opening process or in connection with managing or accessing your account.
- You have truthfully and fully answered all questions requiring a response and completed all tasks required for opening an account and using our services.
- You are opening an account for investment purposes and not to engage in any improper or illegal activity and you agree not to take or engage in any such actions.
- You will provide accurate information and keep it current.
- You will pay our fees and any other amount owed with respect to your account, whether owed to us or someone else as we require.

- You will settle all transactions in U.S. dollars drawn on a U.S. financial institution.
- In the event an action or inaction by us results in an error in your Account, you authorize and direct us to move positions purchased or sold in error out of your Account or cash credited to you in error out of your Account in order to remedy the error.

If we approve your account application, we will open an account for you. We reserve the right not to open an account, to restrict your account, and to close and liquidate your account, in our sole discretion and for any reason, at any time and without prior notice.

### III. ADDITIONAL PROVISIONS BASED ON ACCOUNT TYPE

#### a. Advised or Managed Accounts

The following provisions apply for all of your accounts managed by an Advisor or Manager. You acknowledge, agree and certify that:

- You have separately granted your Advisor and Manager investment discretion and trading authority over your assets held with us. This authority, by itself, implies no power to personally obtain custody or possession of any funds or securities in your account. Unlike an authorization to transfer funds, as described below, we will not be obtaining a copy of the document you executed with your Advisor or Manager granting him/her/them discretion and trading authority over your account. As a result, you agree to advise us immediately if you cancel or modify your grant of authority to your Advisor or Manager.
- Your Advisor will be authorized to transfer funds from your account if you have provided us written authorization (which may be provided through

electronic means that we find acceptable including certain approvals through our website interfaces for this purpose): (1) to establish a link between your account with us and the account you maintain at a bank for the purpose of transferring monies (bank link); and (2) to allow your Advisor to use the bank link to make transfers from time to time. You authorize us to take all actions that are necessary or incidental to such instructions without obtaining your approval or countersignature with respect to each such transfer. Although we are not required to do so, we may, in our sole discretion, require your authorization in certain circumstances. If we do require your authorization, you agree that we are not liable for any delays in processing a transaction while we await your authorization.

- Your Advisor has the authority to receive on your behalf prospectuses for securities purchased for your account when prospectuses are required to be delivered.
- Your Advisor has the authority to receive on your behalf notice that a trade confirmation for trades made in your account and statements for your account are available.
- Your Advisor has the authority to receive on your behalf notices from us about, without limitation, changes to our services and products, activity in your account (e.g., margin calls), and other notices we are required to provide customers pursuant to rules or regulations, including, but not limited to, changes to the sweep program described in Exhibit 2.
- Your Advisor has authority to review and update certain elements of your profile and account information, and has the permission to view any action in your account even if such action is taken directly by you separately from your

Advisor and we are authorized to act on any updates provided by your Advisor without first or independently obtaining your authorization.

- You agree to the Special Provisions Regarding Proxy Voting and Certain Voluntary Corporate Actions, set out below.
- Your Advisor may upload to and store on our systems information, whether in the form of documents or otherwise, that is not required by us or by law, rule or regulation, to establish and maintain our relationship with, or to provide services to, you. We do not review or rely on such information in maintaining our relationship with or in providing services to you.
- You will first contact your Advisor (before contacting us, which you may do if necessary) if you have questions about your account or any transactions—your Advisor may in turn contact us about your account if assistance is required.
- You will periodically review the account statements that we provide and the information we provide about your account and will alert us immediately if you believe there to be any impropriety regarding any action in your account.
- Your Advisor may incur fees in your account through trading or special service requests that you agree to pay.
- Your Advisor has the authority to terminate a Manager’s access to your account and to appoint new Managers.
- Either you or your Advisor may close your account at any time.

#### **b. Introduced Accounts**

The following provisions apply for all of your accounts that are introduced to us by a third-party brokerage firm with whom you have a relationship. You acknowledge, agree and certify that:

- Your third-party brokerage firm has authority to review and update certain elements of your profile and account information and has the permission to view any action in your account and that we are authorized to act on any updates provided by your third-party brokerage firm without first obtaining your authorization.
- You will first contact your third-party brokerage firm (before contacting us, which you may do if necessary) if you have questions about your account or any transactions—your third-party brokerage firm may in turn contact us about your account if assistance is required.  
Your third-party brokerage firm may incur fees in your account through trading or special service requests that you agree to pay.

#### **c. Joint Accounts**

If this is a joint account, you understand that any account holder may exercise complete control over the account as if he or she was an individual account holder. For example, any joint account holder may buy, sell, modify, receive money and account documents, and make agreements relating to the account, including adding margin borrowing.

We will follow the instructions of any joint account holder, even if one account holder asks us to deliver all funds to him or her. We will not inquire about the appropriateness of a request. We reserve the right to impose a requirement that all account holders agree to a request if we believe it is necessary, but you agree we are under no obligation to do so. We may seek payment of any and all fees or charges due from the account against one or more of the account holders individually.

#### **d. Custodial Accounts for Minors**

We will maintain custodial accounts for minors under the Uniform Gift to Minors Act or the Uniform Transfer to Minors Act. If you open a custodial account, you understand that the assets in the account belong to the minor. If you transfer assets out of the custodial account, you understand that they must be used for the benefit of the minor. You are responsible for notifying us when the minor reaches the age of majority or is otherwise entitled to directly control the assets in the custodial account, and you are responsible for taking such actions as necessary to provide the former minor with access to the assets in the custodial account. We may restrict access to the custodial account, or otherwise restrict activity in the custodial account, if we believe the minor has reached the age of majority or is otherwise entitled to directly control the assets in the custodial account. In such circumstances, we may provide the former minor control of the assets in the custodial account and take any such other actions necessary to provide the former minor such control.

#### **IV. REVOKING ACCOUNT ACCESS; CLOSING ACCOUNT; ABANDONED ACCOUNTS**

##### **a. Authorization Termination**

Authorizations granted in this Agreement and elsewhere pertaining to your account will remain in effect until you or the Authorized Persons revoke the authorizations. If you or an Authorized Person revokes an authorization, it must be submitted in writing and sent to us at an email listed on our website. If you revoke or terminate the authorization of an Authorized Person, you agree to notify them of such revocation or termination by the time such revocation is submitted to us. Revocation or termination will have no effect on your obligations arising before such revocation or termination becomes effective.

We may also have an agreement with your Authorized Person with respect to your account. If we or your Authorized Person terminate such

agreement, your Authorized Person's authority over your accounts will also be terminated. In such circumstances, you must immediately transfer your account to another broker-dealer, appoint a new Advisor or Manager with whom we have an agreement, or you, or we, may close your account. Until you take such actions, your accounts will remain unmanaged, and you will have exclusive control and sole responsibility for your account. See Closing and Closed Account section below.

##### **b. Closing and Closed Accounts**

You or we may close your account at any time. This Agreement will remain binding until we acknowledge in writing that it is no longer binding. You will remain responsible for all charges, debts, or other transactions whether they arise before or after your account is closed. We reserve the right to charge a service fee or close any account that fails to maintain minimum balances. Please consult our websites, your Advisor, Manager, or third-party brokerage firm regarding the service fee and/or minimum balance that may be applicable to your account. You and/or your Advisor, Manager, or third-party brokerage firm will be notified of any actions or charges we take against your account. IRA accounts may also be assessed an annual custodian fee at the time you or we close your account. Please consult our websites, your Advisor, Manager, or third-party brokerage firm regarding the annual custodian fee.

##### **c. Unclaimed Property/Escheatment**

In the event assets remain in your account for a period of time and we are unable to reach you, your assets may be transferred to the appropriate state if no activity occurs in your account within the time period specified by applicable state law. For more information about the treatment of unclaimed property in your state and the escheatment process, you should contact the appropriate state government agency of the state in which you reside.

## V. COMMUNICATION ABOUT YOUR ACCOUNT

### a. Contact Us

Your primary point of contact for questions about your account is your Advisor or Manager. To reach us in connection with the services we provide or as directed pursuant to this Agreement, our contact information follows below.

By phone: Customer Service Team, (888) 485-3456 or (703) 649-6288

By email: [support@folioinstitutional.com](mailto:support@folioinstitutional.com)  
By mail: Folio Investments, Inc.  
8180 Greensboro Drive, 8th Floor  
McLean, Virginia 22102  
Attention: Customer Service Team

### b. All Notices and Documents Are Delivered Electronically; You Will Be Provided Electronic Notice of Documents and You Agree to Access Them Electronically

We provide account information to our customers electronically. This may be done by posting the notice, document or information on websites and providing you electronic notice that it is available, or by delivering the notice or document by email or other electronic media. Documents or information delivered electronically to you may be formatted in Adobe Acrobat's portable document format ("PDF"), hypertext mark-up language ("HTML") or other file formats we deem appropriate. In order to view or print documents provided in PDF, you will have to obtain the Adobe Acrobat Reader, which is available free of charge at Adobe's website (located at [www.adobe.com](http://www.adobe.com)) or another application capable of viewing PDFs. By signing this Agreement, you consent to electronic delivery of all notices and documents. Your consent to electronic delivery extends to all information required to be provided by us, by the issuers of the securities in which you invest, and by other third parties. This means you will

receive email or other notices electronically when, for example, your account statements, confirmations, tax documents, prospectuses, annual reports, proxy statements, proxies, tender offers and mergers, corporate recapitalizations, margin and maintenance calls, billing notices, our Privacy Policy and any other information provided to you is available for viewing or printing.

You may also request paper copies of any information required to be provided by us, the issuers of the securities in which you invest, and other related third parties, and we may accommodate such requests on a case-by-case basis. You acknowledge that any such paper copies are provided for your convenience at the Firm's discretion, and receipt of paper copies does not alter your consent to receive via electronic delivery all required notices and other information we are required to provide to you.

You agree that notice to you regarding information or documents made available on websites, in email or in another format, constitutes delivery to you of the information or documents referred to in the email or other notice format even if you do not actually access the information or documents. This consent is effective immediately and will remain in effect unless revoked by us or by you. You may revoke this consent to electronic delivery at any time by providing two business days' prior written notice to us. You agree, however, that neither your revocation of consent, your request for paper copies, nor our delivery of paper copies will imply that the previous electronic delivery did not constitute good and effective delivery. Since we have priced our services based on the considerable savings of electronic delivery, we reserve the right to terminate your account or, in certain instances, charge you or your Authorized Persons an extra fee for delivery of notices or documents using the U.S. Postal, or alternative equivalent, service.

You agree to keep a working email address and other contact information current. You also agree to update your account information immediately if your email address or other contact information changes. If you do not maintain a working email address to receive notices, or if for any other reason we believe that providing notice via your email address is not sufficient to provide you notice for delivery of required documents, and we believe we are required to provide you notice or documents using the U.S. Postal Service (or alternative equivalent service), and we do so, we may charge you an additional fee for each such delivery. You acknowledge that you also may be charged other fees associated with providing our online service when additional, different or non-standard efforts are required with respect to servicing your account, such as the mailing of notices to your address of record stating that your email address is “bouncing” (e.g., we receive an undeliverable notice when sending communications to your email address).

**c. Important Information Specifically Regarding Tax Documents for Your Account**

As noted above, by opening and maintaining an account with us, you consent to electronic delivery of all account notices and documents, including tax notices and documents. Your consent to electronic delivery of all required tax notices and documents will remain valid unless it is withdrawn. If at any time you wish to withdraw your consent to electronic delivery of tax documents, you may do so by providing written notice to us.

The withdrawal of consent to electronic delivery of tax documents does not apply retroactively to any documents that we had provided electronically prior to our receipt of your withdrawal notice. Should you require paper copies of any tax documents that were provided electronically, you may request such documents in writing and they will be provided for an additional fee. Please remember, however, that

since we have priced our services based on the considerable savings of electronic delivery, we reserve the right to terminate your account if you ask for paper tax documents (although we will deliver in paper the tax documents that are required to be delivered to you for an additional fee).

**d. Account Statements and Confirmations; Report Errors Immediately; Held Away Assets**

You will receive notice by email (or such other methodology agreed to between you and us, or between us and your Authorized Persons third-party brokerage firm) periodically, but not less than quarterly, that your account statement is accessible and available for online viewing and printing. These statements detail all activity recorded in your account (except certain cash activity - see Exhibit 2). You will also receive notice by email (or such other methodology agreed to between you and us, or between us and your third-party brokerage firm) that a trade confirmation is accessible and available for online viewing and printing the business day following the date of activity, unless you have instructed us to deliver such notices solely to your Authorized Persons or third-party brokerage firm. You are strongly encouraged to review these documents promptly.

If you do not periodically receive emails notifying you of your statement or trade confirmation availability and you have not instructed us to refrain from delivering such notices to you or instructed us to deliver those notices to your Authorized Person or third-party brokerage firm, you agree to notify us immediately so that we can determine the cause of the notification failure and take appropriate steps to correct it.

Statements and trade confirmations provide a means for you to find and report any account errors to us. Any such errors should be reported promptly after the documents are available, and in all cases as soon as possible.

Assets held by you at a third party may be included on the account statements or in other reports provided by us to you (often referred to as “held away” assets). You acknowledge we do not inquire about, and are not responsible for, the accuracy of the information provided to us by the third party and included on account statements or in reports provided by us to you. You further acknowledge that we are not responsible for, without limitation, the custody, safekeeping, recordkeeping, administration, disposition or acquisition of held away assets and any questions or concerns you may have with respect to such held away assets must be resolved directly with the third party.

**e. Consent to Recording Telephone Conversations**

You consent to having your conversations with us recorded if we decide to record such conversations.

**VI. FRACTIONAL SHARES**

We offer you the ability to buy, sell and hold fractional interests in certain types of securities. When you hold a fractional share, we pass to you the economic and voting rights of a shareholder in proportion to your fractional ownership. We do not retain any right that provides us the ability to repurchase your fractional share without your consent nor do you possess any right that would require us to purchase your fractional interest. We do not restrict your ownership rights in your fractional share; you may, subject to limitations in certain industry systems (see Section VII), sell, transfer or pledge

your fractional share. You can exercise your voting rights in a fractional amount. We will aggregate your fractional vote with other fractional share votes in an attempt to achieve a whole share vote. We submit votes for whole share amounts only. Aggregated fractional votes that do not equal at least one whole share vote will not be voted and votes for fractional amounts remaining after aggregating fractional vote interests into a whole share amount will not be voted. The value of your fractional share will be included in the calculation in determining your account equity.

**VII. TRANSACTING IN YOUR ACCOUNT**

We do not accept orders for options and we do not accept requests for quotes (“RFQs”), requests to trade (“RTTs”), or orders for fixed income securities. Orders, RFQs and RTTs for these types of securities must be submitted to other broker-dealers with whom you and we have an agreement to process transactions “executed away” from us, including Goldman Sachs & Co. LLC (“GSCO”), our affiliate. You also may choose to send orders for other types of securities (e.g., equities) to GSCO or other broker-dealers with whom we have an agreement to process orders transactions executed away. Quotes provided by and trades executed with or through GSCO are subject to the terms and conditions of the agreements you and your Advisor or Manager have with GSCO, including the terms of dealing (<https://www.goldmansachs.com/disclosures/terms-of-dealing.pdf>). Quotes provided by and trades executed with or through other broker-dealers are subject to the agreements your Advisor or Manager has with these other broker-dealers and their terms and conditions. The terms and conditions described in this Section VI apply only to orders accepted by us for handling and execution and do not apply to any orders, RFQs or RTTs you submit to GSCO or other broker-dealers. You have sole responsibility for selecting other broker-dealers, including GSCO, to whom you wish to send RFQs, RTTs, and orders. As a convenience for you, your Advisor



or Manager, we may provide a single sign on or similar function that allows you, your Advisor or Manager to access other broker-dealers, including GSCO, from our computer system and submit orders, RFQs and RTTs directly to these other third-party broker-dealers, including GSCO. In such circumstances, we are not accepting an order, RFQ, or RTT and then routing it to these other third-party broker-dealers or GSCO; you are submitting the order, RFQ, and RTT directly to the other third-party broker-dealer or GSCO. Therefore, the handling of the orders, RFQs or RTTs are subject to the supervision and best execution obligations of these third-party broker-dealers to whom you submitted the order, RFQ or RTT and are not subject to our supervision nor do we have a duty of best execution for orders, RFQs and RTTs submitted by you, your Advisor or Manager to another such third-party broker-dealers.

**a. Handling Your Orders: Window vs. Direct Trade**

We offer two broad categories of orders: Window orders and Direct Trade orders. Within these two categories, various sub-order types and/or special handling instructions may also be available. Please consult our websites for more information regarding order types and special handling instructions. By submitting an order to us for execution, you acknowledge and agree that you have reviewed the terms of such order type on our websites and in this Agreement and understand that we will handle the order in accordance with the terms of the order and instructions entered.

**b. Window Trading**

We consider our Window Trading, often referred to as “a Window”, to be an innovative way to execute orders efficiently. Instead of being executed immediately, Window orders are processed one or more times per day and executed. The current number and timing of Windows available to you is as provided on our websites or is as negotiated with your Advisor,

Manager, or third-party brokerage firm. We may provide from time to time fewer or additional Windows for various reasons and at different fees. We reserve the right to add, remove and change Window Trade deadlines, without notice, at any time. We retain discretion as to the timing of a Window Trade, and therefore we cannot guarantee that every Window will occur as scheduled or at all. You understand and agree that your order will not be routed for execution immediately once the deadline for submitting an order to a Window has passed because additional processing is necessary (e.g., your order is combined with other orders in the same security and on the same side of the market, if any, and certain price validations are performed) and we may vary the time at which the combined order is routed to the market, or the amount of the combined order that is routed to the market, to prevent other market participants from anticipating our orders and trading in a manner that negatively impacts our execution quality or to attempt to maximize the numbers of shares executed in any particular order routed for execution. You further understand and agree that there may be times when Windows are delayed or are cancelled for various reasons, such as quote vendor failures, computer failures or events affecting the markets. When you submit an order to participate in a Window Trade, you are not instructing us to execute your order immediately when we receive it, but instead you are instructing us to treat your order as “not held” and to execute it in the next scheduled Window, which could be the same day you submit your order or the following trading day and the timing of which will occur in our sole discretion but generally around the times posted on our websites. In this regard, you are providing us discretion as to the timing of when we will attempt to execute your order and the price to be obtained.

To execute Window orders, we generally send an aggregate order, or multiple aggregate orders to a market center for execution or to a mutual fund company for fulfillment. The aggregate order(s) may be an aggregate of orders for your

account(s), orders from other customer accounts, and orders from our account(s) when necessary to round up aggregate customer interest to a full share, or we may modify your order or the aggregate order as necessary, to round down aggregate customer interest to a full share and/or to process what would be odd lots where a security or market center does not trade in odd lots. We may also execute Window orders by selling securities to aggregate buy orders or by buying securities from aggregate sell orders. In certain circumstances, we may choose not to provide an order from our account(s), or to buy from or sell to aggregate orders, where our accounts may be subject to restrictions or limitations that prohibit us, or make it difficult for us, to buy or sell such securities from our account(s). In these circumstances, we will not add orders from our own account(s) to an order for a fractional amount of shares as a means to round up to a whole share amount (e.g., rounding up to 101 shares from the aggregate customer order for 100.25 shares), and instead we will round down the aggregate customer interest to the nearest whole share (e.g., 100 shares). In addition, we may choose not to buy from or sell to the aggregate order. As a result, you may buy or sell less shares than you expected and/or there could be a delay in obtaining an execution of your order, if for example, the aggregate customer trading interest is less than a full share. To minimize the impact on customer aggregate sell orders, we reserve the right, in our sole discretion, to fill orders first from customers that are selling their entire position and fractional orders from customers who are transferring their accounts to another broker-dealer or to take other actions that in our sole discretion minimize customer impact.

### **c. Window Tradable Securities and Rules**

Some of the securities available for trading through us cannot be traded in a Window. Such non-Window-tradable securities may only be traded using Direct Trade orders or as otherwise indicated on our websites. We choose the

securities that are available for trading in a Window based on a combination of factors, including the security's market capitalization and trading volume. Some Window tradable securities may be available only to certain customers or for an extra charge for trading them. We also generally restrict our selection of Window-tradable securities to those securities that are traded on an exchange. The securities available for Window orders for your account also may be limited based on a special offering we make, our arrangement with your Advisor, Manager, or an arrangement with a third-party brokerage firm that handles your account.

Our list of Window-tradable securities will change over time. We may drop a security from our list for a variety of reasons. For instance, a security may be delisted from an exchange or no longer actively traded. If you own a folio containing a security that is no longer listed as Window-tradable, you generally will be able to "sell all" of the security in a Window. You cannot, however, sell a portion of your holdings in the security or buy more of the security through a Window.

Finally, there are securities that, from time to time or for extended periods of time, may not be tradable at all - neither buys nor sells may be permitted. Generally, these securities may be halted from trading due to regulatory reasons relating either to the security or the issuer of the security, the relationship of the issuer to us or one of our affiliates, or for other reasons. In those instances, it may be possible to transfer your whole-share positions in the security to another brokerage firm that will allow such security to be traded, but as long as such restriction remains on our trading of such security you will not be able to sell it if you own it or buy it if you sought to do so. Due to limitations in the industry system used to transfer customer accounts between broker-dealers, fractional shares cannot be transferred to another brokerage firm using this system. This is not a limitation imposed by us and we will

facilitate transfers of fractional shares to the extent possible.

#### **d. Direct Trade Orders**

Although as few as one security can be traded in a folio using a Window order, you may not want to wait for a Window to trade a security. A Direct Trade order can be submitted at any time, but such orders will not be eligible for execution until the markets are open. Direct Trade orders sent to the market for execution must be in whole shares; fractional shares or dollar-based orders are not accepted as Direct Trade orders. We reserve the right, when routing your Direct Trade market orders to market makers and such order is greater than a certain size as determined by us in our sole discretion, to provide the market maker time and price discretion in determining how to obtain best execution of the order (i.e., the order may be handled as a “not held” order). We generally charge a commission for Direct Trade orders. Please consult our websites, your Advisor, Manager, or third-party brokerage firm regarding the related charges for those orders.

#### **e. Dollar-Denominated Orders - Other than Mutual Funds**

Orders submitted to trade a specific dollar amount of securities that are not mutual funds may only be submitted for execution in a trading Window. We convert your dollar-denominated order to shares using either the national best bid or offer at the time such processing occurs, depending on whether your order is to sell or buy a security. The price at which your order is actually executed may be more or less than the price we used to convert your dollar-denominated order to shares. The actual number of shares you buy or sell is based on the actual execution price, which may result in you buying or selling more or less shares than expected. The actual number of shares you buy or sell also can be impacted depending on, among other things, whether we round up or round down aggregate customer orders or buy

from or sell to aggregate customer orders, as described in the Window Trading section above.

#### **f. Mutual Funds - Sales**

A mutual fund is made up of a pool of securities managed by an investment management firm. Mutual funds are often categorized by how the fees are charged to the consumer. Load mutual funds are mutual funds that come with a sales charge or commission. In contrast, funds marketed as no-load do not carry a sales charge. Before investing in mutual funds, it is important that you understand the sales charges, expenses, and management fees you will be charged, as well as the breakpoint discounts to which you may be entitled. You should discuss the applicable fees and discounts with your Advisor or Manager and review the available prospectus and additional information when choosing among mutual fund products. For more information, please see FINRA’s Mutual Funds Breakpoint Discounts Disclosure Statement, available at <https://www.finra.org/sites/default/files/Industry/p010543.pdf>

#### **g. Fractional Shares - Transfers**

Self-regulatory organization rules may require us to use certain systems to facilitate your request to transfer your account to another broker-dealer and this system does not accommodate fractional shares. Therefore, if you want to transfer the securities in your account to another broker-dealer and we are required to use these systems, you authorize us to transfer your whole shares and sell any fractional shares in your account in the next Window or any subsequent Window after we receive your complete transfer instructions. The money from these fractional share sales will be deposited in your account and then transferred according to the transfer instructions. Due to the restrictions and round down requirements described in the Window Trading section above, there may be a delay, perhaps a very lengthy delay in certain circumstances, in liquidating fractional shares in

particular securities. We will, to the extent feasible, transfer fractional shares when an account transfer is effectuated using a system that does not limit the transfer of fractional shares.

#### **h. Order Routing Selection**

We route customer orders to market makers or market centers, which may include GSCO, based on various factors as determined by us in our sole discretion. We do not offer you or your third-party brokerage firm the ability to direct the routing of orders we handle for your account. In some instances, we may fill orders from our principal account (e.g., to accommodate an order for a fractional or odd-lot share amount).

#### **i. Lottery Allocation System**

If we hold any bonds or preferred stocks for you that are callable in part, you agree to participate in an impartial lottery allocation system of the called securities, according to the rules of the Financial Industry Regulatory Authority.

#### **j. Tax Lot Methods**

We provide a number of ways to specify which tax lots are sold when securities are sold out of your account. You or can establish a pre-determined tax lot setting at account opening, which will apply to all orders generated for that account, or on an order-by-order basis at the time of order submission.

#### **k. Execution**

We may execute any order submitted by you for your account on any exchange or other market where such business is then transacted. We may reject any order you place at our sole discretion. You also understand if you request the transfer or registration of foreign securities, you may be responsible for any transfer fees charged to us.

#### **l. All Orders Must Be Placed Online; Alternatives May Not Be Available**

All orders for securities transactions must be placed online. We strictly prohibit orders delivered by mail for the purchase or sale of securities or other investments. Under extraordinary circumstances, some order types may be taken over the phone, but not every order type that is accepted online can be placed over the phone. Specifically, for example, a Direct Trade order may be placed over the phone for an additional fee, but we reserve the right not to accept Window orders over the phone.

If an order is placed over the phone, you may be charged additional fees because of the additional costs of processing these orders. Please consult our websites, your Advisor, Manager, or third-party brokerage firm regarding the related charges for those orders.

Please consider carefully the risks associated with primarily only having the option of entering orders for your account online. You agree that we have no responsibility for losses or liabilities that arise if we are unable to accept or process orders for your account online or over the phone.

#### **m. Your Responsibility for Control, Restricted and Unregistered Securities**

Before instructing us to buy, sell, transfer or deposit securities that are: (a) "restricted securities" or securities of an issuer of which you are an "affiliate" (as those terms are defined in Rule 144/144(b)1 under the Securities Act of 1933); (b) securities that are being bought or sold in reliance on Rule 701, Rule 144A, Regulation D, or Regulation S under said Act; or (c) securities of which you and the issuer or its underwriter have entered into an agreement restricting the transferability of such securities (penny stock or micro-cap securities that do not trade on a national securities exchange are required to go through an acceptance review process), you agree to tell us the status of your restricted, control or micro-cap securities, including any restrictions (including contractual

lock-up or blackout restrictions) on your ability to buy, sell, transfer or deposit such securities, and to promptly furnish whatever information and documents we need to comply with our regulatory duties. You acknowledge that furnishing the necessary information and documents to us does not constitute an order to buy, sell or transfer your restricted or control securities, and that you must place a separate order to buy, sell or transfer such securities. You agree that you are responsible for all costs, including the cost to repurchase or resell stock, if you buy, sell, transfer or deposit stock that is later found to be restricted or nontransferable. You further acknowledge that proceeds from the sale of your restricted or control securities may not be made available to you for withdrawal or trading purposes until we receive what we, in our discretion, consider to be adequate verification that such shares have been transferred or cleared for transfer. Because restricted and control securities transactions require special handling by us and third parties (which may also result in your incurring additional processing fees as noted on our websites), processing your transaction may require several weeks, during which time the price of your securities may fluctuate. You agree not to hold us responsible for any realized or unrealized losses you suffer due to market fluctuations that may occur to the market price or the resultant settlement price of your trade while your transaction is processed. You further agree not to hold us liable for delays in transactions for such securities resulting from the failure of issuer's counsel to issue or approve any necessary legal opinion, the failure of the transfer agent to process your shares, or any other action or failure to act of a third party. You agree not to tender any such securities as collateral for an obligation you owe us, unless you first obtain our prior written approval.

**n. Non-Publicly Traded, Worthless and Non-Transferrable Securities**

We may, at our discretion, agree to accommodate requests from you to hold in your

account(s) certain securities, such as hedge funds, private placements, and other securities that do not trade on securities exchanges or over-the-counter markets ("Non-Publicly Traded Securities"). In consideration for our accepting Non-Publicly Traded Securities into your account(s) from time to time, and subject to such additional terms as may be presented to you at the time of the request, you agree that our sole obligation with respect to such Non-Publicly Traded Securities will be to (1) obtain and maintain possession or control of such securities in a manner as required by the Securities and Exchange Commission and (2) file and provide reports and information as may be required under the Internal Revenue Code, and regulations thereunder of the Internal Revenue Service.

You acknowledge that our obligations are limited to maintaining possession or control and may not include providing pricing of such securities or facilitation of transfers, sales, withdrawals, or any other activity related to the Non-Publicly Traded Securities. You further acknowledge that, unless notified in writing by confirmation or another document, we have not acted and will not act as broker or dealer in any purchase or sale of Non-Publicly Traded Securities held in your account(s). Before requesting that we hold a Non-Publicly Traded Security in your account(s), you agree that you have determined that the investment is appropriate for you. You agree that such determination will involve your review of offering memoranda, organizational documents, valuation and financial statements, and an investigation into the background and qualifications of the issuers and selling agents of each Non-Publicly Traded Security. By requesting us to hold a Non-Publicly Traded Security, you represent that you have determined that such Non-Publicly Traded Security has been properly registered under federal and state law as a security or is exempt from such registration. You acknowledge that we are relying on your determination of these matters in considering your request to hold a

Non-Publicly Traded Security in your account. You acknowledge that any documentation regarding a Non-Publicly Traded Security submitted to us will be used solely for our internal purposes. We will not review or assume responsibility for the terms and conditions or contents set forth in such documentation, including, but not limited to, appropriateness or suitability, restrictions of ownership, rights of transfer, financial statements, or the adequacy of disclosure or compliance with applicable laws, rules, and regulations. Any review performed by us is solely for our benefit in determining our ability to hold and service the Non-Publicly Traded Security. You acknowledge that we have no responsibility for monitoring the Non-Publicly Traded Security to assure compliance with its terms or disclosures, for taking any actions to collect on any amount owed to you, or for otherwise enforcing your rights with respect to the Non-Publicly Traded Security held in your account(s). We are under no obligation to take any action should there be a default, bankruptcy, or other impairment associated with a Non-Publicly Traded Security. You agree to notify us immediately if you identify any problem with any Non-Publicly Traded Security that would interfere with our ability to hold the Non-Publicly Traded Security or obtain and report values. You agree that we have no responsibility or duty to investigate, evaluate, or report to you any information that we may possess or may become aware of regarding any Non-Publicly Traded Security. You also acknowledge that when you direct us to wire or transfer funds to an issuer or sponsor of a Non-Publicly Traded Security, we will not have any responsibility or liability if the issuer or sponsor involved does not provide the required receipt or confirmation of the investment in a manner that would allow us to hold the security in your account(s).

You understand that because there is generally no public or secondary market for Non-Publicly Traded Securities, the values reported on your statement may not represent market values. You may not be able to sell your interests in the

Non-Publicly Traded Securities held in your account(s) or realize amounts shown on your statement upon a sale of the Non-Publicly Traded Securities held in your account(s). You acknowledge that it is very likely that the "resale" value of the Non-Publicly Traded Securities may be substantially lower than what is on your statement. You understand that any values displayed on your statement are not established by us and are provided for your convenience only and should not be relied upon as any indication of market value. If you have instructed the issuers or sponsors of your Non-Publicly Traded Securities to report values to us, you agree that we may, in our discretion, display on your statement the most recent values provided to us. You agree that we may rely, without question or verification, on the values provided to us by the issuers or sponsors of Non-Publicly Traded Securities. You represent that during the course of your evaluation of the Non-Publicly Traded Securities, you have determined such valuations to be accurate and reliable. You understand that we do not verify or confirm such valuations and make no representations that the values are reasonable, are accurate, or reflect your actual holdings. In the event third-party data sources provide valuation of your Non-Publicly Traded Security to us, we may display the value provided by a third party or a value derived from the third-party data on your statement. If we become aware of a discrepancy between an issuer-provided value and a third-party value, we may report the value of your Non-Publicly Traded Security as "N/A" or "Not Available" or "Zero". If valuations are not received or made available to us during a reasonable period that we determine, we reserve the right to require you to remove the Non-Publicly Traded Security from your account.

If we report a value received from an issuer on your statement, the value may not match what is provided to you by the issuers of the Non-Publicly Traded Security due to the timing of issuer statements and our statement production schedule. In these situations, the then current valuation will be displayed on your next

statement from us. If you notice any other discrepancy in valuations between your statement from us and any statement provided by the issuer of your investment, please contact us immediately.

We may at any time, in our discretion, remove a value for a Non-Publicly Traded Security from your statement and report a value of "N/A" or "Not Available." We may ask you to remove any Non-Publicly Traded Security from your account(s) at any time and for any reason. In the event we ask you to remove a Non-Publicly Traded Security from your account(s), and you do not request a distribution of the Non-Publicly Traded Security from your account(s), remove it from your account(s), or transfer it to another custodian within whatever timeframe we reasonably require but no later than 60 days after we provide you notice that we will no longer hold the Non-Publicly Traded Security, you authorize and direct us to distribute or transfer the Non-Publicly Traded Security directly to you. If the relevant account is a retirement plan brokerage custodial account, the Non-Publicly Traded Security may be distributed upon direction of the trustee or other applicable fiduciary or agent of the plan to the participant in whose account the Non-Publicly Traded Security is invested, or to the extent not practicable, transferred to the trustee or other applicable fiduciary or agent to hold the Non-Publicly Traded Security on behalf of the plan. If the Non-Publicly Traded Security is not certificated, you agree that we may remove the security from the account(s) by notifying the issuer to re-register the position in your name, or in the case of a retirement plan brokerage custodial account, in the name of the trustee or other applicable plan fiduciary for benefit of the plan and remove us as custodian. You agree to pay such charges as we may assess for continuing to custody and to indemnify and hold us harmless for your failure to remove or transfer a Non-Publicly Traded Security after we have notified you that we are no longer willing to hold the security in the account(s). You agree that you are also solely responsible for any costs

and tax consequences associated with the removal of the Non-Publicly Traded Security from your account(s).

We reserve the right to remove from your account(s) any security that is deemed to have been cancelled or otherwise invalidated or becomes worthless (worth less than such amount as we or our agents may determine from time to time). In determining that a security has been cancelled or invalidated, you agree that we may have derived information on such assets from you or from third parties and we are not responsible for the accuracy or reliability of any information regarding these assets. Cancelled or invalid securities may include, but are not limited to, bankruptcy or charter or registration revocation. We will notify you if we have removed a cancelled or otherwise invalid security from your account(s). Unless you provide us with evidence of the validity of the security within 60 days of the notice of removal, you agree to waive any claim to any future distribution from the security and agree to indemnify and hold us harmless from any claims, liability, or damages resulting from the removal of such security.

We reserve the right to charge an additional servicing fee for securities for which we cannot identify a transfer agent or issuer (a "Non-Transferable Security"). The existence of a Non-Transferable Security in your account(s) may be noted with a notation of "N/A" for the value of that position on your account statements.

#### **o. Margin and Short Selling**

The provisions governing margin will apply if you open a margin account and the provisions governing short selling will apply when you engage in short sales. The ability to receive margin credit and engage in short sales is at all times subject to our approval. You acknowledge and understand that when you trade on margin or engage in a short sale, you are borrowing from us and agree to the terms of the Margin and Short Sale Supplement attached as Exhibit 4.

#### **p. Risks of Online Investing**

While we put resources into building and testing our computer systems, computer glitches, slowdowns, and malfunctions will occur and the volume of customers using our services online and market volatility can significantly impact order and execution processing times. Note that for window orders (described above) we do not begin processing orders until after the window cutoff time and that processing time will vary from window to window. Window processing times are impacted by a number of factors, and our process is deliberately designed not to send orders immediately to market at the window cutoff time but only after relatively random periods after the window cutoff time. When trading volumes increase in markets and many investors want to buy or sell at the same time, or when aggregated or individual orders are large, orders may not be filled as quickly and may intentionally be sent to market to be worked over time. We also need to restrict access at various times to some parts or all of our services to perform maintenance.

While it is our intention that you have access to our online services seven days a week except when maintenance is scheduled (usually for weekends), you understand that we do not guarantee access or our ability to process orders for your account.

#### **q. Market Volatility**

You understand that, when an order is placed with us for your account, the execution price is dependent upon the market price for the security at the time of execution. You understand that special handling or order instructions, such as a “stop-loss” order will not necessarily limit losses to the intended amounts since market conditions may result in executions at prices below your stop loss price. Similarly, you understand that execution quality can be significantly impacted by volatility in the market at the time the order is executed. The current

market price in active stocks can differ significantly from the last sale price, particularly during periods of high volume, illiquidity, fast movement, or volatility. Our system provides you with delayed quotes and last sale information. You also have the ability to obtain real-time quotes and last sale information upon executing the necessary agreements with market data vendors, including the exchanges that provide such information. Whether viewing delayed or real-time quotes and last sale information when you create an order, the execution price received may differ, perhaps substantially, from the information provided on entry of an order and, if using a Direct Trade order, there may be partial executions of the order at different prices. You understand that we are not liable for any differences between quoted and execution prices. You also understand that quoted prices normally are only for a small number of shares as specified by the marketplace, and larger orders (such as the aggregate orders we may send to a market center when executing a Window order) are relatively more likely to receive executions at prices that vary from the quotes and may be composed of executions of multiple lots at different prices.

Securities may open for trading at prices substantially higher or lower than the previous closing price or the anticipated price. If a Direct Trade order is placed for your account (whether during normal market hours or when the market is closed), you agree to pay or receive the prevailing market price at the time the Direct Trade order is executed, which may be significantly higher or lower than anticipated. To reduce the risk of buying a security at a higher price, or selling it at a lower price than desired, Direct Trade orders may be submitted to us with limit prices and Window Trade orders may be submitted with a Cancel Order Limit. You also understand that Direct Trade limit orders are executed only when they become marketable, which may not be immediate, may not be executed for a period time after order entry and may not be executed at all if there is



insufficient trading interest in the market, or may be executed at better prices than the limit price specified. Our websites contain further information regarding orders types and limitations, which you agree are applicable to any order placed for your account.

## VIII. SERVICE LIMITATIONS

### a. We Do Not Provide Investment, Tax, or Legal Advice

You understand that we will not give you any advice or recommendations about whether a security, investment or investment strategy, including using margin, is appropriate or suitable for you. We are under no obligation to monitor the performance of any investments in your account and we do not agree to any such monitoring. For the avoidance of doubt, any reviews conducted by us for risk management, operational, or regulatory purposes (e.g., compliance with margin obligations) do not constitute an agreement by us to monitor the performance of any investments in your accounts. The decisions to buy, sell, or hold any investment, use margin, or to follow any strategy rests solely with you and your Authorized Persons.

From time to time, we may provide you with research or other market information. You are solely responsible for determining whether investments are suitable for your account. By making information available to you on our websites or otherwise, we are not recommending or advising that you make any particular investment or use any investment strategy. Information we provide is not personalized to fit your needs, and does not reflect your financial circumstances or investment objectives. The securities, investments or investment strategies, including any use of margin credit or short selling, available through our websites or mobile or online devices may not be suitable for you. You understand that even if you use this information in making investment decisions, we cannot be held liable for the results.

You should not rely upon us to review your financial situation, tolerance for risk or the suitability of any investment or investment strategy you may employ, including any use of margin credit or short selling, to determine whether it is suitable for you. We may provide tools that may assist you to self-assess your own tolerance for risk, the potential suitability of an investment or strategy for you, to exclude certain categories of companies or assets from your portfolio, or may otherwise educate you in various ways. We do not determine if the tools we provide to you will result in suitable or profitable investments or strategies for you and we do not compare any answers you provide to questions we ask during the account opening process or in tools we provide to your actual investments or investment history. The output of any tools we provide or educational material we present are not recommendations or endorsements, and we are under no obligation to update or otherwise keep current any such output or educational material, including, without limitation, the list of companies and the categories they are associated with for purposes of the security exclusion tool.

All investments entail risks, and you are responsible for determining whether you can afford the risks of using the output from any of our tools in making any investment or creating or following any investment strategy.

While we may provide you with tools and ways to help you manage your investments and taxes, we do not give you investment, tax, or legal advice. If you wish to have such advice, you need to consult your own investment, tax, or legal advisers. You agree that we do not provide such advice, and that all decisions about investing and trading in your account are made by you or an Authorized Person.

**b. We Do Not Select, Monitor, or Supervise Your Authorized Persons**

We are not responsible for investigating or selecting your Authorized Persons. We make no warranties regarding the performance or services of any Authorized Person. An Authorized Person may manage your account substantially differently than mutual funds or other accounts managed by the same Authorized Person. Past performance is no guarantee of future results. Your Authorized Person may have relationships with us or our affiliates outside of your accounts. These relationships may impact the advice you receive from them. We do not supervise any Authorized Person's compliance with applicable laws or any agreement they have with you, and we have no duty to conduct such supervision or monitoring.

Your Authorized Person will have primary responsibility for communications with you regarding your account except as may be otherwise required by law, rule, or regulation. We do not guarantee the accuracy, timeliness, or completeness of any information from an Authorized Person. We are not responsible for your or your Authorized Persons' reliance on any information provided by any third party, including any of our affiliates.

**c. Services and Products Provided by Our Affiliates and by Others Not Affiliated with Us**

You understand that by using our services you may have access to various financial products and services that are provided by us; our affiliates, including, but not limited to, GSCO; entities in which our affiliates have ownership interests, or by entities that are not affiliated with us. These products and services may be governed by separate terms and conditions which we may make available to you, or which may be made available to you directly by the provider of the product or service on such provider's websites. You agree to the terms and conditions that govern the products and services made available to you by such providers. Such providers can enforce their terms and conditions, relying upon your acceptance of this Agreement. We and our affiliates, including, but not limited to GSCO, may receive compensation from third parties providing services to you, your Advisor or Manager, including those introduced to you, your Advisor or Manager by us or our affiliates, and we and our affiliates may compensate each other or share compensation attributable to services provided to you, your Advisor or Manager.

Our affiliates include The Goldman Sachs Group, Inc. ("Goldman Sachs"), which is a worldwide, full-service investment banking, broker-dealer, asset management and financial services organization and a major participant in global financial markets. As such, Goldman Sachs provides a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments, and high-net-worth individuals. Goldman Sachs acts as broker-dealer, investment adviser, investment banker, underwriter, research provider, administrator, financier, adviser, market maker, trader, prime broker, derivatives dealer, lender, counterparty, agent, principal, distributor, investor or in other commercial capacities for accounts or companies or affiliated or

unaffiliated funds in which accounts may have an interest. In those and other capacities, Goldman Sachs advises and deals with clients and third parties in all markets and transactions and purchases, sells, holds and recommends a broad array of investments, including securities, derivatives, loans, commodities, currencies, credit default swaps, indices, baskets and other financial instruments and products for its own accounts and for the accounts of clients and of its personnel. In addition, Goldman Sachs has direct and indirect interests in the global fixed income, currency, commodity, equities, bank loan and other markets. Goldman Sachs may cause an account to invest in products and strategies sponsored, managed or advised by Goldman Sachs or in which Goldman Sachs has an interest, either directly or indirectly, or may otherwise restrict accounts from making such investments. In this regard, Goldman Sachs' activities and dealings for itself and with its clients and third parties may affect your accounts in ways that may disadvantage such accounts and/or benefit Goldman Sachs or its other clients.

**d. No Guarantee on Accuracy of Third-Party Information**

You understand that we are not responsible for the accuracy or your use of any information we receive from third parties, including, without limitation, any information we may make available to you that has been provided by another broker-dealer or other third party where you currently maintain, or previously maintained, an account. While we use vendors we believe to be reliable, we have not verified and do not make any warranty regarding information provided by third parties, including the third-party websites you may access as part of using our services. We have no control over such third-party information or websites and, accordingly, are in no way responsible for and in no way approve, endorse, or guarantee the accuracy, reliability, or completeness of any data used or displayed on our websites or for information provided in any hyperlinked web

pages or websites reached from our websites, whether through a single sign on arrangement or otherwise. You should assume that we do not endorse, adopt, review, sponsor, or oversee the material presented on any third-party websites or any of the employees, policies, activities, products, or services offered on such websites and, accordingly, are not responsible for any content you see there or the consequences of any decisions or actions taken in reliance upon or as a result of the information provided therein.

**IX. PRICING, FEES, OTHER COMPENSATION, CREDITS, OWNERSHIP DISCLOSURE**

**a. Pricing**

You agree to pay the fees we assess and any other amount owed with respect to your account whether owed to us or to someone else as we require, including special services fees published on our website. We and your Advisor or Manager may agree to a pricing system (including commissions, transaction, account, asset-based, and service fees, as well as rebates) for your Advisor's clients' accounts custodied with us, including your account. This pricing may be based upon the nature and scope of business that your Advisor brings to and places with us, including the current and future expected amount of your Advisor's clients' assets held by us as custodian, the types of securities managed by your Advisor, and/or projected frequency of trading in your Advisor's clients' accounts. If the nature and scope of business that your Advisor brings to and places with us changes or does not reach agreed-upon levels, we may change the amounts of charges or rebates applied to your Advisor's clients' accounts custodied with us. As a result, prices charged to your account may be affected. Your Advisor will advise you of our fees, transaction costs, and any other applicable expenses and/or rebates, and will update you to the extent there are changes to those expenses and/or rebates.

We reserve the right to modify pricing and services at any time.

#### **b. Fee Payment Authorization**

You allow us to debit your account for all fees payable to us, your Advisor, Manager, third-party brokerage, or other applicable party, including fees submitted by invoice from these parties while your account is open as well as upon and after any account closure or transfer. Although we reserve the right, we are not obligated, to bill your account for management fees submitted from your Advisor, Manager, third-party brokerage, or other applicable party in the amounts provided to us. We do not maintain a copy of your agreement with your Advisor, Manager, third-party brokerage, or any other entity and any discrepancy in fee amounts or prorated fees must be addressed directly with the party assessing such fees.

You authorize us to use cash in your account or liquidate shares in any money market mutual fund or cash sweep vehicle in your account to the extent necessary to pay your account fees and expenses. In the event that the balance in your account is insufficient to cover such fees and expenses, we will contact your Advisor or Manager. We will rely on invoices from your Advisor and/or Manager, and we have no responsibility for the calculation or verification of fees. We need not confirm instructions or verify those fees with you. Fees and expenses may be aggregated and deducted from your account in a single transaction.

#### **c. Additional Fees May Apply**

In some situations, additional fees may be applied in connection with funds transfers you may request. Such fees, may include, but are not limited, to the following instances:

- **Check Requests.** If you request that we send a check to you, there will be a charge. Please consult our websites, your Advisor, Manager, or third-party

brokerage firm regarding the related charges.

- **Transferring Funds Through Bank Wires.** The Federal Reserve System processes bank wires. There will be a charge for processing a bank wire; please consult our websites, your Advisor, Manager, or third-party brokerage firm regarding the current list of charges.

#### **d. Compensation from Service Providers and Affiliates**

We have engaged entities that provide services both to you and us related to your accounts. These entities, which include our affiliates, may charge fees to both of us and the service provider may share with us some of the fees they generate in providing services to you. In addition, you may have a relationship with our affiliates for investment advice or other services and we may provide services to them related to your accounts; we charge them fees for the services we provide.

#### **e. We May Receive Payments for Routing Your Orders**

When we route customer orders, we may receive payment for order flow from certain market makers or market centers, a standard industry practice where brokerage firms receive a small per-share rebate when an order is executed, or a share of the market makers' or market centers' revenue for processing those orders. In addition, we may receive compensation that is not directly related to specific per-share amounts from market centers, but which is based instead on the overall quantity and/or type of order flow we present to the market center. We monitor executions regularly for quality, consistent with our regulatory obligations to monitor for best execution. We will provide information about the source and amount of compensation for any order if you make a request to us in writing. The most recent quarterly information about the market makers we route orders to, the net payments, if any,

received for certain types of orders, and the material aspects of our relationship with such market makers, including any per share amounts they will pay for certain orders, is available on our website.

**f. Credits, Payments, Expense Reimbursement and Other Services**

Your Advisor may receive credits and payments from us based on the value of the assets we hold as custodian on behalf of your Advisor's clients, including based on the value of your assets held with us. We also may make payments to third parties related to your Advisor's transition to us from another custodian, including, without limitation, payments based on the value of the assets that are transferred to us, which could include payments based on the value of your assets transferred to us. Your Advisor or Manager also may receive services from our affiliates that are not related to any services your Advisor, Manager, or we provide to you; our affiliates are compensated for these services.

**g. Ownership Interests**

Our affiliates may have ownership interests in trading networks, securities or derivatives indices, trading tools, settlement systems, broker-dealers, Advisors and Managers. Additionally, we may, from time to time, also have a financial interest in exchanges or other market centers. Please see our website at <https://www.goldmansachs.com/disclosures/e-cns-disclosure.html> for additional information about electronic communication networks, alternative trading systems, or similar execution or trading systems or venues, in which our affiliates have an ownership interest. Please note that the disclosure on our website does not disclose all entities in which our affiliates maintain ownership interests.

**X. CASH MANAGEMENT**

**a. Investment of Cash in Your Account**

Unless otherwise provided, the cash in your account will be held by us in one or more of the cash investment choices we make available from time to time, which are described in Exhibit 2 to this Agreement. Exhibit 2 details the terms and conditions of the cash investment choices (described as the "Program"). The interest rate paid under the Program on cash investments in your account may vary or there may be no interest paid if your account is managed by an Advisor who has a separate agreement with us for its advised accounts or if the cash in your account is subject to special handling due to other circumstances. As a result, the interest rate tables provided in Exhibit 2 may not apply to your account and you should contact us if you have any questions.

By maintaining an account with us, you acknowledge that your account will be subject to and you agree to the terms and conditions in Exhibit 2, including any modifications we make to those terms and conditions from time to time. Unless prohibited by applicable law or regulation, we may, without prior notice or your affirmative consent, modify the terms and conditions of the Program, terminate the Program (which may result in some or all of your cash being held by us as free credits and being used to support margin loans extended to customers), change the cash investment choices or any cash investment choice to which the cash in your account is automatically swept, or change the mechanism by which it is swept. Amendments or updates to the Program or any terms and conditions related to cash or cash related investments will be posted on our websites and the amended Program or such other terms and conditions will apply to your account once posted. If we provide a money market fund as a cash investment choice you will be provided access on our websites to any applicable prospectus for such fund.

Unless your account is maintained as a margin account for which we will extend credit, orders to purchase securities cannot be entered for your account unless there are sufficient funds

available in your account to fully pay for the securities. For this purpose, sufficient funds available in your account may include available cash, plus amounts settling from the sale of securities, plus or minus certain other amounts (such as wires or other immediately available good funds transfers that have been timely received by us, securities purchase transactions that have not yet settled, cash withdrawals that are being processed, etc.). We will redeem sufficient amounts of cash from your account, or lend you cash, to pay for security purchases, or fees or to settle other debits or deductible items in your account on settlement date or when due based on whether your account is a cash account or a margin account, and if a margin account whether you have been approved for extensions of credit.

#### **b. Managing Cash Transactions in Your Accounts**

When a buy order is executed in your account, the cash necessary to pay for the purchase will, if currently in the account and marked as available to pay for the purchase, be retained until settlement in whatever applicable cash investment vehicle it was in at the time of the purchase. Although the cash will thereafter not be available for use for other purposes, it generally will continue to earn whatever interest, if any, it was receiving until used to settle your purchase. For more details, please see Exhibit 2.

When you sell an investment, once we receive your cash upon settlement of the transaction, it will generally be deposited in the applicable cash sweep investment in accordance with Exhibit 2 or used as otherwise required (such as to reduce any indebtedness in your account or to pay for other securities settlements) or as otherwise directed (such as being invested in a client-directed cash alternative as described in Exhibit 2).

If a check, electronic funds transfer, wire or other form of acceptable deposit is received into

your account by noon Eastern Time on a business day we will usually deposit it in the applicable cash sweep investment on the same business day, and, if received after such time, we will usually deposit it in the applicable cash sweep investment, generally on the next business day on which banks are open for business after deposit. Our policies relating to your ability to make an investment using such cash, or request a withdrawal of cash from your account, are described on our websites and may change from time to time. Different or additional related policies also may apply to your account based on our agreement with your Advisor, Manager, or third-party brokerage firm.

We will deduct from your account balance, fees and any other outstanding liabilities, such as overdrafts or debits, resulting from activities in, or otherwise attributable to, your account. We may deduct these amounts from any existing cash balances settling in your account or by redeeming sufficient cash from any applicable cash investment alternative to cover the amount owed. If there is insufficient available cash in your account to cover the amount owed, we will create a debit entry in your account. We require prompt payment of any debit amount, generally within five business days for cash accounts. We may, however, require immediate payment or permit a grace period beyond five business days in our sole discretion, depending on factors such as the debit amount, our perceived exposure to your ability to pay the debit amount, whether your account is an individual retirement account (“IRA”), etc. Please note margin transactions will be processed as described in the Margin and Short Selling section and elsewhere in this Agreement, and we may liquidate your account, without prior notice to you, to satisfy your margin debit or to protect us from losses.

We may charge interest on the unpaid debit amount commencing from the date the debit entry is created in your account at the current rate as listed on our websites or, if there is no such rate posted, at the highest legal rate then in effect in the Commonwealth of Virginia, if,

but only if, the charging of such interest is permitted by law.

If your account is a cash account and you do not pay the debit amount within five business days, or such other period of time we determine in our sole discretion (which may be immediately), we may liquidate enough of the holdings in your account to pay the amount owed at our discretion and without prior demand or notice. If we liquidate your holdings, we may choose to liquidate the cash in a cash investment choice, use cash held as a free credit, cash resulting from the sale of one or more securities, or any combination of securities and other cash you hold, and do so with no consideration for any trading or tax consequences to you or for selling more securities than necessary to precisely pay the debit amount. We also may choose the methodology for liquidation - for example, using a Window Trade order or a Direct Trade order, or applying all cash investment choice holdings or free credits first. To the extent we find it necessary to make multiple transactions in your account to generate sufficient cash to meet your debit in full we will do so at your risk and expense. We, however, are under no obligation to liquidate positions in your account and may charge you interest on any unpaid debit amount even if you have holdings in your account which, if liquidated, would reduce your indebtedness to us and/or reduce the interest charges to which you would be subject. You bear the market risk of the positions in your account at all times and we are not responsible for any losses or other consequences (anticipated or unanticipated) to you if we liquidate, or decide not to liquidate, any position to cover an outstanding debit amount.

You grant a first priority perfected security interest in, and right of setoff against, all securities accounts, commodity accounts and deposit accounts maintained by us or any of our affiliates and all securities, financial assets and other property, and all obligations, whether or not due, which are held, carried or maintained by us or any of our affiliates or in the possession

or control of us or any of our affiliates which are, or may become, due to you (either individually or jointly with others or in which you have any interest) and all rights you may have against us or any of our affiliates (including all your rights, title or interest in, to or under, any agreement or contract with us or any of our affiliates) and the proceeds of each of the foregoing as security for the performance of all your obligations to us or any of our affiliates. You shall execute such documents and take such other action as we shall reasonably request in order to perfect our and our affiliates' rights with respect to any such securities and other property. In addition, you appoint us and our affiliates as your attorney-in-fact to act on your behalf to sign, seal, execute and deliver all documents, and do all acts, as may be required, or as we or our affiliates shall determine to be advisable, to perfect the security interests created hereunder in, to provide for control of, or to realize upon any rights of us or any of our affiliates in, any or all of the securities and other property. With respect to securities and other property pledged principally to secure obligations under an agreement with us or any of our affiliates, we and our affiliates shall have the right, but in no event the obligation, to apply all or any portion of such securities or other property to your obligations to us or any of our affiliates under any other agreement. Under no circumstances shall any securities or other property pledged principally to secure obligations to us or any of our affiliates under an agreement with you be required to be applied or transferred to secure other obligations to us or any of our affiliates or to be released if we or any of our affiliates determine(s) that subsequent to such transfer we or any of our affiliates would be under secured with respect to any obligations of you (whether or not contingent or matured). We and our affiliates are hereby authorized without your further consent to extend financing from time to time to you under any agreement between us or any of our affiliates and you in our discretion and to use the proceeds of such financing to repay any financing by us or any of our affiliates to you

under another agreement between us or any of our affiliates and you. The security interest granted hereunder with respect to your accounts, all securities, financial assets and other property, as well as obligations, held, carried or maintained by us or in our possession or control which are, or may become, due to you, in each case in connection with your accounts or this agreement, and your rights against us in connection with this agreement, as well as the proceeds of each of the foregoing, shall secure first your obligations to us and second, your obligations to our affiliates. You acknowledge that we and our present and future affiliates act as agents for each other in respect of the assets subject to the security interest as described above and that we and each of our affiliates shall, and we hereby agree to comply with any entitlement orders or instructions originated by any of them with respect to such assets or distribute any value in respect of any such assets at the direction of any of them, in each case without any further consent of you. You agree that we or any of our affiliates may enter into one or more intercompany account control agreements among themselves to give further effect to the foregoing. We, each of our affiliate and you agree that all such assets credited to any securities account maintained on our books or books of any such affiliate shall be treated as a financial asset for purposes of the UCC. We and any of our affiliates hereby notify each other of, and each of them acknowledges, the first priority perfected security interest granted by you hereunder. You (and each person acting on your behalf) agree that any assets pledged as collateral by you in connection with any transaction entered into under this agreement will not constitute “plan assets” under ERISA or Section 4975 of the Internal Revenue Code of 1986 (the “Code”).

For our protection against credit risks and other conditions, we may, without prior notice, decline, cancel or reverse your orders or instructions, or we may place trading, disbursement and other restrictions on your accounts.

### **c. Reinvestment of Cash Distributions**

You may choose to have your cash distributions (such as dividends and return of capital) at or above specific thresholds automatically reinvested in the securities that paid them if those securities are available in fractional shares. You are not required to reinvest your cash distributions. Cash distributions that are less than the specified threshold and cash you choose not to reinvest will generally be swept into the then current cash investment choice in accordance with the terms and conditions of the Program (defined in Exhibit 2) in effect at the time. Unless indicated otherwise, there are no additional transaction fees on transactions executed pursuant to automatic dividend reinvestments. We may change the threshold and frequency for automatic reinvestments of distributions and the securities for which this service is available at any time and from time to time without notice.

You can select or change your distribution preference for any of your accounts on your account settings page of system. You may also contact customer service for further information about dividend reinvestments or for questions about how to change your distribution preference.

In lieu of sending to you a trade confirmation each time a dividend is reinvested in accordance with your instructions, we will provide you the details of those purchases on your monthly account statement. This disclosure will include all transaction details and information that would otherwise be included in a separate trade confirmation. In the event you would like to receive transaction details or information at an earlier date, you will be able to view such details online the business day following the date of the activity or by contacting us. We will notify you of material changes to cash distribution reinvestment program.

## **XI. PAYMENT SERVICES**



## **Check Writing and Electronic Funds Transfers (EFTs)**

You understand that check writing and use of EFTs are governed by the rules of the bank that facilitates such services for us, the Uniform Commercial Code, Federal and State laws and the Check and Transfer Money Terms and Conditions set forth in Exhibit 3, which is a part of this Agreement. You will pay fees for our and the bank's expenses of providing the check writing and EFT services, including fees for ordering checks, bounced checks, stop payment requests, and dishonored checks that are deposited to your account, and for EFT returns. Please consult our websites, your Advisor, Manager, or third-party brokerage firm regarding the current list of charges.

We may limit whether we accept or permit EFTs initiating or terminating through us and we may restrict the financial institutions to which you may direct cash via EFT from your account, as well as restrict the financial institutions from which you may direct cash to your account via EFT. Further, we may restrict your ability to withdraw the cash from your account that has been deposited by EFT, by check, by wire or otherwise by limiting the methodology for withdrawal and/or by imposing a hold period.

## **XII. PROVISION OF MARKET DATA**

We may convey to you by various means delayed, or current (which will require additional agreements from you regarding the use of such data with the various exchanges providing such data and perhaps others), last sale transaction data, bid and asked quotations, news reports, third-party analysts' reports or research, and other information relating to securities and the securities markets (collectively referred to in this section as "market data") and your right to use market data is subject to the terms of all of your agreements with applicable providers of such market data. We may charge a fee for providing this market data. We, or our providers of market data, may

inform you of the applicable fee for market data by posting applicable information to our website(s) or by other means. The amount of any such fee may change from time to time and we will notify you of such change in the manner described in the immediately preceding sentence. We may set off any amount due from you in respect of market data from your account without providing further notice to you. We obtain market data from securities exchanges, markets and from third parties that transmit market data (collectively referred to in this section as "the market data providers"). All market data is protected by copyright laws. We provide market data for your personal noncommercial use; you may not sell, market or distribute it in any way, unless you have entered into written agreements with the appropriate market data providers.

We receive the market data from industry sources that are believed to be reliable. However, the accuracy, completeness, timeliness or correct sequencing of the market data cannot be guaranteed either by us or by the market data providers. Neither we nor the market data providers will be liable for interruptions or delays in the availability of market data or your access to market data. **Market data is provided "as is" and on an "as available" basis without any warranty of any kind, express or implied. We are not responsible for, and you agree not to hold us liable for, lost profits, trading losses or other damages resulting from inaccurate, defective or unavailable market data. In any case, our liability arising from any legal claim (whether in contract, tort or otherwise) relating to the market data will not exceed the amount you have paid for use of the services or market data for the prior calendar month. You agree that we may correct any execution reported to you that was based on inaccurate market data provided to us by an exchange, market center or other data provider.**

## **XIII. YOUR ACCOUNT INFORMATION**

#### **a. Disclosure of Information**

Consistent with our Privacy Policy, we maintain the confidentiality of client account information including, but not limited to, name, address, tax identification number, account number, securities position information and other personal information that we may have or that you provide to us. For securities listed, or authorized for listing, on a national securities exchange (listed securities), under U.S. Securities and Exchange Commission (SEC) rules, an issuer of securities that is distributing proxy materials to its shareholders is entitled to request from a broker-dealer the account information for customers who are shareholders of the issuer's listed securities if such shareholders have not objected to the release of such information. By agreeing to this Agreement, you object to the release of your account information to such issuers, and we will not provide that information to them except as described below.

For securities not listed, or authorized for listing, on a national securities exchange, including, for example, privately issued and mutual fund securities (unlisted securities), however, it may be necessary for us to disclose your information and information about your account with us to initiate and/or complete securities transactions, to reconcile the number of outstanding or issued securities with the issuer, to assist with proper tax reporting on your holdings and/or to oversee your compliance with any conditions disclosed in prospectus or offering documents, such as limits to the frequency of trading in the securities in compliance with Investment Company Act Rule 22c-2.

In addition, we may receive requests by foreign tax authorities or issuers with respect to securities subject to foreign tax withholding or voting restrictions (whether those securities are listed or unlisted securities) and in those limited circumstances you are agreeing to allow us to provide your account information to them or

their agents, whether within or outside of the U.S., even though, for all other purposes, you are objecting to such release. By agreeing to this Agreement, you permit us to release your account information as outlined above. This permission does not override your continuing general objection to our providing your account information to the issuers of the listed securities you own and hold in your account with us. Please refer to our Privacy Policy for a description of the potential uses of your information by us or any third party.

Further, an Authorized Person may direct us to share certain account information in the regular course of business. You agree that we will rely on this instruction and may disclose account information as directed by any Authorized Person associated with your account.

#### **b. Keep Your Account Information Secure**

You understand that you are responsible for securing the confidentiality of your username, password, and other methods, processes, procedures or mechanisms of obtaining access to your account that we may, from time to time, make available to you. You are also responsible for preventing unauthorized use of such information or access methods. You will be solely responsible for all money movement and transactions executed in your account. You should notify us immediately if the username or password to your account is compromised or lost or if your computer or email address is compromised. We will act on any and all instructions provided to us using your username and password. Also, keep in mind that an Authorized Person is able to access your account and information using the username and password issued to them and we will take instructions from any person using those Authorized Person's credentials to, for example, establish new accounts for you, trade securities, and update your account information.

You understand that we use technology to protect and encrypt the transmission of

information from and to you. You also understand that we strongly suggest that you use the most up to date version of your browser to secure your information.

Our liability if your data and communications are intercepted is limited to the extent permitted by law. Should someone intercept a transmission of your information (whether to or from us directly or to or from an Authorized Person), you agree that we, our affiliates, unaffiliated third parties that provide services to you through us, or others who provide services to you on our behalf are not liable (to the extent permitted by law) for any type of costs, losses or damages. This includes any liabilities or damages resulting from computer viruses, malware or identity theft.

#### **XIV. CORPORATE ACTIONS, REORGANIZATIONS**

Certain securities may impart valuable rights that expire unless the holder takes some action. You are responsible to know the rights and terms of all securities in the account. We are not obligated to notify you of any upcoming expiration or redemption dates or to take any other action on your behalf without specific instructions from you, except as required by applicable law. If, however, any such right is about to expire, become worthless, or be redeemed for significantly less than its fair market value, and you have not provided instructions to us, we may, at our discretion, take action on your behalf and credit your account with the proceeds. Although we have the discretion to take such action, we are not obligated to do so. You agree not to hold us liable for any losses or expiration of rights arising out of or relating to your failure to act or to give instructions to us to act on your behalf.

You are responsible for knowing about voluntary and mandatory reorganizations related to securities that you hold, including, without limitation, mergers, name changes, stock splits, and reverse stock splits. We are not obligated to

notify you of any such reorganizations before they occur. You acknowledge that we will not allocate securities or funds resulting from reorganizations until such securities or funds are received by us from the paying agent or depository. On voluntary reorganization instructions (tender or exchange offers), you agree to provide instructions to us no later than two business days prior to the expiration of the offer to allow us sufficient time to act on your instructions. Any instructions received after that time will be processed on a "reasonable efforts" basis only. Additionally, you are solely responsible for also knowing about periodic payment activities including cash, stock, and optional dividends. We are not obligated to notify you of any such activities.

#### **XV. SPECIAL PROVISIONS FOR PROXY VOTING AND CERTAIN VOLUNTARY CORPORATE ACTIONS**

We provide for electronic delivery to you of all relevant proxy voting information and allow you to vote proxies easily online (and also respond to certain voluntary corporate actions), unless you specifically disclaim your right to do so. We also allow you the option to grant your Advisor, Manager or other third party (such as a proxy advisory firm), the ability to vote proxies and respond to certain voluntary corporate actions on behalf of your account, in addition to you, although fees may apply for this service.

Additionally, if you have established an alternative means for you and/or your Advisor, Manager or another person to vote proxies or decide corporate actions outside the scope of this Agreement and our services and you no longer wish to receive any related proxy or corporate action documents, please notify us in writing so that we may discontinue providing delivery of such documents to you.

If you wish to disclaim your right to vote, you may do so by: (i) making a different arrangement with your Advisor or another person (such as a proxy advisory firm) to vote on your behalf, (ii)

notifying us of that different arrangement in writing and stating that you disclaim the right to also receive documents and be able to vote or respond to such actions, and (iii) instructing us to deliver the applicable documents that would otherwise be provided to you exclusively to your Advisor, Manager or such other person. Additional fees may apply for this service.

#### **XVI. MODIFYING THIS AGREEMENT**

Unless prohibited by applicable law or regulation, we may, without giving you prior notice or obtaining your affirmative consent, amend, modify or update the terms and conditions in this Agreement. Amendments, modifications or updates to the terms and conditions will be posted on our websites or made available to you or third-party brokerage firm, and the amended terms and conditions will apply to your account once posted on our websites. Your continued use of our services will constitute your agreement to the amendments. If a provision of this Agreement is or becomes inconsistent with any law or regulation, the provision in question will be deemed amended to conform to the law or regulation, and all other provisions will remain binding.

This Agreement shall apply to each account opened by you. Its terms and conditions shall apply to your successors, and to our successors and anyone to whom we assign our rights.

#### **XVII. BUSINESS CONTINUITY AND CONTINGENCY PLAN**

We have a business continuity program in place that we review and test on a regular basis. The plan provides for continuation of client service in the event of various types of interruption to our facilities and services, with the understanding that we cannot plan for or guarantee against all contingencies. Our policy is to respond to significant business disruptions by protecting employees' safety and firm property, making a financial and operational assessment, quickly recovering and resuming operations, protecting all of the firm's books

and records, and facilitating the continuity of our customers' ability to transact business.

No contingency plan can eliminate all risk of service interruption or temporarily impeded account access. In creating our business continuity and contingency plan, certain assumptions have been made such as alternative facilities being accessible, sufficient personnel being available, and external organizations including securities markets and government agencies being operational. If these assumptions are not valid, we will evaluate possibilities for minimizing the disruption to services at that time and will promptly provide clients with information about how to access their funds and securities.

We update the business continuity and contingency plan as needed in the event of changes to our business processes, technology, and staff, and continue to post a summary of it on our websites. You may also obtain our current business continuity and contingency plan summary by submitting a written request to us.

#### **XVIII. LAWS AND REGULATIONS APPLY**

All transactions executed through us are subject to the constitution, rules, regulations, customs, and methods of doing business at the exchange, market, clearinghouse, or agency (which may include an issuer itself) that processes transactions. Various Federal and State laws and regulations may apply to transactions in your account. These laws and regulations may place restrictions on your ability to freely trade some securities if you own "restricted" or "control" securities, or if an insider trading policy applies to you. You agree to comply with all relevant legal requirements and only to effect transactions through us that are legally permissible. Note that in assessing contractual liability, this provision should not be read to incorporate by reference these laws, rules, and regulations nor bestow any private right of

rules, and regulations nor bestow any private right of action to enforce these laws, rules and regulations, whether as a breach of this Agreement or otherwise.

The internal laws of the State of New York, without regard to its choice of law provisions, shall govern this Agreement and its enforcement.

#### **XIX. SECURITIES INVESTOR PROTECTION CORPORATION (“SIPC”)**

A brochure explaining the insurance coverage provided by SIPC is available from us upon request or on SIPC’s website at [www.sipc.org](http://www.sipc.org). SIPC insurance applies, with specified limits, to the cash and securities held in your account. Please see Exhibit 2 for the terms and conditions applicable to the investment of cash in your account and how SIPC insurance will apply.

#### **XX. FEDERAL DEPOSIT INSURANCE CORPORATION (“FDIC”)**

A brochure explaining the coverage provided by FDIC is available on the FDIC’s website at [www.fdic.gov/deposit](http://www.fdic.gov/deposit). Please see Exhibit 2 for the terms and conditions applicable to the investment of cash in your account and how FDIC insurance will apply.

#### **XXI. INDEMNIFICATION AND LIMITATION OF LIABILITY**

You agree to indemnify us to the maximum extent permitted by applicable law and hold us, our affiliates, and our and their respective directors, officers, employees, contractors, agents, successors, and assigns (“Indemnified Parties”), harmless under this Agreement from and against all losses, claims, actions, costs and liabilities, including attorneys’ fees (“Losses”) (except to the extent that such Losses are determined by a court of competent jurisdiction or an arbitration panel in a final, non-appealable judgment or order to have resulted solely from our gross negligence or willful misconduct), arising from or related to:

- Any breach by you or an Authorized Person of any provision of any of the Agreements;
- Any dispute that does not directly result from our willful misconduct or gross negligence in our performance of services as set forth in this Agreement or any other agreement as determined by a court of competent jurisdiction or an arbitration panel in a final non-appealable judgment;
- Any inaccurate or outdated information supplied to us by you or an Authorized Person;
- Any dishonest, fraudulent, negligent or criminal act or omission by you or an Authorized Person;
- Any act or omission by you or an Authorized Person that infringes, misappropriates, or violates any patent, trade secret, copyright, trademark, or other proprietary right of the Indemnified Parties or any violation of the applicable terms set forth in this Agreement or other agreement related to the Indemnified Parties or any of their licensors’ intellectual property rights or proprietary acts;
- The failure by any person not controlled by the Indemnified Parties to perform any obligations to you;
- Any allegation that the Indemnified Parties acted or failed to act in an “advisory,” supervisory,” “surveilling,” or “reviewing” role with respect to your Account;
- Any allegation that the Indemnified Parties acted improperly or failed to act properly in permitting or continuing to permit, any services to be rendered to you (or the manner in which such services were rendered or failed to be rendered), including any trading or investment activity or movement of money or funds (or lack of any such activity or movement thereof);

- Any compromise of your computer, network, or methods you use to protect your account or the email or other accounts you use to communicate with us;
- Any issues arising in connection with “held away assets” (as defined below) and third parties’ servicing such held away assets;
- The performance or non-performance, delivery or non-delivery of services by your Authorized Person and any dispute between you and your Authorized Person that does not directly result from our performance of services as set forth in this Agreement;
- The performance or non-performance, delivery or non-delivery of services, or default by your third party brokerage firm and any dispute between you and your third-party brokerage firm that does not directly result from our performance of services as set forth in this Agreement; or
- Any debit, deduction or reduction in value from (i) reclaimed funds resulting from (A) the initiation of electronic funds transfers (EFT) to or from any account by you regardless of reason or when made, (B) any checks returned for insufficient funds, (C) any wire or other transfer not properly authorized by you (it being understood that reclaims can be made for substantial periods of time after the initial credit was processed and without recourse), and (ii) any fees owed to Indemnified Parties by you if there are insufficient monies and securities after liquidation to cover fees owed to us.

To the maximum extent permitted by applicable law, none of our Indemnified Parties and their third-party service providers shall be liable for any action taken or omitted to be taken by any of them under this Agreement or in connection with the services provided to you except to the extent that such Losses are actual losses and are

determined by a court of competent jurisdiction or an arbitration panel in a final non-appealable judgment or order to have resulted solely from such Indemnified Parties’ or such third-party service provider’s gross negligence or willful misconduct . None of our Indemnified Parties or their third-party service providers shall be liable for any actions taken or omitted in accordance with any instruction from you, or your Authorized Person.

In no event shall any of our Indemnified Parties or their third-party service providers be held liable for (i) indirect, consequential, exemplary, or punitive damages; or (ii) any loss of any kind caused, directly or indirectly, by any extraordinary or force majeure event (including, without limitation, any event beyond our reasonable ability to control such as pandemics, fire, flood, and similar acts of nature, market, electricity, communications and/or Internet outages, terrorism, war, government actions or restrictions, public or private exchange or market regulatory rulings, suspensions of trading, or quote vendor, market maker or other third-party errors, failures or outages, as well as actions or omissions of unaffiliated third parties); or (iii) any losses or liabilities that arise as a result of computer viruses, malware, or the theft or interception of your account information or credentials, including any actions taken by us pursuant to instructions from someone acting with apparent authority over your account; or (iv) any losses caused directly or indirectly by our decision to voluntarily limit, restrict or suspend trading of any security through us for any reason, including, without limitation, for risk management purposes, or (v) any losses or liabilities that arise as a result of high trading volume, market volatility, or computer, telecommunications, or Internet failures, regardless of the cause including specifically if caused by us due to our gross negligence or willful misconduct, and you unconditionally waive any right you may have to claim or recover such damages (even if you have informed an Indemnified Party or their third-

party service providers of the possibility or likelihood of such damages).

You will institute a defense against any claims at your sole expense and using counsel reasonably acceptable to us. You will keep us informed of the status of the defense of such claims, and you shall not agree to entry of any judgment or enter into any settlement without our written consent (which consent shall not be unreasonably withheld) unless: (i) the judgment or proposed settlement involves only the payment of monetary damages by the you, and does not impose injunctive or other equitable relief upon you; (ii) there are no additional third party claims that are reasonably likely to be made against us; (iii) there are no likely adverse

impacts on existing third party claims as a result of the judgment or proposed settlement; and (iv) we will have no liability with respect to such judgment or proposed settlement. Notwithstanding the foregoing, we will have the right to assume the defense of such claims at your sole expense.

If the Indemnified Parties shall suffer or incur any Losses for which the Indemnified Parties are entitled to be indemnified pursuant to this Agreement, and you shall fail to make such indemnification within ten (10) business days after being requested to do so, we have the right to deduct the amount of such Losses from your account.

## EXHIBIT 1 ARBITRATION

### *Pre-Dispute Arbitration Agreement*

This Agreement contains a pre-dispute arbitration clause. By signing an arbitration agreement, the parties agree as follows:

- All parties to this Agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.
- Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited.
- The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.
- The arbitrators do not have to explain the reason(s) for their award unless, in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel at least (20) twenty days prior to the first scheduled hearing date.
- The panel of arbitrators may include a minority of arbitrators who were or are affiliated with the securities industry.
- The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a

claim that is ineligible for arbitration may be brought in court.

- The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this Agreement.

You agree that all disputes between you and us arising in connection with our business activities or associated persons must be arbitrated under FINRA's Code of Arbitration Procedure. You understand that you and we must use arbitration to decide and settle all controversies arising between you and us about any issue related to your account or this customer agreement. Any judgment resulting from arbitration may be entered in any court of competent jurisdiction.

No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action; or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until:

- The class certification is denied; or
- The class is decertified; or
- The customer is excluded from the class by the court.

Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this Agreement except to the extent stated herein.



**EXHIBIT 2**  
**TERMS AND CONDITIONS OF THE INSURED BANK DEPOSIT SWEEP PROGRAM**

Every account with us is eligible for and participates in the Insured Bank Deposit Sweep Program (“Program”). This document contains important information about and a description of the Program. Capitalized terms that are not defined herein shall have the meaning set forth in the Agreement.

**The Program.** Opening a brokerage account with us (a “Brokerage Account”) automatically enrolls your account in the Program. Continued maintenance of your Brokerage Account with us constitutes your acknowledgement of, and agreement to, the terms and conditions provided herein as they may be modified by us from time to time. We may in our sole discretion, for any reason we deem appropriate and without prior notice, refuse any deposit of cash into your account, restrict participation of your account in the Program, decline to permit your account from participating in the Program at any time on a going forward basis and close any account.

For purposes of administering the Program, you appoint us as your authorized agent and custodian pursuant to the terms and conditions of the Agreement, including this Exhibit and acknowledge and agree that we may engage third parties (including affiliates) to act on our behalf or on your behalf with respect to the Program. Currently no bank will accept any instructions concerning your cash on deposit with a Program Bank (as defined below), unless such instructions are transmitted by us.

Our Program currently provides for an automatic deposit of the un-invested cash from your Brokerage Account into one or more bank accounts insured by the FDIC. This part of the Program is referred to herein as “Sweep”. If certain criteria are met, you may have the option to instruct us to hold a specified amount of cash (separate from Sweep) from your Brokerage Account in one or more FDIC-insured bank accounts of our choosing as FDIC.CASH and/or FDIC.PLUS, which are the currently available “Client Directed Investment Choices” under the Program. Cash not included in the Program, either in Sweep or Client Directed Investment Choices, is held by us as free credit balances and protected by SIPC, subject to SIPC coverage limitations. Cash held as free credits may be used by us as permitted by law and regulation, including to support margin loans extended to customers.

We can change the features or products that are included in the Program to include any legally permissible deposit account or instrument, or we can terminate any or all of the products in the Program and hold some or all of your cash only as free credits (note that some or all of your cash may already be held as free credits). If any such change then requires, under applicable law or regulation, prior notice to you and/or your consent we will provide such notice and/or seek such consent, to the extent so required. If we make a money market fund available under the Program either as a Sweep vehicle or as a Client Directed Investment Choice, you will be provided access on our websites to any applicable prospectus for such fund.

To use a Client Directed Investment Choice alternative then available under the Program, you must instruct us to move specified cash amounts into and out of any such Client Directed Investment Choice each time you wish to move cash – we generally will not automatically move cash into or out of a Client Directed Investment Choice for you. By doing the work involved with maintaining a cash balance in the Client Directed Investment Choice alternative under the Program, you may earn higher yields than on cash in Sweep. Cash then invested in a Client Directed Investment Choice alternative is generally not subject to automatic deduction to satisfy withdrawals or to make investments in, for example, another folio in your account managed by you and thus a margin debit will be created if a purchase is executed in another folio that is in a margin account that does not have sufficient cash to pay for the trade.

Generally, there is no cash minimum for the Program either for participation in Sweep or in any Client Directed Investment Choice. However, interest may not be payable on cash maintained in a Client Directed Investment Choice until a cash balance threshold for any particular Client Directed Investment Choice is met (see the Schedule to this Exhibit for the specific levels). Cash deposited into the Program begins earning interest, to the extent eligible, from the day it is received by the Program Banks or received by us and maintained as a free credit.

All withdrawals of cash from your Brokerage Account deposited in Sweep will be made by us as your agent in the following manner. Cash necessary to satisfy debit entries in your Brokerage Account will, generally, first be automatically withdrawn from free credit balances (e.g., cash settling that day from securities sales or cash wired into your Brokerage Account that day). If a debit remains, we then will automatically withdraw cash from your Sweep cash maintained as part of the Program as cash deposited in Program Banks, or we may debit other free credits held by us (e.g., cash held in your account). Cash invested by you

into a Client Directed Investment Choice will generally not automatically be withdrawn to satisfy a debit entry in your Brokerage Account; you must instruct us to withdraw a specified amount of cash from a Client Directed Investment Choice, after which we will credit your Brokerage Account with the amount noted in your instruction. Once credited to your Brokerage Account, it will be available for us to automatically satisfy your debit. If there is no debit entry once credited, it will be placed into Sweep. If you have a debit in your Brokerage Account and you fail or chose not to direct us to make a withdrawal from a Client Directed Investment Choice, it may result in you having a positive cash balance in the Program and a debit balance in your Brokerage Account. Under such circumstances, we have the right to charge you interest on a debit amount. If this occurs, the interest we charge you on the debit in your Brokerage Account will be greater than the interest you will earn on the same amount of cash in your Client Directed Investment Choice.

A debit is created when you purchase securities or use your debit card, when we receive a cash withdrawal request for your Brokerage Account using an electronic funds transfer, a check written by you and presented for payment, when we issue a check or wire at your request, or when you incur a fee or other charge in your Brokerage Account. Checks we provide you for use with your Brokerage Account are not drawn directly against any cash deposited for you at any of the Program Banks. Additional provisions apply for margin accounts - see Margin Provisions.

**Location of Cash Holdings.** If cash is in Sweep or in a Client Directed Investment Choice, it will either be (i) deposited in one or more FDIC-insured depository institutions (such institutions may be affiliated with us) under the Program ("Program Bank(s)"), or (ii) partly deposited in Program Banks and partly held as SIPC-covered free credits. The Program includes our affiliated bank and may include banks introduced to us by third parties and/or with which we have an existing or separate business relationship

unrelated to the Program, which could include holding our or an affiliate's proprietary or other accounts, providing financing or otherwise.

Cash in your account to the extent deposited with a bank, whether in Sweep or in a Client Directed Investment Choice, and not maintained by us as SIPC-covered free credits, is a "bank deposit" at such Program Bank and such deposit is solely the obligation of the Program Bank and not us. We act only as agent and custodian for your deposit and you are the "depositor."

We inform you as of the end of each calendar month as part of your account statement which Program Bank(s) hold deposits on your behalf as a result of your participation in the Program, and/or the amount of cash that we hold as a free credit in your Brokerage Account that is not in a Program Bank. Program Banks may change from time to time in our sole discretion. A current list of Program Banks is available on our websites. We will provide you written notice at least 30 calendar days prior to adding or deleting a bank as a Program Bank.

When cash is held at a Program Bank, the separate accounts established by us on your behalf will be evidenced by a book entry on the account records of each Program Bank. No evidence of ownership, such as a passbook or certificate, will be issued to you. Accordingly, all transactions involving a Program Bank as part of the Program must be made through us. You may contact us to obtain information about your balances held on the books of each Bank, activity in your account, and the interest rate(s) paid to you.

In the event any Program Bank declines to accept any additional cash deposits that are covered by the Program or withdraws from participating in the Program or is terminated from the Program, then you agree that, we, as your agent, are authorized by you to move your cash deposit to one or more other Program Banks, to a free credit held by us in your Brokerage Account and/or, with prior notice to you, or as otherwise permitted by applicable law

or regulation, to another cash sweep investment alternative outside of the Program.

**Program Fee.** We charge a fee for providing the Program. We can choose to waive our fee at any time without notice to you and, with appropriate notice if required, reinstate all or a portion of our fee.

All questions regarding the Program and any Program Bank should be directed to us, not to the Program Banks. Current interest rates, which change from time to time, and other information can be obtained by accessing the information on our websites. The rates shown as in effect from time to time on our websites shall control as the rates payable for the applicable period, notwithstanding anything else to the contrary.

**Exception for IRA and ERISA Accounts.** A Program Bank, or we (including any affiliate of ours), may have a fiduciary obligation with respect to your account as covered by a separate agreement such as an investment advisory or trust agreement. To the extent such a fiduciary relationship exists and your account is an IRA subject to Section 4975 of the Internal Revenue Code or Title 1 of ERISA, such Program Bank or we may be deemed to be a fiduciary with respect to certain cash balances in your account. Those cash balances for which we may be deemed a fiduciary, referred to herein as "Identified Cash", may include all the cash in your Brokerage Account, or only the cash, if any, in a particular folio within your Brokerage Account, if such fiduciary activities extend only to that folio. Identified Cash may be subject to different terms and conditions which will be provided to you by the entity acting as fiduciary. Non-Identified Cash amounts in your Brokerage Account participate in the Program pursuant to the terms of this Exhibit.

**Our Status and that of the Program Banks.** All Program Banks are depository institutions duly chartered under Federal or state law, the deposits of which are insured by the FDIC. We are a broker-dealer registered with the U.S.

Securities and Exchange Commission (“SEC”) and a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”). We are not a bank. All cash in your Brokerage Account under the Program is deposited in FDIC-insured money market accounts at one or more Program Banks and/or held by us as free credits in your Brokerage Account where it is subject to SIPC coverage, not FDIC insurance.

Securities and other assets held in your Brokerage Account, unless expressly covered as described in this Exhibit, are not a deposit or other obligation issued or guaranteed by any bank nor are they insured by the FDIC. You understand that the check-writing, debit card and bill payment features of your Brokerage Account are intended to afford you access to the assets in your Brokerage Accounts, and that your Brokerage Account is not a bank account.

**FDIC Insurance Coverage under the Program.** All cash deposits in the Program Banks, by account ownership category as recognized by the FDIC, are covered by insurance from the FDIC up to certain amounts. Generally, the FDIC provides insurance to a maximum of \$250,000 per account ownership category, aggregated across all deposits held by you in the same account ownership category at the same bank (e.g., an individual account is a separate ownership category from a joint account). As an example, if you had one account in each of the individual and joint account ownership categories at the same bank, you would have a maximum of \$500,000 in FDIC insurance coverage, computed as \$250,000 for the first account ownership category (i.e., individual) and \$250,000 for the second account ownership category (i.e., joint). The current FDIC recognized account ownership categories are listed on the FDIC’s website ([www.fdic.gov](http://www.fdic.gov)) and may change from time to time.

Under the Program, we seek to provide extended FDIC insurance by placing your cash (whether in Sweep or in a Client Directed Investment Choice), by account ownership category, in multiple Program Banks when the

amount of cash in the accounts you have with us would exceed the FDIC insurance limits at any one Program Bank. For example, if there were fifteen (15) Program Banks, the available FDIC insurance could be up to \$3.75 million for each account ownership category (i.e., 15 times \$250,000). You should note that if you establish and maintain cash deposits outside the Program at any of the Program Banks, your cash balances held directly at the Program Bank in the same account ownership category would count toward the total amount of your cash that will be covered by FDIC insurance at that Program Bank in that account ownership category. You may instruct us not to deposit cash in your Brokerage Account into any one or more specific Program Banks to avoid exceeding the FDIC insurance limits as a result of aggregated cash balances in an account ownership category at such Program Banks.

Your cash becomes eligible for FDIC insurance immediately upon placement in a Program Bank by us as agent for you under the Program. While such cash is in transit between us and a Program Bank, cash may pass through an intermediary bank and would be eligible for FDIC insurance, to a maximum amount of \$250,000 per account ownership category, as outlined above, taking into account the cash amount aggregated with any other deposits held by you in the same account ownership category at the intermediary bank. In the event we use a single intermediary bank in the administration of the Program, it is possible that your cash in transit at an intermediary bank will exceed the maximum amount of FDIC insurance coverage available for your cash at such bank. Accordingly, any amount in excess may not be covered by FDIC insurance until such cash is deposited into a Program Bank and also would not be subject to SIPC coverage.

If your cash in the Program exceeds the capacity of all the Program Banks to provide FDIC insurance, your cash in excess of the maximum insurable amount will be placed, at our discretion, into either one Program Bank, across one or more of the Program Banks and/or held in free credits with us in your Brokerage

Account. In any case the excess cash deposit amount will not be covered by FDIC insurance (but, to the extent some or all of the excess is held as free credits, it would be subject to SIPC coverage to the extent permitted).

You can get publicly available financial information concerning any or all of the Program Banks at <http://www.ffiec.gov/nicpubweb/nicweb/nichome.aspx> and more detail on FDIC insurance from <http://www.fdic.gov/deposit/deposits/index.html> or by contacting the FDIC Public Information Center by mail at 3501 North Fairfax Drive, Room E-1005, Arlington, VA 22226 or by phone at (877) 275-3342 or (703) 562-2200.

**SIPC Coverage under the Program.** If your cash is not held in a Program Bank or in transit as part of our Program, it is held by us in your Brokerage Account as free credits. In addition, cash deposits received into your Brokerage Account with us by check, electronic funds transfer, or wire or as a result of the settlement of securities sales transactions, prior to deposit into a Program Bank as Sweep, may also be held by us as free credits.

Brokerage Accounts are subject to SIPC coverage, which generally covers securities and cash in a Brokerage Account up to \$500,000 (including up to \$250,000 for cash). The maximum SIPC coverage available to you is based on the assets you have in brokerage accounts generally (and not just in the Program) with the same “capacity” as defined by SIPC. For example, as with FDIC insurance, your individual accounts with the same brokerage firm will be treated as a separate capacity from your joint account at that brokerage firm. You should review SIPC’s definition of separate capacity carefully as you consider the potential amount of SIPC coverage applicable to your account(s). Accounts held in the same capacity are combined for purposes of the SIPC protection limits. Additional information and a brochure explaining SIPC coverage is available on the SIPC website ([www.sipc.org](http://www.sipc.org)).

**Excess Insurance.** Independent of and in addition to SIPC coverage, we provide customers with additional supplemental coverage that is available to the extent that SIPC coverage is exhausted. Additional information about our supplemental insurance coverage is available on request.

**No Insurance Protection for Investment Losses.** FDIC, SIPC and the supplemental coverage discussed in the preceding paragraph do not protect against investment losses from the decline in the market value of securities due to market fluctuation.

**Interest Rates.** You may wish to compare the terms, rates of return, required minimum amounts, charges and other features of our Program with other accounts and alternative investments at other brokerages and financial institutions.

With respect to Sweep, our rates of return are designed to be more similar to rates payable on cash in liquid checking accounts than in higher yielding cash-based investment or savings accounts. If the interest paid on your cash is material to your decision as to where to have an investment account, you should compare our rates with those available at other institutions.

**Interest - Current Rates.** The current interest rates paid under the Program are available on our websites. We pay the same interest rate on cash invested in Sweep, regardless of whether the cash in Sweep is deposited in Program Banks or held by us as SIPC-covered free credits. The interest rate paid to you is determined by formula. You can email us at our customer service email address as shown on our websites to obtain additional information about how the interest calculation formula (the “[Formula](#)”) works.

**Interest - Calculation Periods.** Interest on cash in the Program accrues daily as simple interest and is credited to your account monthly, at which time it will earn simple interest with your principal balance. Interest begins to accrue on

the day of deposit of the cash to a Program Bank, and up to, but *not* including, the day of withdrawal from the Program Bank. This method applies a daily periodic interest rate based on the balance level. The daily rate is 1/365 (or 1/366 in a leap year) of the interest rate.

**Interest - Tax Reporting.** Annually 1099-INT forms will be sent to you for each taxable account you hold with us indicating the amount of interest paid to you by the Program Banks when the amount of interest paid to you equals or exceeds the threshold amount requiring us to report interest. We do not prepare 1099-INT forms for accounts where the interest paid is below the reportable amount.

**Interest - When Credited.** If we receive cash for deposit in your Brokerage Account after the daily cut off time on a business day when both we and banks are open, we may not be able to actually deposit that cash into the Program on the day we receive it. Even if we are able to deposit such cash after the daily cut off time into the Program, the cash may or may not be available for further deposit into multiple Program Banks (if applicable) that day. If cash we receive after the daily cut off time is not deposited into the Program on the day we receive it, that cash will be deposited into the Program no later than the next business day that we and banks are open. Cash we receive after the daily cut off may, until the next business day when we and banks are open, be deposited in a single Program Bank where it would receive only the amount of FDIC insurance available from a single Program Bank, and will begin to earn interest only when such amounts are fully deposited into the Program.

**Interest - Calculation Formula.** The Formula is used to establish the yield you earn on amounts deposited in the Program, based on the net interest rate paid by the Program Banks, the “Net Interest Rate”. For all cash under the Program, regardless of how high interest rates become, whether paid by the Program Banks, we receive a portion of the interest for providing the Program. Put another way, we earn, as our

fee for operating the Program, the balance of what is paid by the Program Banks to us that is not paid to you. The “net interest rate paid by the Program Banks” -- the Net Interest Rate -- is the weighted average blended rate paid by the Program Banks to us on cash held at the Program Banks, after also deducting the fees paid to any intermediary bank or other service provider under the Program (if such fees were not already deducted directly from the amounts we receive from Program Banks). Generally, the Net Interest Rate is determined during a month, using the weighted average blended rate as of the end of the preceding month, and is then made applicable for the next succeeding month. As an example, we will seek to determine in July, based on data as of the end of June, the rate applicable for August. We reserve the right to calculate and update the Net Interest Rate (and the resulting rates payable under the Program) more or less frequently without further notice. You can email us at our customer service email address as shown on our websites to obtain the then current Net Interest Rate and the frequency of calculation. The interest rate payable under the Program for any specified time frame is as stated from time to time on our websites.

We reserve the right, in our sole discretion, to change from time to time the Formula itself and apply a new Formula to the calculation of interest to be paid to your account as part of the Program, so long as we provide notice of a Formula change by posting the notice of the change on our websites and making the change effective no sooner than thirty (30) days after the date of such notice for existing accounts, or after the date of such notice for new accounts. However, changes in the amounts calculated to be paid to you under the Formula, after it is effective, because of increases or decreases in the Net Interest Rate (e.g., due to a Fed Funds rate change, a Program Bank paying a different rate from another Program Bank leaving or joining the Program, deposits moving from one Program Bank to a different Program Bank paying a higher or lower interest rate, etc.),

changes based on the amount of cash you have with us from time to time (for example, if you increased the amount of cash held in Sweep), changes made by you, for example, from a Client Directed Investment Choice to Sweep, changes in fees from service providers, or similar events, will be made without any notice to you. At our discretion and notwithstanding the Formula, we reserve the right, without providing you thirty (30) days prior notice, to increase the amount we pay you, when doing so is legally permitted.

**Interest - How we Calculate the Sweep Cash Balance Amount used by the Formula.** We add together the cash in Sweep in all accounts that can be linked together where any two accounts have at least one common taxpayer ID number to determine the cash balance used by the Formula for an interest calculation for Sweep. This is different from the method used by the FDIC and SIPC to determine their insurance limits. For example, the FDIC treats each account ownership category as separate, determines the cash in each account ownership category (which can be across multiple accounts) and then determines whether you have reached the maximum insured cash amount. For FDIC insurance purposes, again as an example, you would want to fund as many separate accounts falling into distinct "account ownership categories" as possible so you can obtain additional FDIC insurance coverage. By contrast, to maximize potential interest earned with respect to your cash held in Sweep you would want to be able to aggregate the cash across as wide a range of accounts as possible so the cash balance used in the Formula's Sweep interest calculation is the highest possible. Under our Program, we are able to accomplish both goals for Sweep.

For cash amounts you put into a Client Directed Investment Choice, interest may be earned on a flat rate basis (where all amounts deposited earn the same rate) or on a "dollar one" basis (where different rates are paid depending on the

total amount deposited in a particular Client Directed Investment Choice. There is no aggregation of your accounts for purposes of determining rates applicable to any Client Directed Investment Choice, but there still is, if applicable, for FDIC insurance and SIPC coverage purposes.

**Transaction and Other Fees.** No direct fees, such as a commission charge for processing a cash transaction, will be assessed to your account or deducted from your specified rate of return for cash maintained in Sweep. We, however, may charge a transaction or other direct fee for processing deposit or withdrawal instructions from you when you use a Client Directed Investment Choice. If we charge for deposits and/or withdrawals from any Client Directed Investment Choice, any such fee will be disclosed to you on our websites.

**Risk of Loss for Transit to Program Banks.** For the purpose of transmitting cash from Program Banks to us, and from us to the accounts at the Program Banks, we assume the responsibility and the risk of loss for any cash transfers of yours that have been delivered by you to us in an agreed upon manner.

**Release of Liability of Banks.** Withdrawals will be deemed paid by a particular Program Bank when such cash is transmitted by such Program Bank to our account and such Program Bank will be released from all liability for such withdrawn cash once the Program Bank delivers the cash to us. The Program Banks are not responsible for our actions with respect to the Program or otherwise.

**Waiver of Confidentiality.** You expressly give consent for Federal or state regulators to access your customer account information for audit and review purposes and expressly agree that we may provide your information to any Program Bank for purposes of operations under the Program and for purposes of FDIC insurance.

**EXHIBIT 3**  
**PAYMENT SERVICES SUPPLEMENT**

This Payment Services Supplement (“Supplement”) applies if you have enrolled in any of the payment services we offer as described below (the “Payment Services”). Unless otherwise defined in this Supplement, defined terms have the same meaning as in your Customer Agreement. In the event any provision in this Supplement conflicts or is inconsistent with any provision of your Customer Agreement, the provisions of this Supplement shall control with respect to the Payment Services described herein.

You agree that the Payment Services are subject to the applicable terms and conditions referred to herein as the “Payment Services Terms,” as amended from time to time, and each use of the Payment Services will constitute reaffirmation of your agreement to be legally bound by the Payment Services Terms, as amended. Subject to applicable law, we have the right to amend the Payment Services Terms in accordance with the terms of the Customer Agreement. The changes will be binding on you and any Authorized Person as of the date of the amendment. You should also review the terms and conditions governing the Program as defined in Exhibit 2 of the Customer Agreement.

Your use of the Payment Services is subject to the fees and charges set forth in the Fee Schedule. We may amend the Fee Schedule from time to time, and your continued use of any Payment Service shall constitute your acceptance of such amendment. For more information, please see the Service Fees section of our Resources website page.

For purposes of this Supplement, “business days” are Monday through Friday, except for Federal holidays and days on which the New York Stock Exchange is closed for business.

**GENERAL TERMS**

**Nature of Services.** In our sole discretion, we may make any of the following Payment Services available to you: (1) check writing against funds in the Brokerage Account (as defined in Exhibit 2), (2) debit card to access funds in the Brokerage Account (“Debit Card”), (3) automated clearing house (“ACH”) transfers initiated from your Brokerage Account to debit or credit an ACH-eligible bank account titled in the same legal name as the Brokerage Account (“Money Transfers”), (4) ACH transfers initiated at a third party bank that result in a direct debit to your Brokerage Account (“Direct Debit”) or a direct deposit to your Brokerage Account from a third party payor (“Direct Deposit”), and (5) transfers from your Account to third party accounts at our or other financial institutions (also “Money Transfers”). We refer to Debit Card transactions, debits via Money Transfer, and Direct Debits, each as an “EFT Payment” and collectively as “EFT Payments.”

Some or all Payment Services may not be available for all Brokerage Accounts and in some cases, not all of the Payment Services will be available at any one time. Please contact your Advisor determine your eligibility.



The check writing and Debit Card services are made available in conjunction with UMB Bank, n.a., (“UMB” or “Paying Bank”) pursuant to a contract between us and UMB, subject to your acceptance of UMB’s terms and conditions governing the Debit Card (“Cardholder Agreement”) and nothing in this Supplement shall replace the terms and conditions under the Cardholder Agreement. Services relating to outgoing wires and check requests are provided by JPMorgan Chase Bank, N.A. and Union Bank. This Supplement applies to any eligible Brokerage Account that is currently, or may in the future be, enrolled in the Services.

You understand that the Payment Services are self-directed and are made available by us solely in our capacity as a broker-dealer. You agree that you are responsible for your use (and any Authorized Person’s use) of the Payment Services.

**Conditions for Use of Payment Services.** Your access to the Payment Services is subject to our review and approval. Your access can be withdrawn or limited at any time in our sole discretion. You authorize us and any of our agents to process your application for the Payment Services and you consent to us and any of our agents reviewing personally identifiable and financial information regarding your Brokerage Account in connection with our review. Further, you authorize us to make credit inquiries about you or any Authorized Person that we consider necessary to process your application and to conduct any review of your application for or use of any Payment Service including, but not limited to, to verify your name, address, phone number, social security number, and date of birth. You also authorize us to disclose the results of such inquiries we deem appropriate in our sole discretion to any agent, vendor or other third party necessary to make the Payment Services available to you.

You agree to keep current all information provided to us as a condition to enrollment and use of the Payment Services.

**Authorization to Use Services.** By enrolling in the Money Transfer or Debit Card services, you hereby grant a standing authorization to us and our service providers, allowing us and our service providers to initiate credit entries and debit entries to your Brokerage Account, including to process a Money Transfer, and to authorize use of your Debit Card at an ATM, point of sale device or other debit card terminal. You also authorize us to make debit or credit adjustments (if necessary) to your Brokerage Account to correct any entries made in error.

Your standing authorization supersedes and replaces all prior authorizations and shall remain in full force and effect until we receive written notification from you of the termination or limitation of the authorization, in such time and in such manner as to afford us and our service providers reasonable opportunity to act on it.

**Use of Authorized Persons for Payment Services.** Your Authorized Persons may initiate credit entries and debit entries between the Brokerage Account and other eligible accounts under the standing authorization set forth above, and otherwise to use the Payment Services, in each case in your name, on your behalf and at your sole risk. The authority of any Authorized Persons you appoint may be limited in certain respects, based on our internal controls and procedures and the level of authorization you grant to your Authorized Person. You agree not to allow any person to authorize us to transfer funds to or from your Brokerage Account or otherwise to use the Services unless the authorization for that person is complete and has been approved by us. You also agree that you assume all liability for any acts or omissions of your Authorized Persons in using the Payment Services, regardless of whether your Authorized Persons, on your behalf, receive electronic notifications or access other online services. We assume no liability for any use of the Payment Services by you or any Authorized Person appointed by you to access one or more of the Payment Services, or to

receive email or other electronic communications on your behalf.

**Indemnification; Limitation of Liability.** You acknowledge the Indemnification and Limitation of Liability section of the Customer Agreement applies to your use of the Payment Services.

**Security Procedures/Passwords.** In order to access the Payment Services through our website, we will issue you a User ID and authorize one or more Passwords. Separate User IDs and Passwords will be provided to each Authorized Person to use your Account. If you apply to receive one or more Debit Cards, you also will be issued a personal identification number (“PIN”) to use with each Debit Card. You may be required to comply with other security procedures we, the Paying Bank or our service providers establish from time to time to verify the authenticity of any authorization or instruction to transfer funds to or from your Brokerage Account using a Debit Card. You agree to comply with these security procedures at all times and to not provide your User ID and Password, or any PIN, to others that are not authorized to use the Payment Services, including a Debit Card. You must notify us immediately if you know or suspect that the confidentiality of your (or any of your Authorized Person’s) User IDs and Password(s) or PIN has been compromised.

You acknowledge and agree that the security procedures mandated by us and our service providers are not designed to detect an error in your payment instruction, but to protect your Brokerage Account assets by verifying your identity and authenticating a payment instruction. We may reject any payment instruction if the User ID or Password is incorrect or if you do not adhere to the security procedures. To the fullest extent permitted by law, you are fully responsible for (a) the confidentiality of the security procedures and any passwords, codes, security devices and related instructions we provide to you in connection with the security procedure; (b) all

acts and omissions relating to the use of the Payment Services by any person who uses your (or any of your Authorized Persons’, which includes anyone you authorize to receive a Debit Card connected to your Brokerage Account (“Card Holders”)) User ID and Password(s); and (c) any losses resulting from a failure by you or your Authorized Persons or Card Holders to comply with any security procedures established by us and our service providers from time to time. We reserve the right to require re-authorization of any standing recipient authorization provided to us and not used within a certain period.

**Transaction Types.** Additional information regarding the types of transactions permitted as part of the Payment Services and the applicable limits on the number, frequency and dollar amounts of such transactions is available to you by going to the Help Center on our website.

**Payment Limit.** In using the Payment Services, your Brokerage Account is subject to a payment limit (the “Payment Limit”). The Payment Limit for your Brokerage Account is the total amount available for check writing, Debit Card transactions, Direct Debit transfers, Money Transfers, and wire transfers from your Account. You understand that you are granting each of your Authorized Persons and Card Holders access to all of the funds in the Account up to the Payment Limit. The Payment Limit will be calculated and applied in the aggregate to all Account activity, including that of all Authorized Persons and Card Holders associated with a particular Brokerage Account. In addition to this Payment Limit, other maximum volume and individual and/or aggregate dollar limitations on each type of Payment Service may apply, as discussed elsewhere in this Supplement. The Payment Limit is calculated as the sum of:

- a) free credit balances in your Brokerage Account; plus

- b) the value of any funds in the Sweep under the Program or into a money market mutual fund held with us; plus
- c) the available margin in your Brokerage Account (if your Brokerage Account is a margin account); minus
- d) any debit amount owed us; minus
- e) any pending buy orders and any amounts scheduled for payment or transfer under the Payment Services, or otherwise; minus
- f) any holds on deposits.

The Payment Limit may be recalculated throughout the day, and is dependent upon various factors, including (i) deduction for payments made or authorized by check, wire or any EFT Payment; (ii) the collection of checks deposited, Direct Deposits, Money Transfers, or wire transfers to be credited to your Account; (iii) the market value of securities, (iv) the status of securities transactions, and (v) the time required to transmit and confirm data between financial institutions. We reserve the right in our sole discretion and without notice to you to change the manner in which the Payment Limit is calculated.

Irrespective of your individual Payment Limit, we may impose, in its our sole discretion, a limit as to the amount of check writing, EFT Payments, and wire transfers that may be drawn against and/or posted to your Brokerage Account. You agree to adhere to any such limits that are in effect from time to time. We may change any such limits without prior notice to you, to the extent permitted by law.

For Debit Card transactions, the Payment Limit is adjusted at the time Debit Card transactions are settled. Debits to the Brokerage Account generally will be satisfied at any time during the day in the following order of priority:

- a) securities transactions, including margin maintenance calls;
- b) Debit Card transactions;
- c) Money Transfers and Direct Debit transactions;

- d) Wire transfers; and
- e) Check transactions (note that checks made out to us may be paid first due to regulatory considerations).

Payment priority may vary based on the time of day when such payments are made and cleared in our system. You understand, notwithstanding anything else contained in this Supplement, your Customer Agreement or any other supplement or agreement, that we may in our discretion elect not to allow you to access or draw upon any margin loan to pay a check, or to make an EFT Payment or wire transfer for such purposes, and as a result, if other sources of cash are not available within your Brokerage Account, the check may be returned unpaid, or any EFT Payment or wire transfer not completed. We reserve the right to delay or reject for any reason any check presented for payment, any EFT Payment or wire transfer, to the extent permitted by applicable law, including without limitation, because of an insufficient Payment Limit, for security, compliance, anti-fraud, or anti-money-laundering reasons, or a signature mismatch on a check, and you (and not us or the Paying Bank) will be liable for any consequences of that rejection. For more information about fees that may apply, please see the Service Fees section of our website.

If any debit to your Brokerage Account remains unpaid after we have requested payment of that debit from you orally or in writing, then we are authorized to sell, liquidate, transfer or otherwise apply any asset of yours held by us or any of our affiliates or agents to satisfy that debit, without requiring further notice or demand before such action is taken. Liability for such debit shall survive termination of your Brokerage Account.

For margin-enabled accounts, an overdraft in your account will lead to an increase in your margin debit, up to the limit of available margin in your account.

**Activity in Excess of Your Payment Limit.** If your Payment Limit is insufficient, or shall be made insufficient, at the time a check, an EFT Payment or wire transfer is presented for payment, that check may be returned or that payment or transfer rejected without payment due to insufficient funds.

**Periodic Statements.** Your account statement will include information about Payment Service activity on your Brokerage Account, including any checks, withdrawals, transfers, fees, interest or any other activity relating to your use of the Payment Services. You will not receive any separate periodic statements from the Paying Bank for check and Debit Card transactions. Each time a deposit or withdrawal occurs in your Brokerage Account, even if the transaction is preauthorized and occurs on a regular, periodic basis, we will send a notification to your Message Center account (you can have such notifications auto-forwarded to your email address). You should review these notices and contact us immediately if it appears that the deposit or withdrawal is inaccurate or unauthorized. You should not delay notice to us by waiting for your account statement.

**Termination of Payment Services/Closure of Accounts.** You may terminate the check-writing and Debit Card Payment Services by giving us the notice required in the Customer Agreement. In addition, this Supplement or any Payment Services offered under this Supplement may be terminated independently of the Customer Agreement and related supplements by us without notice. The Payment Services and this Supplement also will be terminated automatically in the event the Brokerage Account is closed, or for any other reason we establish.

In the event this Supplement or any Payment Services offered under this Supplement is terminated, you remain liable for all transactions covered by this Supplement occurring before termination, including any checks written, or any wires or EFT Payments

authorized, even if any such transactions are completed or settled after termination, as well as any other liabilities or obligations arising under this Supplement prior to termination and thus you will remain liable for payments, transfers and other transactions in process, including all accrued fees and charges.

You will be notified promptly in writing if we terminate your privileges to write or initiate checks. You shall remain responsible for all checks written or wires or EFTs initiated with respect to your Brokerage Account.

**Return of Cards and Checks for Closed Accounts/Terminated Services.** When your Brokerage Account is closed or you terminate one or more of the Payment Services provided for in this Supplement, your Debit Cards and/or unused checks (as applicable) must be promptly destroyed. We may require you to provide proof of destruction of your Debit Cards and/or checks (as applicable) prior to releasing funds or assets in the Brokerage Account to you. Alternatively, we may require you to return your Debit Cards and/or unused checks (as applicable) to us or the Paying Bank.

## **ERRORS, IRREGULARITIES AND UNAUTHORIZED PAYMENTS**

**Checks and Wires.** You agree and represent to us that you will examine your statements promptly upon receipt, and that you will report any errors or irregularities (a) on any checks no later than thirty (30) calendar days, and (b) on any wire transfers to us no later than sixty (60) calendar days, after the earlier of the receipt of the account statement or the date the statement is posted on our website. If you fail to notify us of any such error or irregularities on any check within such 30-day period (or such longer period as may be mandated by law in the case of substitute checks), or any wire transfers to us within such 60-day period, you agree that we may assume that the statement is correct with respect to such check payments or wire transfers, and you waive any right to raise any

such error or irregularity after the expiration of the applicable period. With respect to the reporting of errors or irregularities involving certain consumer foreign wire transfers, a reporting period of one hundred eighty (180) calendar days from the disclosed date of availability of the transfer may apply. You also have those rights afforded to you under federal law for substitute checks.

**Electronic Transfers.** For purposes of this Supplement, “EFT” means any electronic fund transfer to or from the Brokerage Account through a Money Transfer, a Direct Debit, a Direct Deposit, or a Debit Card transaction.

In case of errors or questions about an EFT, telephone us at (888) 230-5635, write us at 8180 Greensboro Drive, 8<sup>th</sup> Floor, McLean, VA 22102, or email us at support@folioinstitutional.com as soon as you can. We must hear from you no later than 60 days after we sent the FIRST statement on which the problem or error appeared. When you contact us:

- (1) Tell us your name and Brokerage Account number.
- (2) Describe the error or transfer you are unsure about, and explain as clearly as you can why you believe it is an error or why you need more information.
- (3) Tell us the dollar amount of the suspected error.

If you tell us orally, we may require that you send us your complaint or question in writing within 10 business days.

We will determine whether an error occurred within 10 business days after we hear from you and will correct any error promptly. If we need more time, however, we may take up to 45 days to investigate your complaint or question. If we decide to do this, we will credit your Brokerage Account within 10 business days for the amount you think is in error, so that you will have the use of the money during the time it takes us to complete our investigation. If we ask you to put

your complaint or question in writing and we do not receive it within 10 business days, we may not credit your Brokerage Account.

For errors involving new Brokerage Accounts, point-of-sale, or foreign-initiated transactions, we may take up to 90 days to investigate your complaint or question. For new Brokerage Accounts, we may take up to 20 business days to credit your Brokerage Account for the amount you think is in error.

We will tell you the results within three business days after completing our investigation. If we decide that there was no error, we will send you a written explanation. You may ask for copies of the documents that we used in our investigation.

Additional information about your responsibility and liability for unauthorized EFTs is described in the *Additional Terms Applicable to Certain EFTs* further below in this Supplement.

#### CHECKWRITING PRIVILEGES

**Description.** As part of the Payment Services, you may obtain check writing privileges that allow you and your Authorized Persons to write checks payable through the Paying Bank. In order to provide the check writing Payment Services to you, we have established an account (“Master Account”) with the Paying Bank. Checks drawn on your Brokerage Account are payable against the Master Account and not against an account in your name at the Paying Bank. You acknowledge and agree that you have no ownership or beneficial interest in the Master Account or the funds in the Master Account.

You agree to write checks only in U.S. dollars. You agree that all checks written by you or your Authorized Persons will be written in blue or black ink. Upon notice from the Paying Bank that a check drawn by you or your Authorized Persons on the Brokerage Account has been presented for payment, we will debit your Brokerage Account in the amount of such check. You may use the checks for any purpose permitted by

law, including transferring funds between brokerage accounts, except that you may not use the checks for the direct purchase of securities. We reserve the right to charge a per-check fee if you write more than a specific number of checks each month. Please see the Fee Schedule posted on our website for more information. We also reserve the right to withdraw check writing privileges from the Payment Services available on your Brokerage Account for any reason, including your failure to write checks for a certain period of time.

We or the Paying Bank may refuse to pay a check or other item which: (1) is illegible; (2) drawn in an amount greater than the amount of funds then available for withdrawal in your Brokerage Account or which would, if paid, create an overdraft in your Brokerage Account; (3) bears a duplicate check number; (4) appears, either to us or the Paying Bank, to have been altered; or (5) appears, in our or the Paying Bank's judgement, to bear an unauthorized signature. Further, we and the Paying Bank will not honor any restrictive legend on any check unless both we have agreed to do so in writing.

**Authorized Signers.** Prior to the issuance of your checks, you must visit the Check Writing section of our website and provide the required information. Your manual signature, as well as the manual signature of each Authorized Person authorized by you to sign checks ("Authorized Signers"), must be provided to us. We or the Paying Bank may honor checks drawn by an Authorized Signer, subject to this Supplement. We and the Paying Bank may treat any signature on a check or other item as the signature of the indicated person when in the discretion of us or the Paying Bank the manual signature you have provided on the Authorized Signatures for Check Writing section of the Payment Services application or, where applicable, the Signature Verification form resembles the signature of the indicated person on the check or other item, regardless of by whom or by what means the actual or purported signature may have been affixed on the check or other item. We or the

Paying Bank may not pay and may return any check or other item when in the discretion of us or the Paying Bank the manual signature you have provided on the Authorized Signatures for Check Writing section of the Payment Services application or, where applicable, the Signature Verification form does not resemble the signature of the indicated person on the check or other item, or a required signer's signature does not appear on the check or other item.

We or the Paying Bank may continue to honor checks and instructions by previously authorized agents of this privilege until you notify us in writing of a change in Authorized Signers by providing a new signature card, and we and the Paying Bank have had a reasonable time to act on the new signature card.

**Facsimile Signatures.** If a facsimile signature device or other device will be used to sign checks, you must provide a specimen of this facsimile or other signature (the "facsimile signature") with the completed Authorized Signatures for Check Writing section of the Payment Services application that is returned to us. We and the Paying Bank may treat any signature on a check or other item by facsimile signature device, or other device as the signature of the indicated person when in the discretion of us or the Paying Bank the specimen you have provided of the facsimile signature resembles the signature of the indicated person on the check or other item, regardless of by whom or by what means the actual or purported facsimile signature may have been affixed. You shall maintain adequate controls over any equipment that may be used to generate facsimile signatures, and you agree to indemnify, defend and hold us and the Paying Bank and our and their respective officers, directors and employees harmless from all costs, actions, damages, claims and demands related to or arising from any unauthorized facsimile signature or the unauthorized use of such equipment.

You agree that we shall be deemed to have exercised ordinary care as to your signature if we process your check by automated means only (so as to clear the largest number of checks at the lowest cost to customers). You further agree that we shall be deemed to have exercised ordinary care as to debiting your Brokerage Account if we rely on the account number and other information encoded on the check for automated processing.

**Postdated Checks and Certain Other Checks.**

You agree that when you write a check you will not date the check for a date in the future. If you do and the check is presented for payment before the date on the check, we or the Paying Bank may return it unpaid, but there is no obligation for either us or the Paying Bank to do so. If the check is paid it will be posted to your Brokerage Account on the day of presentment and neither we nor the Paying Bank will be liable to you for paying the check prior to the date on the check or for any losses you may incur as a result.

You understand and agree that neither we nor the Paying Bank will be liable for paying a check prior to the date shown on the face of the check, even if such payment results in an overdraft. You understand and agree that we or the Paying Bank may pay or refuse to pay, each at its sole discretion, any check which is presented for payment more than six months from the date shown on the face of the check or does not meet all the legal requirements of a check (such as a required endorsement). If there is no stop-payment order on the check and the check is paid, it will be posted to your Brokerage Account on the day of presentment and neither we nor the Paying Bank will be liable to you for paying the check without notice to you or for any losses you may incur as a result.

**Stop Payment Order.** You and any other Authorized Signer may make a stop payment order on a check. You agree that we and the Paying Bank are authorized to accept a stop payment order on a check from any signer on

your Account. There is a charge for each stop payment order requested, as disclosed in the Fee Schedule. The following information is required to be accurately provided to us as a condition to accepting a stop payment order: (i) account number, (ii) date on the check, (iii) check number, (iv) exact amount (dollars and cents) of the check, (v) the name of payee, (vi) information which we may require to verify your identity; and (vii) other information we reasonably require. If any of the required information is not provided or is incorrect, we and the Paying Bank will not be responsible for failing to effectuate the stop payment order.

To stop payment on a check, you must call your Advisor in ample time to give us and the Paying Bank reasonable opportunity to act on the stop payment order before final payment of the check. We may require you to confirm the stop payment order in writing. A stop payment order cannot be acted on once the check has been paid, certified, or accepted by either us or the Paying Bank. We may charge a fee in connection with a stop payment order, as disclosed in the Fee Schedule.

Stop payment orders which are received by us after 2:00 p.m. (Eastern time) on any business day or at any time on a day that is not a business day for either us or the Paying Bank shall be considered to have been received at the beginning of the next day that is a business day for both us and the Paying Bank. As a result, for example, a stop payment order received after 2:00 p.m. (Eastern time) on a business day of us and the Paying Bank will be too late to stop payment of a check which must be paid or returned by midnight of that day.

Each stop payment order will remain in effect for one year and will not be automatically renewed. If the check is still outstanding after that time, you may request another stop payment order for the additional fee specified in the Fee Schedule. You agree that if a stop payment order is not renewed in writing, we or the Paying Bank may, at its discretion, return or

pay an item presented after the expiration of the order.

**Substitute Checks and Check Images.** You agree that the Paying Bank and other banks in the check collection process may truncate your original check and convert it to a check image, substitute check or image replacement document, and may treat such item for all purposes as if it were the original check. For purposes of this Supplement, the term “check” or “item”, as applicable, shall mean (i) the original check, (ii) a substitute check created by a bank, or (iii) a check image or an image replacement document that replaces the original check.

**Copies of Checks.** You acknowledge and agree that you will not be provided the checks, images or copies of the checks you have drawn that have been paid with your statement. At your request, we will provide you with copies of checks you have drawn that have been paid. A fee may be imposed for us to request that the Bank provide you with a copy of an image of a paid check. Please see the Fee Schedule posted on our website for more information.

## DEBIT CARDS

**Description.** As part of the Payment Services, you may apply for a Debit Card issued by the Paying Bank. You may use your Debit Card to purchase merchandise and services at merchant locations, except that you may not use the Debit Card for the direct purchase of securities, internet gambling, or illegal activities. You also may use your Debit Card to obtain cash at any Visa automated teller machine (“ATM”) worldwide. The Debit Card issued to you is the property of the Paying Bank, and may be canceled or repossessed by us or the Paying Bank at any time, with or without cause. You must destroy or surrender to us on demand each Debit Card issued to you.

Paying Bank may charge you a per-transaction fee (including a fee for a balance inquiry, even

if you do not complete an ATM transaction) if you exceed more than a specified number of ATM transactions each year, as indicated in the Fee Schedule. The owner of the ATM may also impose a fee or surcharge for use of their ATM.

Some of the Debit Card services may not be available to you at all ATMs or point-of-sale terminals. For information about withdrawal maximums, please contact Paying Bank using the number provided on your Debit Card. The maximum limits on the amount you may withdraw from ATMs and by use of point-of-sale terminals will be applied to the aggregate amount of all Debit Card transactions made by you and your Authorized Persons and Card Holders on any processing day. Every calendar day is a processing day, except that (i) Saturday and Sunday are treated as a single processing day and (ii) the Paying Bank’s business day following a weekday Paying Bank holiday and that Paying Bank holiday are treated as a single processing day. For security reasons, there may be other limits on the number and size of transfers or withdrawals you can make using your Debit Card. If an ATM is “offline,” or not operational, you may not be able to withdraw cash.

Charges to your Debit Card will be subject to standard authorization limitations. A schedule of these limitations will be provided to you by Paying Bank. For security reasons, we or the Paying Bank may apply additional authorization limitations to your Debit Card.

**Debit Card Transaction Receipts.** You can get a receipt at the time you make a transaction with your Debit Card. Receipts may not be provided for transactions of fifteen dollars (\$15) or less, or for transactions performed outside the United States. Debit Card transactions will also be reflected on your account statement. Merchants generally maintain receipts of transactions for twelve (12) months, which merchants are not required to provide unless requested in connection with fraud investigation or legal purposes. If you call us, we will attempt to



obtain copies of drafts. If you request a copy of a sales draft, you will be charged a fee, as described in our Fee Schedule.

**Important Information Regarding Your Debit Card.** You agree to be responsible for all Debit Card transactions authorized by you or initiated by your Authorized Persons and Card Holders. You agree to notify us immediately if you revoke the authority of any Authorized Person or Card Holder to engage in Debit Card transactions on your behalf. Upon revocation of such authority, you agree to immediately destroy or surrender to us the Debit Card issued to that Authorized Person or Card Holder.

If you permit or authorize any other person to use your Debit Card (whether an Authorized Person, Card Holder or otherwise), you will be liable for the resulting transactions initiated by that person. To guard against anyone making a transaction that you have not authorized, you should prevent any unauthorized person from learning your PIN. We and our service providers will have no duty to discover any unauthorized disclosures or use of your PIN. Keep your PIN confidential:

- Never write your PIN on your Debit Card or repeat it to others
- Never document a written copy of your PIN in a manner that makes your PIN accessible to others. This includes maintaining a written copy of your PIN in proximity to your Debit Card

The Paying Bank that issued your Debit Card can be contacted directly at the phone number provided on the back of your Debit Card, (800-499-9176) to assist you whenever you have a question regarding:

- Use of your Debit Card
- Ordering additional Debit Cards
- Lost or stolen Debit Cards
- Changing your Personal Identification Number

Debit Card transactions incurred in a foreign currency will be converted by Visa into a U.S. Dollar amount. The currency conversion rate

used is either a wholesale market rate or a government-mandated rate. The wholesale market rate or government-mandated exchange rate Visa uses for a particular transaction is the rate Visa selects for the applicable currency on the day the transaction is processed, which may be different from that in effect on the date the transaction occurred or the date it is posted to your Brokerage Account. In addition, if you undertake any ATM or point of sale transaction using the Debit Card outside of the United States or purchase goods or services from a merchant located outside of the United States, Visa may impose additional fees - such fees will be identified by the Paying Bank. We may block transactions effectuated online or in person that originate in countries which we have classified as high risk jurisdictions.

If your Debit Card is lost or stolen, you should report the loss immediately by contacting the Paying Bank that issued your Debit Card at 800-499-9176.

## **DIRECT DEBITS**

The Direct Debit Payment Service allows you to arrange for third parties to submit ACH debit entries to your Brokerage Account on a one-time or periodic and/or recurring basis. For example, you may arrange for a third party biller to arrange for automatic monthly debits from your Brokerage Account to pay your bill. You can call your Advisor or access our website to find out whether a preauthorized debit has been deposited or deducted from your Account.

We will debit your Brokerage Account in accordance with the ACH payment instruction we receive. You will receive a message notification within the message center of our client portal (the "Message Center") each time a request for payment is made through the Direct Debit service. You and your Advisor have the option to forward these notifications to external email addresses. It is your sole responsibility to ensure that the information regarding this third party payment is accurate.

For your protection, we may contact you to verify Direct Debit payments over certain dollar amounts. We reserve the right, from time to time, to impose limitations on the number, frequency and dollar amount of a Direct Debit payment and to return or refuse to pay such Direct Debits that exceed those limits. Please see the Help Center of our website for these limits. We or our agent may use any funds transfer system, to complete any Direct Debit instruction, including without limitation to the ACH system. Any Direct Debit payment shall be subject to the applicable rules of such funds transfer system, including the rules of the National Automated Clearing House Association (“NACHA Rules”) for ACH transactions, and you agree that these rules govern Direct Debit transactions, as amended from time to time.

In the event of an erroneous Direct Debit payment, you authorize us to initiate a debit or credit to your Brokerage Account to correct the error, or to attempt to reverse or return the Direct Debit payment. We are not obligated to send you a separate notice if a Direct Debit payment is rejected.

#### **DIRECT DEPOSIT**

The Direct Deposit Payment service allows you to set up a direct deposit to your Brokerage Account by directing a third party to deposit funds into your Brokerage Account on a one-time or recurring basis. For example, you can arrange for your employer or other payor to direct deposit your salary, Social Security, pension or other recurring payments into your Brokerage Account. You are solely responsible for the terms of your authorization with your employer or any other person making a Direct Deposit to your Brokerage Account. We will accept Direct Deposits when a third party (including any federal or state governmental agency) sends us a Direct Deposit designated for deposit to your Brokerage Account. Our receipt of the Direct Deposit is dependent on the payor using the correct account information for your Brokerage Account and following the applicable rules and

regulations. Any Direct Deposit that we post to your Brokerage Account is provisional until we receive final payment for the Direct Deposit through the automated clearing house network. If we do not receive final payment, if we receive documentation satisfactory to us that a payment was made to your Brokerage Account in error or for an erroneous amount, or if any federal or state governmental agency claims that you were not entitled to benefits deposited directly to your Brokerage Account, we may reverse the Direct Deposit and you agree that we may debit your Brokerage Account for the amount so credited and reimburse us if the funds in your Brokerage Account are insufficient to cover such debit.

#### **MONEY TRANSFERS**

**Transactions Initiated by You.** You may arrange for the following types of transactions to transfer funds into or out of your Brokerage Account by calling your Advisor and following the procedures provided to you, or depending on your Brokerage Account type, online through our website. You may instruct us to initiate Money Transfers: (i) to transfer funds on a one-time or recurring basis from your Brokerage Account to another account having the same legal name, or to a third party account with us or at another financial institution; and (ii) to transfer funds from one or more accounts having the same legal name that you maintain at another financial institution to your Brokerage Account. For purposes of this Supplement, references to “same legal name” accounts include transfers between joint accounts and the individual accounts of joint account owners or, in the case of revocable trusts, individual and/or joint accounts and trust accounts where the beneficial owner(s) are the same. Agents (including Authorized Persons) authorized to use your Account also may be given authority to initiate such transfers, under the standing instructions set forth in this Supplement.

When you first authorize a payment from or to your Brokerage Account to another account in

the same legal name through the Money Transfer service, you agree that you authorize us to verify the ownership of the account through any means we or Paying Bank determine to be appropriate, including by making a small deposit (and a corresponding withdrawal for the same amount) to the other account. No such verification process will occur for third party transfers.

We will debit or credit your Brokerage Account in accordance with the terms of the payment instruction we receive from you, provided that it complies with the requirements of this Supplement and applicable law. For your protection, we may contact you to verify payments over certain dollar amounts. We may contract with an unaffiliated bank or other entity to act as agent for us in processing the transaction and we or our agent may use any funds transfer system, correspondent banking relationship, or book transfers to complete your payment instruction, including without limitation the ACH system. Your payment instruction shall be subject to the applicable rules of such funds transfer system, including the rules of the NACHA Rules for ACH transactions, and you agree to be bound by such rules, as amended from time to time.

Any payment instruction received on a day after the applicable cut-off time established by us, or any unaffiliated bank or other entity acting as agent or service provider for us, on a weekend, or on a day that is not a business day for us (or that bank or entity acting as agent or service provider for us), will be treated as received on the next business day. Please see the Banking Portal page of our website for applicable cut-off times.

Execution of your payment instructions will occur on the basis of the account number specified in the payment instruction, regardless of the account name associated with that account number. We and the other financial institutions to which a payment instruction is forwarded may rely on any bank identification number supplied by you as a means to identify

any other financial institution, even if the identification number does not match the account name you identify.

You agree that you have all necessary authorizations to initiate a Money Transfer to or from the accounts designated in your payment instruction. You also hereby make the same representations and warranties to us as we (or any bank or entity acting as agent or service provider for us) are deemed to make under the NACHA Rules.

In the event of an erroneous payment instruction or Money Transfer, you authorize us to initiate a debit or credit to your Brokerage Account to correct the error, or to attempt to reverse or return the payment instruction or Money Transfer. We are not obligated to send you a separate notice if a Money Transfer you request is returned, and we will not process a returned Money Transfer a second time.

**Address or Account Changes.** It is your sole responsibility to ensure that the Biller contact information you provide to us is current and accurate. This includes, but is not limited to, the Biller's name, address, phone numbers and/or email address. Changes can be made either through our website or by contacting your Advisor. All changes made are effective immediately for scheduled and future payments. We and the Bill Pay Service Provider are not responsible for any payment processing errors or fees incurred if you do not provide accurate Biller account or contact information.

#### **ADDITIONAL TERMS APPLICABLE TO CERTAIN EFTs**

**Stop Recurring Payments on Money Transfers and Bill Payments.** If you have authorized us or any other persons in advance to initiate periodically recurring debits to your Brokerage Account by means of EFTs, you can stop any of these payments online through our website or by calling your Advisor.

We must receive your stop payment request at least three (3) business days before the next payment or scheduled transfer date. Otherwise, we will make every effort to accommodate your request, but our ability (or that of service providers that we may use to provide you the Payment Services) to process a stop payment request will depend on a number of factors, and we may not have a reasonable opportunity to act on any stop payment request after a payment has been processed. If your stop payment request is not received at least three (3) business days before the next payment or scheduled transfer date, neither we, nor our service providers, will have any liability for any losses or damages.

**Unauthorized Transfers.** In addition to contacting Paying Bank in instances relating to Debit Cards, tell us AT ONCE if you believe your Debit Card, or the User ID and Password used to access the Payment Services on your Brokerage Account (each an “Access Device”) has been lost or stolen, or you believe an unauthorized person is initiating EFTs to or from your Brokerage Account, including through the Direct Debit and Money Transfer service. Telephoning is the best way of keeping your possible losses down. You could lose all the funds and the value of the money market funds, securities and other property in your Brokerage Account (plus your maximum margin line). If you learn that your Access Device has been lost or stolen, or you believe your Brokerage Account has been otherwise accessed by an unauthorized person, and you tell us within two (2) business days of learning of the loss or theft or unauthorized access, you can lose no more than \$50 if someone used your Access Device, or otherwise initiated EFTs (including transfers under the Direct Debit or Money Transfer service) without your permission. If you do NOT tell us within two (2) business days after you learn of the loss or theft of your Access Device, any suspected unauthorized access to your Brokerage Account, or that other EFTs are being initiated without your permission (including through Direct Debit or Money Transfer), and we can prove it could

have stopped someone from using your Access Device, or initiating EFTs without your permission (including through Direct Debit or Money Transfer) if you had told us, you could lose as much as \$500. Also, if your statement shows Debit Card transactions or other EFTs (including Direct Debit or Money Transfers payments) that you did not make, tell us at once. If you do not tell us within sixty (60) days after the statement was mailed to you or made available to you on our website, you may not get back any money you lost after the sixty (60) days if we can prove that we could have stopped someone from taking the money if you had told us in time.

If a good reason (such as a long trip or a hospital stay) kept you from telling us, we have the option to extend the time periods. If you contact us by telephone, we or our agents or processors may require written documentation of the theft or unauthorized use, such as an affidavit or other dispute form.

**Brokerage Accounts That Are Not Consumer (Natural Person) Accounts/Non-personal Accounts.** If you are not a “consumer” as defined in Regulation E, we are not required to respond to your questions about EFTs within the time periods specified with respect to such transfers, and the limitations on your liability for unauthorized EFTs described above do not apply. Further, such limitations are applicable only to you as the Brokerage Account holder and do not extend to any other person to limit or reduce such other person’s liability to the extent that such person has guaranteed, assured or agreed to indemnify or hold us harmless with respect to checks written or EFTs presented or posted against your Brokerage Account. Similarly, the parameters surrounding liability and documentation requirements with respect to EFTs apply only with respect to Brokerage Accounts established primarily for personal, family or household purposes.

If you are not a “consumer” as defined in Regulation E, to the extent permitted by law,

you are solely responsible for all EFT transactions initiated on your Brokerage Account using your login information. Any EFT transaction initiated with your Brokerage Account login information is presumed to have been authorized by you. In addition, to the extent permitted by law, you agree not to assert a claim against us or our service providers (including the Paying Bank Service Provider) concerning any erroneous or unauthorized EFT

reflected on your account statement unless you have notified us of the erroneous or unauthorized EFT as soon as possible, but in any event within thirty (30) days after we notify you that your account statement is available. If you do not notify us of an erroneous or unauthorized EFT within the required period of time, your account statement will be deemed to be correct.

**EXHIBIT 4**  
**TERMS AND CONDITIONS FOR MARGIN ACCOUNTS AND SHORT SELLING**

**GENERAL**

An account with margin privileges enables us to extend credit to you to purchase “marginable securities,” as defined by the Federal Reserve Board, and/or to enter into short sales, all as approved or limited by us from time to time. You acknowledge and understand that when you trade on margin, you are borrowing from us. You agree to promptly satisfy all margin calls.

You agree to maintain, at all times, an amount of securities and/or cash sufficient to satisfy all of our requirements (which include those of our discretionary policies that may change from time to time without notice) and requirements of the Federal Reserve Board. You acknowledge that margin transactions are riskier and can involve greater loss than cash transactions. You understand that your financial exposure could exceed the value of your securities. You should carefully examine your financial resources, investment objectives, and risk tolerance to determine if an account with margin privileges is right for you. You agree to read and be bound by these provisions and to contact us before trading on margin if you do not understand these provisions. Any margin transaction is subject to the rules, regulations, rulings, and interpretations of the Financial Industry Regulatory Authority (“FINRA”) and of any market and its clearing house, and to all rules and regulations resulting from governmental acts and statutes as applicable. By agreeing to these provisions, if you receive margin trading privileges, you acknowledge and agree that (i) some of your securities may be lent to us as principal or lent out to others by us, (ii) you may lose the ability to vote those securities, (iii) you may receive dividend-in-lieu payments instead of dividend payments as a result of our lending out securities, (iv) we may receive financial and other benefits to which you are not entitled and (v) we may place any security held in your cash account, if any, into your margin account.

You may purchase only certain securities on margin or use them as collateral in your account. Most stocks traded on national securities exchanges and some over-the-counter securities are marginable. At our discretion, we reserve the right not to extend credit on any security or to cease extending credit on any security at any time without notice. If the market value of a security drops below any existing per-share minimum, the margin maintenance requirement will be 100%.

**MARGIN REQUIREMENTS**

**Regulation T, Self-Regulatory Organization Rule, and House Credit Limits**—Regulation T of the Federal Reserve System governs the amount of credit and the conditions under which credit is extended to customers. Our requirements are equal to or more restrictive than the regulatory requirements.

**Our Margin Requirements**—All accounts with margin privileges that are extended credit by us are subject to the following requirements:

- Minimum equity in the account immediately prior to an extension of credit is \$2,000,
- Initial margin requirement of the greater of 50 percent of the total cost of purchase of the securities, including any commission charged (or such other percentage set by the regulatory authority), and the requirements of our house policy (which may change from time to time without notice),
- Maintenance margin no less than the levels as determined by FINRA Rule 4210 and other regulators; provided we may set maintenance margin higher in our sole judgment, and
- Accounts with margin privileges may consist of cash and/or marginable securities in form and amount acceptable to us. You agree to maintain

such maintenance margin amounts as we may require from time to time and to pay on demand any debit balance owed on any of your accounts. You agree to be charged interest on any credit extended to or maintained for you for the purpose of purchasing, carrying, or trading in any security even if you otherwise maintain cash as an allocation in a folio in the same account. This means that you agree that you may be charged interest on a credit extension while earning a lower rate of interest on cash maintained in a folio in the same account.

### **COLLATERAL, LIQUIDATIONS AND COVERING POSITIONS**

You may be required to deposit additional collateral, in the form of cash or marginable securities, and we may liquidate positions in your account for any reason at any time (as determined by us in our absolute discretion). As examples and not as a limitation on our rights, reasons we may require additional collateral or liquidate positions in your account include, but are not limited to, the following:

- A decline in the market value of the margined securities in the account
- Market volatility or trading volumes
- The marginable equity in your account declines below the \$2,000 minimum
- Changes in the margin eligibility or negotiability of your securities
- Your failure to promptly meet any call for additional collateral
- Your holding a large concentration in a security
- Your holding a low priced, volatile or illiquid security
- A decline in your financial resources to the extent we become aware of such an issue
- Your express or implied intention not to meet a call for additional collateral
- The filing of a petition in bankruptcy by you or against you

- The appointment of a receiver is filed by or against you
- An attachment is levied against any of your accounts or any account in which you have an interest
- Your death or incapacity
- Our ability to borrow the securities you are required to deliver changes adversely
- Orders of any stock exchange, market or regulatory body

In any such event, we or any of our affiliates, without prior notice or demand may:

- Sell on your behalf any and all securities and/or other property in your account(s), whether carried individually or jointly with others unless otherwise prohibited by law and exercise all rights and remedies of a secured creditor in respect of all collateral in which we or any of our affiliates have a security interest under the UCC (whether or not the UCC is otherwise applicable in the relevant jurisdiction); and/or
- Buy to cover any and all securities and/or other property which may be short in such account(s); and/or
- Cancel or modify any open orders.

Any such sales or purchases may be made at our sole discretion on any exchange or other market where such business is usually conducted, or in a public auction or private sale, and we may also use Window orders to make sales or purchases without regard to the effect of waiting to trade using Window orders, all at your sole risk and without notice other than to the extent, if any, required by law. We may be the purchaser or seller for our own account. You will be liable for any deficiencies in such account in the event of liquidation, in whole or in part, by you or us. You are responsible for monitoring the status of your account, for ensuring that sufficient collateral is maintained in the account and for liquidating positions to minimize losses. Any action we take or do not take to issue a margin call or liquidate collateral is undertaken solely to protect our

interest as a creditor as we determine in our discretion. You agree that we do not have any responsibility to issue a margin call, to liquidate positions in your account or to select the securities to be liquidated or the manner or timing of the liquidation in order to prevent or minimize losses to you. You agree not to hold us liable for taking such actions as are described herein. Other provisions in this Agreement and other Agreement you have with us also apply including, without limitation, provisions relating to our first priority lien on your accounts held with us in order to enforce our rights.

Note that property in a margin account may be pledged or repledged, hypothecated (loaned) or rehypothecated, either separately or in common with any other property, for as much as your obligation to us or more, without our having to retain a like amount of similar property in our control for delivery. Also, we may at any time, and without notice to you, transfer any property between any of your accounts, whether individual or joint, or from any of your accounts to any account you guarantee. As permitted by law, we may use certain securities for, among other things, settling short sales and lending securities for short sales and as a result may receive compensation in connection therewith.

You hereby authorize us to hypothecate (lend) or rehypothecate, either separately or with the property of others, either to us or to others, any property in your account. This authorization shall remain in force until we receive written notice of revocation.

#### **INTEREST RATE APPLICABLE TO ACCOUNTS WITH MARGIN PRIVILEGES**

We will charge interest on a daily basis on the credit we extend to you. The daily interest charges are calculated by multiplying your daily adjusted debit balance by the daily margin interest rate. Generally, your daily adjusted debit balance is the actual settled debit balance in your account, increased by the value of securities held short and reduced by the amount of any settled credit balance carried in your

account, but excluding any cash maintained as an allocation in a folio. Pursuant to regulatory requirements, the cash you maintain in our FDIC sweep program (See Exhibit 2) is not included as a credit in determining your debit balance for margin purposes. Further, cash maintained in your non-margin accounts (i.e., cash accounts) with us is not included as a credit in determining your debit balance for margin purposes.

We calculate your daily adjusted debit balance each day by adjusting your previous day's balance by any debits and credits to your account and by changes in the value of short positions. If your daily adjusted debit balance is reduced because you deposit a check or other item that is later returned to us unpaid, we may adjust your account to reflect interest charges you should have incurred. We reserve the right to charge interest on debit balances in the account. Periodically, we will send you a statement showing the activity in your account, including applicable interest charges, interest rates and applicable debit balances.

The annual rate of interest you will be charged on margin loans may vary above our base rate (which is a component of the interest rate formula) as further described on our websites, depending upon the amount of your daily debit balance. Our daily margin interest rate is based on a 360-day year. It is calculated for each day by dividing the applicable margin interest rate shown on our websites by 360. Note that the use of a 360-day year results in a higher effective rate of interest than if a year of 365 days were used. Interest charges will accrue to your account each day. Accrued interest charges are added to the aggregate debit balance monthly and interest is charged on the new aggregate debit balance from that day forward. The interest rates described in our websites do not reflect compounding of unpaid interest charges; the effective interest rate, taking into effect such compounding, will be higher than the rates shown on the websites.

Our base rate is established with reference to commercially recognized interest rates, industry



conditions regarding the extension of margin credit, and general credit conditions, and unless otherwise stated is the then applicable Fed Funds Rate as of the end of the preceding month plus an additional amount noted on our websites. The annual rate of interest is subject to change without prior written notice in accordance with changes in the base rate. Interest is computed no less frequently than monthly on the daily adjusted debit balance during the month. If, during the computation period (e.g., month), there is a change in interest rates, separate charges will be shown on your statement for each interest period under the different rate.

Your rate of interest may be changed without notice in accordance with changes in the base rate and your average debit balance. When your interest rate is to be increased for any other reason, you will be given at least 30 days' written notice (which may be by posting to our websites). You will be provided a statement that will show the dollar amount of interest and the interest rate charged to your account for each interest rate applied during the period covered by the statement. We use a calendar month basis to report interest.

Interest will be charged on all accounts for any credit extended to or maintained for you for the purpose of purchasing, carrying, or trading in securities.

#### **LIMITED MARGIN ACCOUNTS**

A limited margin account is a margin account that is not approved for margin borrowing and thus operates similar to a cash account. In this regard, you must have sufficient cash in your limited margin account to pay for any purchases (see *Managing Cash Transactions in Your Accounts*) and you will not be permitted in the limited margin account to borrow funds, create a margin debit, or sell short. Your limited margin account also will not be subject to a lien. One benefit of a limited margin account is it is not subject to the "free riding" prohibitions under

Regulation T (i.e., buying and selling a security before paying for it) that apply to cash accounts.

Your IRA account can be opened as a limited margin account. You are solely responsible for ensuring sufficient assets are maintained in your limited margin IRA account to cover all potential obligations arising from your trading activity, and it your responsibility to not enter trades that can result in obligations in excess of your limited margin IRA account. An obligation in your limited margin IRA account in excess of your balance in that account can result in a taxable distribution of the IRA assets and assessment of penalties and taxes.

#### **ACCOUNT RESTRICTIONS**

If your account is restricted for any reason including as a result of having insufficient collateral for margin trading, you may not be able to execute certain orders until the restriction has been lifted, or until sufficient cash is in the account for purchases and securities are in the account in the case of certain sales.

#### **SHORT SALES**

A short sale is a margin transaction subject to initial margin and margin maintenance requirements. In most cases, the initial equity requirement for the short sale of an equity security is 150% of the sales proceeds of the security, plus commissions. Equity securities selling for \$5 or less and odd lots usually may not be sold short. Different requirements apply to non-equity securities. Generally, current margin maintenance rules require you to maintain equity in your account equal to at least our minimum maintenance requirement for the market value of each stock "short" in your account. Please visit our websites for our current margin requirements. The value of securities held short in your account is "marked to the market" each day. Increases in the market value will increase your daily adjusted debit balance (on which interest is charged) by the same amount, while decreases in the market

value will decrease your daily adjusted debit balance by the same amount. As a result of increases in your daily adjusted debit balance, the collateral held in your account may become insufficient. Short sale proceeds are part of the collateral securing our loan of the security to you, and you may not withdraw these proceeds from your account. You are liable for all dividends paid on securities you have borrowed for the purpose of short sales. For our protection, we may, at our discretion and without notice, immediately cover your short security positions by purchasing for your account securities to replace those sold short. We may cover your position because: the lender of the securities recalls them; we anticipate an inability to borrow or re-borrow these securities; or for any other reason.

If several accounts hold short positions in a security and not all of the positions are to be covered, we may select the positions to be covered on a random basis. In covering a short position, we may at our discretion purchase securities for your account using a Window Trade or a Direct Trade either on a normal settlement basis, next-day or a cash settlement basis. The price of securities purchased on a

next-day or cash settlement basis is usually higher than that of those purchased on a normal settlement basis. The price of covering the short position may be higher than the price at which you sold short; therefore, you may sustain a loss on that transaction. You are liable for commissions and other costs of short sale transactions and for any debit balance that remains after we cover or close out a short position.

When we borrow securities for your account, we are obligated to return the securities to the lender on demand. If you are unable to cover a short position (either through delivery of the security or through our "buying in" your position) in enough time for us to deliver the security to its lender, you agree to pay us for the losses we sustain as a result of the failure to deliver. For instance, if you have a short position in a security that is subject to a tender offer and you are unable to cover the position in time for us to deliver the security to its lender, we may hold you responsible for the economic value of the tender offer.

**EXHIBIT 5  
OPTIONS-RELATED DISCLOSURES**

**STATEMENT ON OPTIONS POSITION LIMITS/EXERCISE PROCEDURES AND OTHER DISCLOSURES FOR  
U.S. LISTED OPTIONS**

**Position Limits**

The options exchanges have established limits on the maximum number of puts and calls covering the same underlying security that may be held or written by a single investor or group of investors acting in concert or under common control (regardless of whether the options are purchased or written on the same or different exchanges or are held or written in one or more accounts or through one or more brokers). Under exchange and FINRA rules, you and your Authorized Persons are required to agree not to violate these limits. We are required to monitor and report your positions to the options exchanges and may be required to liquidate positions in excess of these limits. Failure by us to adhere to these regulations may result in the imposition of fines and other sanctions by the options exchanges. The position limit applicable to a particular option class is determined by the options exchanges based on the number of shares outstanding and trading volume of the security underlying the option. Positions are calculated on both the long and short side of the market. To calculate a long position, aggregate calls purchased (long calls) with puts written (short puts), on the same underlying. To calculate a short position, aggregate calls written (short calls) with puts purchased (long puts) on the same underlying. The aggregation of positions is illustrated in the following table. OTC options positions are calculated separately from listed positions. Expiring options are included in your end of day position. Most recent information can be found on our Regulatory Disclosures site at: <http://www.goldmansachs.com/disclosures/option-position-limits.pdf>).

	Long Call	Short Call	Long Put	Short Put
Long Call	Aggregate d	Not Aggregate d	Not Aggregate d	Aggregate d
Short Call	Not Aggregate d	Aggregate d	Aggregate d	Not Aggregate d
Long Put	Not Aggregate d	Aggregate d	Aggregate d	Not Aggregate d
Short Put	Aggregate d	Not Aggregate d	Not Aggregate d	Aggregate d

For example, if the limit on a particular option class is 13,500 contracts, an investor or group of investors acting in concert or under common control may purchase up to 13,500 calls on a particular underlying security, and at the same time, write up to 13,500 calls covering the same underlying security (long call and short call positions are on opposite side of the market and are not aggregated for purposes of position limits). An investor or group of investors acting in concert or under common control that purchased 12,000 puts on a particular underlying security may, at the same time, write up to but no more than 1,500 calls covering the same underlying security (long put and short call positions are on the same side of the market, and are aggregated for purposes of the limits). The size of an options position depends on the number of shares underlying an option. Ten mini option contracts (overlying 10 shares) equal one standard options contract (overlying 100 shares). Positions in mini options and standard options on the same underlying on the same side of the market are aggregated.

Position limits in an option class may be adjusted temporarily as a result of certain corporate actions such as a stock split. The exchanges' position limit rules also permit positions in excess of the applicable limit, if the customer is engaging in certain qualified hedging strategies.

Additionally, under certain limited circumstances, the options exchanges may also grant special position limit exemptions. Customers should determine the then current position limits from their brokers before engaging in any options transactions.

### 1. Adjustments.

From time to time The Options Clearing Corporation (“OCC”) may make adjustments to existing listed options contracts as a result of corporate actions or other events. Information on adjustments is generally available from the OCC. You should contact us if you have any questions regarding options adjustments.

### 2. Exercise Procedures.

The following sets forth the current procedures that apply to your expiring U.S.-listed single stock options positions. To ensure that your expiring options positions are handled appropriately, you are responsible for communicating the intended exercise activity to us in accordance with the procedures outlined below.

- a. **To Exercise.** Unless you notify us otherwise, OCC will automatically exercise all options in your account that are at least US\$0.01 in-the-money at the time of expiration. Absent contrary instructions from you, no positions that are in-the-money by less than US\$0.01 (or that are out-of-the-money) will be exercised.
- b. **To Prevent Exercise of an Option that is at Least US\$0.01 In-the-Money.** In order to prevent a position that is in-the-money by at least US\$0.01 from being exercised automatically, you must provide contrary exercise instructions to us with directions not to exercise the option no later than one and one half (1 ½) hours after market close (typically 5:30 p.m. ET, but see 3.f regarding early market closure) on the U.S. business day

established by the options Exchanges (with respect to monthly exercises on the Friday before their expiration and for all other options on the day of their expiration).

- c. **To Exercise an Option that is Less Than US\$0.01 In-the-Money.** In order to exercise an option that is less than US\$0.01 in-the-money, you must provide affirmative exercise instructions to us with directions to exercise the position no later than one and one half (1 ½) hours after market close (typically 5:30 p.m. ET, but see 3.f regarding early market closure) on the U.S. business day established by the options Exchanges. All expiring options that are less than US\$0.01 in-the-money and for which you do not provide exercise instructions as provided above will expire without exercise.
- d. **Special Notice for Options Purchased on the Day Immediately Preceding Their Expiration Date.** Expiring options positions in your account purchased on the day immediately preceding their expiration may need special attention. Please remember to communicate these positions to us. Please be reminded that you will need to have cash or cash equivalents or margin available to fund any exercises.
- e. **Special Notice for Options Expiring on Underlying Securities that are Subject to a Trading Halt.** Pursuant to OCC policy, in the event that trading in an underlying security has halted on or before the expiration and trading has not resumed before expiration, you must provide us with exercise instructions for any option positions that it desires to exercise, regardless of whether the underlying security is at least US\$0.01 in-the-money. We are required to submit such notices to the

OCC; therefore, if we do not receive exercise instructions from you, none of your long options positions will be exercised.

From time to time, we may provide you with information regarding your expiring options positions and although we may provide this information, we have no obligation to do so and will have no liability to you for failure to provide this information or for any inaccuracies in the information.

- f. **Special Notice Regarding Early Exercise Cut-off Times.** From time to time, the options exchanges may establish early cut-off times for providing contrary exercise instructions. If the exchanges establish such earlier cut-off time, you are responsible for providing any contrary exercise instructions to us by the earlier time established by the exchanges.

### 3. Allocation of Assignment Notices.

We allocate assignment notices to your short options positions using a pro rata allocation methodology. Further information is available upon request.

### 4. Notice Regarding U.S. Listed Options Orders Executed Using the Tied Hedge Procedures of the Executing Exchange.

When handling an option order of 500 contracts or more on your behalf, we may buy or sell a hedging stock, security futures or futures position following receipt of the option order but prior to announcing the option order to the trading crowd. The option order may thereafter be executed using the tied hedge procedures of the exchange on which the order is executed. These procedures permit the option order and hedging position to be presented for execution as a net-priced package subject to certain requirements. For further details on the

operation of the procedures, please refer to the exchange rules for tied hedge orders including Chicago Board Options Exchange Rule 6.74.10, which is available at [www.cboe.org/Legal](http://www.cboe.org/Legal).

### 5. Notice regarding the execution of solicited orders on certain Exchanges.

- a. **Executed on the CBOE Using the CBOE's AON AIM Solicitation Mechanism.** When handling an option order of 500 contracts or more on your behalf on the Chicago Board Options Exchange, we may solicit other parties to execute against your order and may thereafter execute your order using the Chicago Board Options Exchange's AON AIM Solicitation Mechanism. This functionality provides a single-priced execution, unless the order results in price improvement for the entire quantity, in which case multiple prices may result. For further details on the operation of this mechanism, please refer to Chicago Board Options Exchange Rule 6.74B, which is available at [www.cboe.org/Legal](http://www.cboe.org/Legal).

- b. **Executed on International Securities Exchange ("ISE").** When handling an order of 500 contracts or more on your behalf, we may solicit other parties to execute against your order and may thereafter execute your order using the International Securities Exchange's Solicited Order Mechanism. This functionality provides a single-price execution only, so that your entire order may receive a better price after being exposed to the Exchange's participants, but will not receive partial price improvement. For further details on the operation of this Mechanism, please refer to International Securities Exchange Rule 716, which is available at [www.ise.com](http://www.ise.com) under "Membership, Rules & Fees- Regulatory-ISE Rules."

### 6. Account Agreement

In enabling your account for options trading, you agree that you are aware of, and shall be bound by, FINRA rules applicable to the trading of option contracts and by the rules of The Options Clearing Corporation.

## UNCOVERED OPTION DISCLOSURE STATEMENT

Brokerage firms, including us, are required, pursuant to the rules of the various exchanges, to furnish the following description of the risks involved in writing uncovered short option transactions to their customers:

There are special risks associated with uncovered option writing which expose the investor to potentially significant loss. Therefore, this type of strategy may not be suitable for all customers approved for options transactions.

1. The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risky position, and may incur large losses if the value of the underlying instrument increases above the exercise price.

2. As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument.

3. Uncovered option writing is thus suitable only for the knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements. In this regard, if the value of the underlying instrument moves against an uncovered writer's options positions, the investor's broker may request significant additional margin payments. If an investor does not make such margin payments, the broker may liquidate stock or options positions in the investor's account, with little or no prior notice in accordance with the investor's margin agreement.

4. For combination writing, where the investor writes both a put and a call on the same underlying instrument, the potential risk is unlimited.

5. If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and an option writer would remain obligated until expiration or assignment.

6. The writer of an American-style option is subject to being assigned an exercise at any time after he has written the option until the option expires. By contrast, the writer of a European-style option is subject to exercise assignment only during the exercise period.

NOTE: It is expected that you will read the booklet entitled Characteristics and Risks of Standardized Options available from your broker or at <http://www.optionsclearing.com/about/publications/character-risks.jsp>. In particular, your attention is directed to the chapter entitled Risks of Buying and Writing Options. This statement is not intended to enumerate all the risks entailed in writing uncovered options.

Dear SIMPLE IRA Owner:

Thank you for opening your SIMPLE IRA through Folio Investments, Inc. ("Folio"). Folio is a self-clearing federally registered broker-dealer that provides certain administrative and investment services for your SIMPLE IRA. The Kingdom Trust Company ("Kingdom Trust", "we", "us", "our"), a South Dakota trust company, is the sponsor and custodian of your SIMPLE IRA using Folio as a sub-custodian to hold your assets.

## SIMPLE Individual Retirement Custodial Account

(Under section 408(p) of the Internal Revenue Code)

Form **5305-SA** (April 2017) Department of the Treasury Internal Revenue Service  
The participant and the custodian make the following agreement:

**Do not File**  
With the Internal  
Revenue Service

**Article I.** The custodian will accept cash contributions made on behalf of the participant by the participant's employer under the terms of a SIMPLE IRA plan described in section 408(p). In addition, the custodian will accept transfers or rollovers from other SIMPLE IRAs of the participant and, after the 2-year period of participation defined in section 72(t)(6), transfers or rollovers from any eligible retirement plan (as defined in section 402(c)(8)(B)) other than a Roth IRA or a designated Roth account. No other contributions will be accepted by the custodian.

**Article II.** The participant's interest in the balance in the custodial account is nonforfeitable.

### Article III.

1. 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 common investment fund (within the meaning of section 408(a)(5)).

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

### Article IV.

1. Notwithstanding any provision of this agreement to the contrary, the distribution of the participant's interest in the custodial account shall be made in accordance with the following requirements and shall otherwise comply with section 408(a)(6) and the regulations thereunder, the provisions of which are herein incorporated by reference.

2. The participant's entire interest in the custodial account must be, or begin to be, distributed not later than the participant's required beginning date, April 1 following the calendar year in which the participant reaches age 70 1/2. By that date, the participant may elect, in a manner acceptable to the custodian, to have the balance in the custodial account distributed in:

- (a) A single sum or
- (b) Payments over a period not longer than the life of the participant or the joint lives of the participant and his or her designated beneficiary.

3. If the participant dies before his or her entire interest is distributed to him or her, the remaining interest will be distributed as follows.

- (a) If the participant dies on or after the required beginning date and:
  - (i) the designated beneficiary is the participant's surviving spouse, the remaining interest will be distributed over the surviving spouse's life expectancy as determined each year until such spouse's death, or over the period in paragraph (a)(iii) below if longer. Any interest remaining after the spouse's death will be distributed over such spouse's remaining life expectancy as determined in the year of the spouse's death and reduced by 1 for each subsequent year, or, if distributions are being made over the period in paragraph (a)(iii) below, over such period.
  - (ii) the designated beneficiary is not the participant's surviving spouse, the remaining interest will be distributed over the beneficiary's remaining life expectancy as determined in the year following the death of the participant and reduced by 1 for each subsequent year, or over the period in paragraph (a)(iii) below if longer.
  - (iii) there is no designated beneficiary, the remaining interest will be distributed over the remaining life expectancy of the participant as determined in the year of the participant's death and reduced by 1 for each subsequent year.
- (b) If the participant dies before the required beginning date, the remaining interest will be distributed in accordance with (i) below or, if elected or there is no designated beneficiary, in accordance with (ii) below.

- (i) The remaining interest will be distributed in accordance with paragraphs (a)(i) and (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), starting by the end of the calendar year following the year of the participant's death. If, however, the designated beneficiary is the participant's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the participant would have reached age 70 1/2. But, in such case, if the participant's surviving spouse dies before distributions are required to begin, then the remaining interest will be distributed in accordance with (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), over such spouse's designated beneficiary's life expectancy, or in accordance with (ii) below if there is no such designated beneficiary.
- (ii) The remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the participant's death.

4. If the participant dies before his or her entire interest has been distributed and if the designated beneficiary is not the participant's surviving spouse, no additional contributions may be accepted in the account.

5. The minimum amount that must be distributed each year, beginning with the year containing the participant's required beginning date, is known as the "required minimum distribution" and is determined as follows:

- (a) The required minimum distribution under paragraph 2(b) for any year, beginning with the year the participant reaches age 70 1/2, is the participant's account value at the close of business on December 31 of the preceding year divided by the distribution period in the uniform lifetime table in Regulations section 1.401(a)(9)-9. However, if the participant's designated beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the participant's account value at the close of business on December 31 of the preceding year divided by the number in the joint and last survivor table in Regulations section 1.401(a)(9)-9. The required minimum distribution for a year under this paragraph (a) is determined using the participant's (or, if applicable, the participant and spouse's) attained age (or ages) in the year.
- (b) The required minimum distribution under paragraphs 3(a) and 3(b)(i) for a year, beginning with the year following the year of the participant's death (or the year the participant would have reached age 70 1/2, if applicable under paragraph 3(b)(i)) is the account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table in Regulations section 1.401(a)(9)-9) of the individual specified in such paragraphs 3(a) and 3(b)(i).
- (c) The required minimum distribution for the year the participant reaches age 70 1/2 can be made as late as April 1 of the following year. The required minimum distribution for any other year must be made by the end of such year.

6. The owner of two or more IRAs (other than Roth IRAs) may satisfy the minimum distribution requirements described above by taking from one IRA the amount required to satisfy the requirement for another in accordance with the regulations under section 408(a)(6).

### Article V.

1. The participant agrees to provide the custodian with all information necessary to prepare any reports required by sections 408(i) and 408(l)(2) and Regulations sections 1.408-5 and 1.408-6.

2. The custodian agrees to submit to the Internal Revenue Service (IRS) and participant the reports prescribed by the IRS.



3. The custodian also agrees to provide the participant's employer the summary description described in section 408(l)(2) unless this SIMPLE IRA is a transfer SIMPLE IRA.

**Article VI.** Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through III and this sentence will be controlling. Any additional articles inconsistent with sections 408(a) and 408(p) and the related regulations will be invalid.

**Article VII.** 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 persons whose signatures appear on the Application that accompanies this Agreement.

**Article VIII.**

**8.01 Your SIMPLE IRA Documents.** This Internal Revenue Service (IRS) Forms 5305 series agreement for SIMPLE IRAs, amendments, application, beneficiary designation, disclosure statement, and other documentation, if any, set forth the terms and conditions governing your Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) individual retirement account (IRA) and your relationship with us. Articles I through VII of the IRS 5305 agreement have been reviewed and approved by the IRS. The disclosure statement sets forth various SIMPLE IRA rules in simpler language. Unless it would be inconsistent to do so, words and phrases used in this document should be construed so the singular includes the plural and the plural includes the singular.

**8.02 Definitions.** This agreement refers to you as the participant, and us as the custodian. References to "you," "your," and "SIMPLE IRA owner" will mean the participant, and "we," "us," and "our" will mean the custodian. The terms "you" and "your" will apply to you. In the event you appoint a third party, or have a third party appointed on your behalf, to handle certain transactions affecting your SIMPLE IRA, such agent will be considered "you" for purposes of this agreement. Additionally, references to "SIMPLE IRA" will mean the custodial account.

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

**8.04 Designated Financial Institution.** Your employer may have named us as the designated financial institution (DFI). If we are a DFI, you must maintain your SIMPLE IRA with us to receive your employer's SIMPLE IRA contributions. Our procedures for withdrawal, which is part of your employer's SIMPLE documents, provides you with information on how you can transfer your SIMPLE IRA assets to another custodian or trustee without cost or penalty during the year.

**8.05 Our Fees and Expenses.** We may charge reasonable fees and are entitled to reimbursement for any expenses we incur in establishing and maintaining your SIMPLE IRA unless, as a DFI, we must transfer your SIMPLE IRA assets without cost or penalty. We may change the fees at any time by providing you with notice of such changes. We will provide you with fee disclosures and policies. We may deduct fees directly from your IRA assets or bill you separately. The payment of fees has no effect on your contributions. Additionally, we have the right to liquidate your SIMPLE IRA assets to pay such fees and expenses. If you do not direct us on the liquidation, we will liquidate the assets of our choice and will not be responsible for any losses or claims that may arise out of the liquidation.

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

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

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

**8.09 Disqualifying Provisions.** Any provision of this agreement that would disqualify the SIMPLE IRA will be disregarded to the extent necessary to maintain the account as a SIMPLE IRA.

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

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

We are not responsible for determining whether any contributions or distributions comply with this agreement or the federal laws governing retirement plans. We are not responsible for any taxes, judgments, penalties or expenses incurred in connection with your SIMPLE IRA, or any losses that are a result of events beyond our control. We have no responsibility to process transactions until after we have received appropriate direction and documentation, and we have had a reasonable opportunity to process the transactions. We are not responsible for interpreting or directing beneficiary designations or divisions, including separate accounting, court orders, penalty exception determinations, or other similar situations.

**8.12 Investment of SIMPLE IRA Assets.**

- (a) **SIMPLE IRA Investment Options.** Folio makes available various options concerning investment direction. At the time you establish your SIMPLE IRA you may choose either of the following: deposit investments only or self-direct investments.
- (b) **Investment of Contributions.** We will invest SIMPLE IRA contributions and reinvest your SIMPLE IRA assets as directed by you based on the investment options available on our platform at the time of contribution and/or reinvestment. If you fail to provide us with investment direction for a contribution, we will return to your employer or hold all or part of such contribution based on our policies and procedures. We will not be responsible for any loss of SIMPLE IRA income associated with your failure to provide investment direction.
- (c) **Directing Investments.** All investment directions must be in a format or manner acceptable to us. You may invest in any SIMPLE IRA investments that you are qualified to purchase, and that we are authorized to offer and do offer at the time of the investment selection, and that are acceptable under the applicable laws governing retirement plans. Your SIMPLE IRA investments will generally be registered in our name or our nominee's name (if applicable) for the benefit of your SIMPLE IRA.

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

**(e) Qualifying Longevity Annuity Contract (QLAC).** A QLAC is an investment vehicle and payout option we may choose to allow or purchase on your behalf. In summary, a QLAC is an annuity contract purchased from an insurance company that provides a delayed annuity payment starting date which will be after your required beginning date but must begin no later than the first day of the month following your 85th birthday. Premiums paid from your IRA to purchase a QLAC are limited to the lesser of: \$135,000 (subject to annual cost-of-living adjustments) or 25% of your aggregated traditional (including SEP) and SIMPLE IRA balances. The \$135,000 limit is also reduced by the amount of premium you paid from an employer-sponsored retirement plan (i.e., 401(k) plan) to purchase a QLAC. We may rely on your representations that premiums paid for your QLAC(s) in other IRAs or employer plans do not exceed the \$135,000 limit nor exceed 25% of aggregated IRA balances. Please refer to the Disclosure Statement for additional QLAC information.

**8.13 Distributions.** Withdrawal requests must be in a format acceptable to us, or on forms provided by us. We may require you, or your beneficiary after your death, to elect a distribution reason, provide documentation, and provide a proper tax identification number before we process a distribution. These withdrawals may be subject to taxes, withholding, and penalties. Distributions may be in cash or in kind based on our policies. In-kind distributions will be valued according to our policies at the time of the distribution.

Required minimum distributions will be based on Treasury Regulations 1.401(a)(9) and 1.408-8 in addition to our then current policies and procedures. The required minimum distribution regulations are described within the Disclosure Statement. In the event you fail to take a required minimum distribution we may do nothing, distribute your entire SIMPLE IRA balance, or distribute the amount of your required minimum distribution based on our own calculation.

**8.14 Cash or In-Kind Contributions.** We may accept transfers, rollovers, or other similar transactions in cash or in kind from other IRAs and as allowed by law. Prior to completing such transactions we may require that you provide certain information in a format acceptable to us. In-kind contributions will be valued according to our policies and procedures at the time of the contribution.

**8.15 Reports and Records.** We will maintain the records necessary for IRS reporting on this SIMPLE IRA. Required reports will be provided to you and the IRS. If you believe that your report is

inaccurate or incomplete you must notify us in writing within 30 days following the receipt date. Your investments may require additional state and federal reporting.

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

**8.17 Our Resignation.** We can resign at any time by providing you with 30 days written notice prior to the resignation date, or within five days of our receipt of your written objection to an amendment. In the event you materially breach this agreement, we can terminate this agreement by providing you with five days prior written notice. Upon our resignation, you must appoint a qualified successor custodian or trustee. Your SIMPLE IRA assets will be transferred to the successor custodian or trustee once we have received appropriate direction. Transfers will be completed within a reasonable time following our resignation notice and the payment of your remaining SIMPLE IRA fees or expenses. At the time of resignation we may retain the sum necessary to cover any fees and expenses, taxes, or investment penalties. If you fail to provide us with acceptable transfer direction within 30 days from the date of the notice, we can transfer the assets to a successor custodian or trustee of our choice, distribute the assets to you in kind, or liquidate the assets and distribute them to you in cash.

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

**8.19 Folio as Broker-Dealer.** In establishing this SIMPLE IRA, you also are establishing a brokerage relationship with Folio and this agreement is a part of and is incorporated into the Folio Customer Agreement applicable to this SIMPLE IRA. Investment instructions with respect to your SIMPLE IRA are to be provided to Folio in the form and manner acceptable to Folio.

**8.20 Folio as Our Agent.** Folio has been designated as our agent and will maintain the required records of account documentation, transactions and tax reporting. All assets in the SIMPLE IRA will be registered for your benefit under our name as your designated nominee custodian and Folio as sub-custodian.

**8.21 Authority of Folio to Appoint a New Custodian.** Pursuant to our relationship with Folio, Folio has the authority to remove us and appoint a new custodian of your SIMPLE IRA upon 30 days advance written notice to you. Folio as the broker-dealer on your SIMPLE IRA also has the authority to amend the terms and conditions applicable to your SIMPLE IRA in any respect and at any time and such modified terms and conditions shall be applicable to your SIMPLE IRA by virtue of your brokerage relationship with Folio.

# IRS FORM 5305-SA INSTRUCTIONS (Rev. 4-2017)

## General Instructions

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

### Purpose of Form

Form 5305-SA is a model custodial account agreement that meets the requirements of sections 408(a) and 408(p). However, only Articles I through VII have been reviewed by the IRS. A SIMPLE individual retirement account (SIMPLE IRA) is established after the form is fully executed by both the individual (participant) and the custodian. This account must be created in the United States for the exclusive benefit of the participant and his or her beneficiaries.

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

For more information on SIMPLE IRAs, including the required disclosures the custodian must give the participant, see **Pub. 590-A**,

Contributions to Individual Retirement Arrangements (IRAs); **Pub. 590-B**, Distributions from Individual Retirement Arrangements (IRAs); and **Pub. 560**, Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans).

### Definitions

**Participant.** The participant is the person who establishes the custodial account.

**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.

### Transfer SIMPLE IRA

This SIMPLE IRA is a "transfer SIMPLE IRA" if it is not the original recipient of contributions under any SIMPLE IRA plan. The summary description requirements of section 408(l)(2) do not apply to transfer SIMPLE IRAs.

## Specific Instructions

**Article IV.** Distributions made under this article may be made in a single sum, periodic payment, or a combination of both. The distribution option should be reviewed in the year the participant reaches age 70 1/2 to ensure that the requirements of section 408(a)(6) have been met.

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

# SIMPLE IRA DISCLOSURE STATEMENT

**Right to Revoke Your SIMPLE IRA.** With some exceptions, you have the right to revoke this Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) individual retirement account (IRA) within seven days of receiving this Disclosure Statement. If you revoke your SIMPLE IRA, we will return your entire SIMPLE IRA contribution without any adjustment for items such as sales commissions, administrative expenses, or fluctuation in market value. However, you do not have the right to revoke upon amendment of this agreement.

You may revoke your SIMPLE IRA by providing us with written notice. The revocation notice may be mailed by first-class mail, or hand delivered to us. If your notice is mailed by first-class, postage pre-paid mail, the revocation will be deemed mailed on the date of the postmark.

If you have any questions or concerns regarding the revocation of your SIMPLE IRA, please contact us as follows: Folio Investments, Inc., 8180 Greensboro Drive, 8th Floor, McLean, VA 22102, 1-888-973-7890 or support@folioinvesting.com.

**This Disclosure Statement.** This disclosure statement provides you, and your beneficiaries after your death, with a summary of the rules and regulations governing your SIMPLE IRA.

**Definitions.** The IRS Forms 5305 series agreement contains a definitions section. The definitions found in such section apply to this agreement.

The IRS refers to you as the participant, and us as the custodian.

References to "you," "your," and "SIMPLE IRA owner" will mean the participant, and "we," "us," and "our" will mean the custodian. The terms "you" and "your" will apply to you. In the event you appoint a third party, or have a third party appointed on your behalf, to handle certain transactions affecting your SIMPLE IRA, such agent will be considered "you" for purposes of this agreement. Additionally, references to "SIMPLE IRA" will mean the custodial account.

**For Additional Guidance.** It is in your best interest to seek the guidance of a tax or legal professional before completing any SIMPLE IRA establishment documents. For more information, you can also refer to your employer's SIMPLE documents, IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*, IRS Publication 560, *Retirement Plans for Small Business (SEP, SIMPLE and Qualified Plans)*, instructions to your federal income tax return, or the IRS's web site at [www.irs.gov](http://www.irs.gov).

**Your Employer's SIMPLE.** SIMPLE IRAs are established for the sole purpose of receiving and maintaining contributions made on your behalf according to your employer's SIMPLE plan. Questions concerning your employer's plan provisions, including eligibility and contribution restrictions, should be directed to your employer and plan administrator. The summary description provided to you by your employer may also provide valuable information.

## SIMPLE IRA Restrictions and Approval.

- 1. IRS Form 5305-SA or 5305-S Agreement.** This Disclosure Statement and the IRS Forms 5305 series agreement, amendments, application, and additional provisions set forth the terms and conditions governing your SIMPLE IRA. Such documents are the agreement.
- 2. Individual/Beneficiary Benefit.** This SIMPLE IRA must be for the exclusive benefit of you, and upon your death, your beneficiaries. The SIMPLE IRA must be in your name and not in the name of your beneficiary, living trust, or another party or entity.
- 3. Beneficiary Designation.** By completing the appropriate section on the corresponding SIMPLE IRA application you may designate any person(s) as your beneficiary to receive your SIMPLE IRA assets upon your death. You may also change or revoke an existing designation in such manner and in accordance with such rules as we prescribe for this purpose. If there is no beneficiary designation on file at the time of your death, or if none of the beneficiaries on file are alive at the time of your death, your SIMPLE IRA assets will be paid to your estate. We may rely on the latest beneficiary designation on file at the time of your death, will be fully protected in doing so, and will have no liability whatsoever to any person making a claim to the SIMPLE IRA assets under a subsequently filed designation or for any other reason.

- 4. Cash Contributions.** SIMPLE IRA contributions must be in cash, which may include a check, money order or wire transfer. It is within our discretion to accept in-kind contributions for rollovers or transfers.
- 5. SIMPLE IRA Custodian.** A SIMPLE IRA custodian must be a bank, federally insured credit union, savings and loan association, trust company, or other entity, which is approved by the Secretary of the Treasury to act as a SIMPLE IRA custodian.
- 6. Prohibition Against Life Insurance and Commingling.** None of your SIMPLE IRA assets may be invested in life insurance contracts, or commingled with other property except in a common trust fund or common investment fund.
- 7. Nonforfeitable.** The assets in your SIMPLE IRA are not forfeitable.
- 8. Collectibles.** Generally, none of your SIMPLE IRA assets may be invested in collectibles, including any work of art, rug, or antique, metal or gem, stamp or coin, alcoholic beverage, or any other tangible personal property. If we allow, you may invest your SIMPLE IRA assets in the following coins and bullion: certain gold, silver, and platinum coins minted by the United States; a coin issued under the laws of any State; and any gold, silver, platinum and palladium bullion of a certain fineness, and only if such coins and bullion are held by us.
- 9. Cash or In-Kind Rollovers.** You may be eligible to make a rollover contribution of your SIMPLE IRA distribution, in cash or in kind, to a SIMPLE IRA, traditional IRA, or certain employer-sponsored eligible retirement plans. Rollovers to and from SIMPLE IRAs, traditional IRAs, and eligible retirement plans are described in greater detail elsewhere in this Disclosure Statement.
- 10. Required Minimum Distribution (RMD) Rules.** Your SIMPLE IRA is subject to the RMD rules summarized in this agreement.
- 11. No Prohibited Transactions.** If your account stops being a SIMPLE IRA because you or your beneficiary engaged in a prohibited transaction, the account is treated as distributing all its assets to you at their fair market values on the first day of the year. If the total of those values is more than your basis in the SIMPLE IRA, you will have a taxable gain that is includible in your income.
- 12. No Pledging.** If you use a part of your SIMPLE IRA as security for a loan, that part is treated as a distribution and is included in your gross income. You may have to pay the 10% additional tax on early distributions.
- 13. IRS Approval of Form.** This agreement includes an IRS Form 5305 series agreement. Articles I through VII of this IRS agreement have been reviewed and approved by the IRS. This approval is not a determination of its merits, and not an endorsement of the investments provided by us, or the operation of the SIMPLE IRA. Article VIII of this IRS agreement contains additional contract provisions that have not been reviewed or approved by the IRS.
- 14. State Laws.** State laws may affect your SIMPLE IRA in certain situations, including payroll deductions, deferrals, beneficiary designations, agency relationships, spousal consent, unclaimed property, taxes, tax withholding, and reporting.

## SIMPLE IRA Eligibility and Contributions.

**Employer Contributions.** Your employer is responsible for establishing the SIMPLE eligibility requirements and determining if you are eligible to participate in its SIMPLE. You may elect salary (including catch-up) deferral contributions that together with your employer's matching or non-elective contributions, as dictated by the employer's SIMPLE plan, may be made to this SIMPLE IRA. Your SIMPLE IRA cannot accept traditional IRA or Roth IRA contributions. Your employer is responsible for verifying the SIMPLE eligibility requirements and determining the SIMPLE contribution amounts.

**Nonrefundable Tax Credit.** You may be eligible to take a tax credit for your salary deferrals to your employer's SIMPLE. The credit is equal to a percentage of your qualified contributions up to \$2,000. The credit cannot exceed \$1,000 for any tax year, and is in addition to any deduction that may apply. To be eligible for the tax credit, you must be age 18 or older by the end of the applicable tax year, not a dependent of another taxpayer, not a full-time student, and satisfy certain restrictions on distributions.

**Moving Assets To and From SIMPLE IRAs.** There are a variety of transactions that allow you to move your SIMPLE IRA assets to and from

your SIMPLE IRAs and certain other eligible retirement plans in cash or in kind based on our policies. We have sole discretion on whether we will accept, and how we will process, movements of assets to and from your SIMPLE IRAs. We or any other financial organizations involved in the transaction, may require additional documentation for such activities.

- 1. SIMPLE IRA-to-SIMPLE IRA Transfers.** You may transfer all or a portion of your SIMPLE IRA assets from one SIMPLE IRA to another SIMPLE IRA. A SIMPLE IRA transfer means that the SIMPLE IRA assets move from one SIMPLE IRA to another in a manner that prevents you from cashing or liquidating the SIMPLE IRA assets, or even depositing the assets anywhere except in the receiving SIMPLE IRA. Transfers are not taxable or reportable, and the IRS does not impose timing or frequency restrictions on transfers. You may be required to complete a transfer authorization form prior to transferring your SIMPLE IRA assets.
- 2. SIMPLE IRA-to-SIMPLE IRA Rollovers.** A SIMPLE IRA rollover is another way to move assets tax-free between SIMPLE IRAs. You may roll over all or a portion of your SIMPLE IRA assets by taking a distribution from a SIMPLE IRA and recontributing it as a rollover contribution into the same or another SIMPLE IRA. A rollover contribution is irrevocable. You must report your SIMPLE IRA rollover to the IRS on your federal income tax return. Your contribution may only be designated as a rollover if the SIMPLE IRA distribution is deposited within 60 calendar days following the date you receive the distributed assets. The 60-day period may be extended to 120 days for a first-time homebuyer distribution where there is a delay or cancellation in the purchase or construction of the home. You are limited to one rollover per 1-year (12-month) period. You may only roll over one IRA distribution per 1-year period aggregated between all of your IRAs. For this purpose IRA includes rollovers among traditional (including SEP), SIMPLE, and Roth IRAs. For example, if you have IRA 1, IRA 2, and IRA 3, and take a distribution from IRA 1 and roll it over into a new IRA 4, you will have to wait 1 year from the date of that distribution to take another distribution from any of your IRAs and subsequently roll it over into an IRA. The 1-year limitation does not apply to rollovers related to first-time homebuyer distributions, distributions converted to a Roth IRA, and rollovers to or from an employer-sponsored eligible retirement plan.
- 3. Two-Year Holding Period.** You, or your beneficiary upon your death, may not roll over or transfer assets from a SIMPLE IRA to a traditional IRA or other eligible retirement plan until two years have passed since the date on which you first participated in your employer's SIMPLE, which is the initial contribution date. This document refers to such time frame as the two-year holding period. If you participated in SIMPLEs of different employers, the initial contribution date and two-year period are determined separately for SIMPLE assets from each employer.
- 4. Transfers Due to Divorce.** Your former spouse, pursuant to a divorce decree or legal separation order, may transfer assets from your SIMPLE IRA to his/her SIMPLE or traditional IRA.
- 5. Rollovers and Transfers to Traditional IRAs.** You may not roll over or transfer assets from a SIMPLE IRA to a traditional IRA until the two-year holding period has expired. The one per 1-year limitation applies to rollovers to traditional IRAs after the two-year holding period has expired.
- 6. Eligible Retirement Plan.** Eligible retirement plans include qualified trusts under IRC Section 401(a), annuity plans under IRC Section 403(a), annuity contracts under IRC Section 403(b), and certain governmental IRC Section 457(b) plans. Common names for these plans include 401(k), profit sharing, pension, money purchase, federal thrift savings, and tax-sheltered annuity plans.
- 7. Rollovers to SIMPLE IRAs.** You are able to roll over amounts from an eligible retirement plan or an IRA into a SIMPLE IRA as follows: 1) During the first 2 years of participation in a SIMPLE IRA, you may roll over amounts from one SIMPLE IRA into another SIMPLE IRA, and 2) After the first 2 years of participation in a SIMPLE IRA, you may roll over amounts from a SIMPLE IRA, an eligible retirement plan or an IRA into a SIMPLE IRA.
- 8. Extension of the 60-Day Period.** The Secretary of the Treasury may extend the 60-day period for completing rollovers in certain situations such as casualty, disaster, or other events beyond the reasonable control of the individual who is subject to the 60-day period. The IRS also provides for a self-certification procedure for

making a late rollover (subject to verification by the IRS) that you may use to claim eligibility for an extension with respect to a rollover into an IRA. It provides that we may rely on the certification provided by you in accepting and reporting receipt of a rollover contribution after the 60-day period (i.e., a late rollover) if we don't have actual knowledge that is contrary to the self-certification.

- 9. SIMPLE IRA to Employer-Sponsored Eligible Retirement Plans.** If the two-year holding period has expired, you may directly or indirectly roll over a taxable distribution from your SIMPLE IRA to an employer-sponsored eligible retirement plan, which accepts rollover contributions. You can generally roll over, to employer-sponsored eligible retirement plans, only the aggregate taxable balance in all of your traditional IRAs and SIMPLE IRAs. The one per 1-year limitation does not apply to these rollovers.
- 10. Repayment of a Qualified Reservist Distribution.** If you are a qualified reservist ordered or called to active duty after September 11, 2001 for more than 179 days (or an indefinite period), and take a SIMPLE IRA distribution after September 11, 2001, and before the end of your active duty, you may make one or more contributions of these assets to an IRA within two years of the end of your active duty.
- 11. Repayment of a Qualified Birth or Adoption Distribution.** You may take a distribution of up to \$5,000 for a qualified birth or adoption within one year of the birth or from when the adoption is finalized. Such a distribution may be repaid to an IRA.

#### **Movement of Assets Between SIMPLE and Roth IRAs.**

**SIMPLE IRA to Roth IRA Conversions.** You may convert all or a portion of your SIMPLE IRA assets to a Roth IRA. Your conversion assets are subject to federal income tax. Your conversion must be reported to the IRS. You may not convert SIMPLE IRA assets to a Roth IRA until the two-year holding period has expired. The 10 percent early-distribution penalty tax does not apply to conversions. If you elect to convert your assets using a rollover transaction, the 60-day rule applies. The one per 1-year limitation does not apply to conversions.

**SIMPLE IRA Distributions.** You, or after your death your beneficiary, may take a SIMPLE IRA distribution, in cash or in kind based on our policies, at any time. However, depending on the timing and amount of your distribution you may be subject to income taxes or penalty taxes.

- 1. SIMPLE IRA Excess Contributions.** Excess contributions to your SIMPLE IRA may include the result of your elective (including catch-up) deferrals exceeding the calendar year dollar amount limits, your employer making matching or nonelective contributions which exceed the limits for these contributions, or your employer making contributions to your SIMPLE IRA after the date your employer determines it was not eligible to maintain the SIMPLE plan.

In order for you to avoid a 6 percent excess contribution penalty, excess contributions may generally be removed with earnings by your federal income tax-filing due date, including extensions. If you timely file your federal income tax return, you may still be able to remove your excess contribution, plus attributable earnings, as late as October 15 for calendar year filers. Excess contributions are generally included in your income. Your SIMPLE IRA excesses cannot be recharacterized and cannot be used as a traditional IRA contribution.

Your employer should inform you when an excess contribution has occurred along with the steps needed to correct it, including its use of the employee plan compliance resolution system (EPCRS).

- 2. Distribution of Nondeductible and Nontaxable Contributions.** If any of your traditional IRAs contain nondeductible contributions, rollovers of nontaxable distributions from employer-sponsored eligible retirement plans, or other nontaxable basis amounts, any distributions you take from any of your traditional IRAs or SIMPLE IRAs, that are not rolled over, will return to you a proportionate share of the taxable and nontaxable balances in all of your traditional IRAs and SIMPLE IRAs at the end of the tax year of your distributions. IRS Form 8606, Nondeductible IRAs, has been specifically designed to calculate this proportionate return. You must complete IRS Form 8606 each year you take distributions under these circumstances and attach it to your tax return for that year to validate the taxable portion of your SIMPLE IRA distributions reported for that year.

3. **Qualified Charitable Distributions.** If you have attained age 70, you may be able to make tax-free distributions directly from your SIMPLE IRA to a qualified charitable organization. Qualified charitable distributions are not permitted from an on-going SEP or SIMPLE IRA (meaning your employer continues to make contributions to this SIMPLE IRA). Tax-free distributions are limited to \$100,000. Consult with your tax or legal professional regarding tax-free charitable distributions.

#### RMDs For You.

1. **After Age 72.** Your first RMD must be taken by April 1 following the year you attain age 72, which is your required beginning date (RBD). For tax years 2019 and earlier, the law required you to take your first RMD by April 1 following the year you attained age 70 1/2. Second year and subsequent distributions must be taken by December 31 of each such year. An RMD is taxable in the calendar year you receive it.
2. **Distribution Calculations.** Your RMD will generally be calculated by dividing your previous year-end adjusted balance in your SIMPLE IRA by a divisor from the uniform lifetime table provided by the IRS. This table is indexed to your age attained during a distribution year. This table is used whether you have named a beneficiary and regardless of the age or type of beneficiary you may have named. However, if for any distribution year, you have as your only named beneficiary for the entire year, your spouse, who is more than ten years younger than you, the uniform lifetime table will not be used. To calculate your RMD for that year you will use the ages of you and your spouse at the end of that year to determine a joint life expectancy divisor from the IRS's joint and last survivor table. This will be the case even if your spouse dies, or you become divorced and do not change your beneficiary, during that year. The fair market value of a qualifying longevity annuity contract (QLAC) is not included in the adjusted balance for RMD calculations.
3. **Failure to Withdraw an RMD.** If you do not withdraw your RMD by its required distribution date, you will owe a 50 percent excess accumulation penalty tax on the amount not withdrawn. You can always take more than your RMD in any year but no additional amounts taken can be credited to a subsequent year's RMD.
4. **Multiple IRAs.** If you have more than one traditional IRA or SIMPLE IRA you must calculate a separate RMD for each one. You may, however, take the aggregate total of your RMDs from any one or more of your personal traditional IRAs or SIMPLE IRAs.
5. **No Rollovers of RMDs.** An RMD must be satisfied before you can roll over any portion of your SIMPLE IRA account balance. The first distributions made during a year will be considered RMDs and can be satisfied by earlier distributions from your other traditional IRAs or SIMPLE IRAs that are aggregated. Any RMD that is rolled over will be subject to taxation and considered an excess contribution until corrected.
6. **Transfers of RMDs.** Transfers are not considered distributions. You can transfer any portion of your traditional IRA or SIMPLE IRA at any time during the year provided you satisfy your aggregate RMDs before the end of the distribution year.
7. **Qualifying Longevity Annuity Contract (QLAC).** The fair market value of any QLAC you hold in this IRA is not included in determining your adjusted account balance when calculating your RMD. If however, you make an excess premium payment (premium payment that causes you to exceed the \$135,000 (as adjusted) or 25% of balance limitations) and the excess premium is returned to the non-QLAC portion of your IRA after the valuation date to determine the next year's RMD, such amount is added to the adjusted account balance used for the year of the return to calculate your RMD.

**RMDs For Your Beneficiaries.** You can designate specific individuals or other entities—including, but not limited to, an estate, a trust, or a charitable organization—as your SIMPLE IRA death beneficiaries. The named beneficiaries that survive inherit any assets remaining in the SIMPLE IRA after your death. Different types of beneficiaries may have different options available.

1. **Types of Beneficiaries.** The different types of beneficiaries are designated beneficiaries, eligible designated beneficiaries and those that are not designated beneficiaries. Different types of beneficiaries will have different rules—and in some cases options or elections—and distribution periods available.

2. **Designated Beneficiary.** A designated beneficiary is any individual you name as a beneficiary who has an interest in your SIMPLE IRA on the determination date, which is September 30 of the year following the year of your death. Certain qualifying trusts can also be a designated beneficiary. For a qualifying trust to be a designated beneficiary, the qualifying trust beneficiaries must be designated beneficiaries.

If your beneficiary is a designated beneficiary who is not an eligible designated beneficiary, such beneficiary will have to follow the ten-year rule and is required to remove all assets from the SIMPLE IRA by December 31 of the tenth year following the year of your death.

3. **Eligible Designated Beneficiary.** An 'eligible designated beneficiary' is a designated beneficiary who is: 1) the SIMPLE IRA owner's surviving spouse; 2) a SIMPLE IRA owner's minor child (through the age of majority); 3) disabled (as defined by law); 4) a chronically ill individual (as defined by law); or 5) an individual who is not more than 10 years younger than the SIMPLE IRA owner. Certain qualifying trusts can also be an eligible designated beneficiary. For a qualifying trust to be an eligible designated beneficiary, the qualifying trust beneficiaries must be eligible designated beneficiaries.

a. **Spouse Beneficiary.** Your spouse may have the option of distributing the SIMPLE IRA assets over a single life expectancy period or within ten years (the ten-year rule). Your spouse may alternatively choose to treat the entire interest (all of the account) of the SIMPLE IRA as his/her own IRA.

Under the single life expectancy, if your spouse is your only designated beneficiary on the determination date, or if there are multiple designated beneficiaries and separate accounting applies, he/she will use his/her age each year to determine the life expectancy divisor for calculating that year's RMD. If your spouse is the only designated beneficiary, or if there are multiple designated beneficiaries and separate accounting applies, and you die before your RBD, your surviving spouse can postpone commencement of his/her RMDs until the end of the year in which you would have attained age 72. If you die on or after your RBD, your surviving spouse will use the longer of his/her single life expectancy, determined each year after the year of death using his/her attained age, or your remaining single life expectancy determined in your year of death and reduced by one each subsequent year.

If your spouse chooses the ten-year rule, he/she is required to remove all assets from the SIMPLE IRA by December 31 of the tenth year following the year of your death.

If your spouse is the only designated beneficiary, or if there are multiple designated beneficiaries and separate accounting applies, he/she can treat your SIMPLE IRA as his/her own IRA after your death even if he/she had chosen one of the options above. This generally happens after any of your remaining RMD amount for the year of your death has been distributed.

Your spouse beneficiary can take a distribution of part or all of his/her share of your SIMPLE IRA and roll it over to an IRA of his/her own, less that year's RMD.

b. **Eligible Designated Beneficiary Who is Your Minor Child.** If your beneficiary is an eligible designated beneficiary who is your minor child, he/she has the option of taking distribution of the SIMPLE IRA assets over a single life expectancy period or within ten years. However, upon reaching the age of majority, he/she must take out any remaining interest in the SIMPLE IRA assets within ten years after such date. The age of majority is an issue determined by state law.

c. **Eligible Designated Beneficiary (Other than a Surviving Spouse or Minor Child).** If your beneficiary is an eligible designated beneficiary who is someone other than your surviving spouse or your minor child, he/she has the option of taking distribution of the SIMPLE IRA assets over a single life expectancy period or within ten years.

If such a beneficiary chooses the single life expectancy option to calculate his/her RMD, the life expectancy divisor used may depend on whether your death occurs before or on or after your RBD. If your death occurred before your RBD, the beneficiary uses his/her age at the end of the year following the year of death

to determine the initial single life expectancy divisor and reduces this number by one for each following year's RMD calculation. However, if you die on or after your RBD, your beneficiary uses the longer of your remaining life expectancy, determined in your year of death and reduced by one in each subsequent year, or your beneficiary uses his/her life expectancy in the year following the year of your death, reduced by one for each subsequent year.

If such a beneficiary chooses the ten-year rule, he/she is required to remove all assets from the SIMPLE IRA by December 31 of the tenth year following the year of your death.

A qualifying trust that covers only eligible designated beneficiaries, has these same options.

4. **Not a Designated Beneficiary.** A beneficiary that is not a designated beneficiary includes a nonindividual that is an estate, charitable organization, or nonqualified trust. If your beneficiary is not a designated beneficiary and you die before your RBD, such a beneficiary is required to remove all assets from the SIMPLE IRA by December 31 of the fifth year following the year of your death (the five-year rule). If you die on or after your RBD, such a beneficiary must use your remaining single life expectancy to calculate the RMD. Your remaining single life expectancy divisor is determined in the year of your death using your age at the end of that year and then reducing the divisor by one for each subsequent year's calculation.
5. **Beneficiary Determination.** Named beneficiaries who completely distribute their interests in your SIMPLE IRA, or completely disclaim their interests in your SIMPLE IRA under IRC Section 2518, will not be considered when designated beneficiaries are determined. Named beneficiaries who die after your death but before the determination date (September 30 of the year following the year of your death) will still be considered for the sake of determining the distribution period. If any named beneficiary that is not an individual, such as an estate or charity, has an interest in your SIMPLE IRA on the determination date, and separate accounting does not apply, your SIMPLE IRA will be treated as having no designated beneficiary (i.e., not a designated beneficiary).
6. **Qualifying Trusts.** If you name a qualifying trust, which is defined in Treasury Regulation 1.401(a)(9)-4, Q&A 5, as your SIMPLE IRA beneficiary, the beneficiaries of the qualifying trust are treated as the beneficiaries of your SIMPLE IRA for purposes of determining the appropriate distribution period. A qualifying trust provides documentation of its beneficiaries to the trustee.
7. **Successor Beneficiaries.** Our policy may allow your beneficiaries to name their own successor beneficiaries to your SIMPLE IRA. A successor beneficiary would receive any of your SIMPLE IRA assets that remain after your death and the subsequent death of your beneficiaries. Generally, the beneficiary will have to distribute all the remaining SIMPLE IRA assets within a ten-year period.
8. **Separate Accounting (Multiple Beneficiaries).** Our policies may permit separate accounting to be applied to your SIMPLE IRA for the benefit of your beneficiaries. If permitted, separate accounting must be applied in accordance with Treasury Regulation 1.401(a)(9)-8, Q&A 2 and 3. If there are multiple beneficiaries, a beneficiary is considered the only beneficiary of their share of the SIMPLE IRA assets if separate accounting applies. If separate accounting applies, the rules above apply based on the type of beneficiary (i.e., designated beneficiary, eligible designated beneficiary, not a designated beneficiary).
9. **Qualifying Longevity Annuity Contract (QLAC).** The terms of a QLAC you hold in this SIMPLE IRA may or may not provide a death benefit. The QLAC may permit death benefits in the form of a life annuity or a return of premiums. If your QLAC has a return of premium feature as a death benefit, the premium returned to your beneficiary is the RMD amount if your death occurs after the RBD. The return of premium amount is the difference between the premiums paid for the QLAC and the amounts paid to you. The return of premium amount must be distributed to the beneficiary by the end of the calendar year following the year of death. If your death occurs before the RBD, a return of premium death benefit will be added to your SIMPLE IRA and must be taken in accordance with the beneficiary rules described earlier. If the death benefit under the terms of the QLAC is a life annuity, your beneficiary will receive annuity payments for life.

## Federal Income Tax Status of Distributions.

1. **Taxation.** SIMPLE IRA distributions which are not rolled over, will be taxed as income in the year distributed except for the portion of your aggregate SIMPLE IRA and traditional IRA distributions that represents your nondeductible contributions, nontaxable rollover amounts, or other nontaxable basis amounts. You may also be subject to state or local taxes and withholding on your SIMPLE IRA distributions.
2. **Earnings.** Earnings, including gains and losses, on your SIMPLE IRA will not be subject to federal income taxes until they are considered distributed.
3. **Ordinary Income Taxation.** Your taxable SIMPLE IRA distribution is usually included in gross income in the distribution year. SIMPLE IRA distributions are not eligible for special tax treatments, such as ten-year averaging, that may apply to other employer-sponsored retirement plan distributions.
4. **Estate and Gift Tax.** The designation of a beneficiary to receive SIMPLE IRA distributions upon your death, will not be considered a transfer of property for federal gift tax purposes. Upon your death, the value of all assets remaining in your SIMPLE IRA will be included in your gross estate for estate tax purposes, regardless of the named beneficiary or manner of distribution. There is no specific estate tax exclusion for assets held within a SIMPLE IRA. After your death, beneficiaries should pay careful attention to the rules for the disclaiming any portion of your SIMPLE IRA under IRC Section 2518.
5. **Federal Income Tax Withholding.** SIMPLE IRA distributions are subject to federal income tax withholding unless you or, upon your death, your beneficiary affirmatively elect not to have withholding apply. The required federal income tax withholding rate is 10 percent of the distribution. Upon your request for a distribution we will notify you, by providing IRS Form W-4P or an appropriate substitute, of your right to waive withholding or elect to have greater than 10 percent withheld.

**Annual Statements.** Each year we will furnish you and the IRS with statements reflecting the activity in your SIMPLE IRA. You and the IRS will receive IRS Forms 5498, *IRA Contribution Information*, and 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.* IRS Form 5498 or an appropriate substitute indicates the fair market value of the account, including SIMPLE IRA contributions, for the year. IRS Form 1099-R reflects your SIMPLE IRA distributions for the year.

By January 31 of each year, you will receive a report of your fair market value as of the previous calendar year end. If applicable, you will also receive a report concerning your annual RMD.

**Federal Tax Penalties and IRS Form 5329.** Several tax penalties may apply to your various SIMPLE IRA transactions, and are in addition to any federal, state or local taxes. Federal penalties and excise taxes are generally reported and remitted to the IRS by completing IRS Form 5329, *Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts*, and attaching the form to your federal income tax return. The penalties may include any of the following taxes:

1. **Early-Distribution Penalty Tax.** If you take a distribution from your SIMPLE IRA before reaching age 59 1/2, you are subject to a 10 percent early-distribution penalty tax on the taxable portion of the distribution. However, certain exceptions apply. Exceptions to the 10 percent penalty tax are distributions due to death, disability, first-time home purchase, eligible higher education expenses, medical expenses exceeding a certain percentage of adjusted gross income, health insurance premiums due to your extended unemployment, a series of substantially equal periodic payments, IRS levy, Roth IRA conversions, qualified birth or adoption distributions, and qualified reservist distributions. Properly completed rollovers and transfers are not subject to the 10 percent penalty tax. The 10 percent penalty tax is increased to 25 percent until two-year holding period has expired.
2. **Excess Contribution Penalty Tax.** Excess contributions to your SIMPLE IRA may be the result of your elective (including catch-up) deferrals exceeding the calendar year dollar amount limits, your employer making matching or nonelective contributions which exceed the limits for these contributions, or your employer making contributions to your SIMPLE IRA after the date your employer determines it was not eligible to maintain the SIMPLE plan. The

excise tax applies each year that the excess contribution remains in your SIMPLE IRA.

In order for you to avoid a 6 percent excess contribution penalty, excess contributions may generally be removed with earnings by your tax-filing due date, including extensions. If you timely file your federal income tax return, you may still be able to remove your excess contribution, plus attributable earnings, as late as October 15 for calendar year filers. Excess contributions are generally included in your income. Your SIMPLE IRA excesses cannot be recharacterized and cannot be used as a traditional IRA contribution.

Your employer should inform you when an excess contribution has occurred along with the steps needed to correct it, including its use of the EPCRS.

3. **Excess Accumulation Penalty Tax.** Any portion of an RMD that is not distributed by its deadline is subject to a 50 percent excess accumulation penalty tax. The IRS may waive this penalty upon your proof of reasonable error and that reasonable steps were taken to correct the error, including remedying the shortfall. See IRS Form 5329 instructions when requesting a waiver.

#### **Disaster Tax Relief and Repayment of a Qualified Disaster**

**Distribution.** Subject to applicable law, individuals in certain federally declared disaster areas may be given the opportunity to take qualified disaster distributions without an early distribution penalty (e.g., for a qualified hurricane distribution). When these qualified disaster distributions are allowed, they are subject to any time periods as defined by law and, if multiple distributions are made for the same event, are aggregated with distributions from other IRAs and eligible retirement plans up to prescribed limits (e.g., \$100,000). Typically, the qualified disaster distributions are included in gross income over a three tax year period or all in the year of distribution. In addition, an individual may be allowed three years after the date of receipt to repay all or part of the qualified disaster distribution without being subject to the one rollover per 1-year limitation or the 60-day requirement. Certain first-time homebuyer or hardship distributions may be eligible for repayment within a prescribed time period. For additional disaster area information and IRS guidance on associated tax relief, refer to IRS forms, notices and publications, or visit the IRS's web site at [www.irs.gov/DisasterRelief](http://www.irs.gov/DisasterRelief).

## **FINANCIAL DISCLOSURE**

IRS regulations require us to provide you with a financial projection of the growth of your SIMPLE IRA account based upon certain assumptions where possible. Because your account is a self-directed SIMPLE IRA giving you access to a wide range of investments such a projection is not possible.

Growth in the value of your SIMPLE IRA is neither guaranteed nor projected. The value of your SIMPLE IRA will be computed by totaling the value of the assets credited to your SIMPLE IRA. At least once a year we will send you a written report stating the current value of your SIMPLE IRA assets. We will disclose separately a description of:

- (a) The type and amount of each charge to your account;
- (b) the method of computing and allocating earnings from investments in your account; and

- (c) any portion of your contributions, if any, which may be used for the purchase of life insurance.

#### **Custodian and Sub-custodian Fees:**

We and Folio may charge reasonable fees or compensation for its services and may deduct all reasonable expenses incurred in the administration of your SIMPLE IRA, including any legal, accounting, distribution, transfer, termination or other designated fees. Such fees may be charged to you or directly to your SIMPLE IRA. In addition, depending on your investment choices, you may incur brokerage commissions or other costs attributable to the purchase or sale of assets.



Dear Roth IRA Owner:

Thank you for opening your Roth IRA through Folio Investments, Inc. ("Folio"). Folio is a self-clearing federally registered broker-dealer that provides certain administrative and investment services for your Roth IRA. The Kingdom Trust Company ("Kingdom Trust", "we", "us", "our"), a South Dakota trust company, is the sponsor and custodian of your Roth IRA using Folio as a sub-custodian to hold your assets.

## ROTH INDIVIDUAL RETIREMENT CUSTODIAL ACCOUNT

Form **5305-RA** (Under Section 408A of the Internal Revenue Code)  
(Rev. April 2017) Department of the Treasury Internal Revenue Service  
The depositor and the custodian make the following agreement:

Do Not File with  
Internal Revenue Service

**Article I.** Except in the case of a qualified rollover contribution described in section 408A(e) or a recharacterized contribution described in section 408A(d)(6), the custodian will accept only cash contributions up to \$5,500 per year for 2013 through 2017. For individuals who have reached the age of 50 by the end of the year, the contribution limit is increased to \$6,500 per year for 2013 through 2017. For years after 2017, these limits will be increased to reflect a cost-of-living adjustment, if any.

### Article II.

1. The annual contribution limit described in Article I is gradually reduced to \$0 for higher income levels. For a depositor who is single or treated as single, the annual contribution is phased out between adjusted gross income (AGI) of \$118,000 and \$133,000; for a married depositor filing jointly, between AGI of \$186,000 and \$196,000; and for a married depositor filing separately, between AGI of \$0 and \$10,000. These phase-out ranges are for 2017. For years after 2017, the phase-out ranges, except for the \$0 to \$10,000 range, will be increased to reflect a cost-of-living adjustment, if any. Adjusted gross income is defined in section 408A(c)(3).

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

**Article III.** The depositor's interest in the balance in the custodial account is nonforfeitable.

### Article IV.

1. 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 common investment fund (within the meaning of section 408(a)(5)).

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

### Article V.

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

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

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

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

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

### Article VI.

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

2. The custodian agrees to submit to the IRS and depositor the reports prescribed by the IRS.

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

**Article VIII.** This agreement will be amended as necessary to comply with the provisions of the Code, the related regulations, and other published guidance. Other amendments may be made with the consent of the persons whose signatures appear on the Application that accompanies this agreement.

### Article IX.

**9.01 Your Roth IRA Documents.** This Internal Revenue Service (IRS) Forms 5305 series agreement for Roth IRAs, amendments, application, beneficiary designation, disclosure statement, and other documentation, if any, set forth the terms and conditions governing your Roth individual retirement account (IRA) and your or, after your death, your beneficiary's relationship with us. Articles I through VIII of the IRS 5305 agreement have been reviewed and approved by the IRS. The disclosure statement sets forth various Roth IRA rules in simpler language. Unless it would be inconsistent to do so, words and phrases used in this document should be construed so the singular includes the plural and the plural includes the singular.

**9.02 Definitions.** This agreement refers to you as the depositor, and us as the custodian. References to "you," "your," and "Roth IRA owner" will mean the depositor, and "we," "us," and "our" will mean the custodian. The terms "you" and "your" will apply to you. In the event you appoint a third party, or have a third party appointed on your behalf, to handle certain transactions affecting your Roth IRA, such third party will be your agent and will be considered "you" for purposes of this agreement. Additionally, references to "Roth IRA" will mean the custodial account.

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

**9.04 Our Fees and Expenses.** We may deduct fees directly from your Roth IRA assets or bill you separately. We may charge reasonable fees and are entitled to reimbursement for any expenses we incur in establishing and maintaining your Roth IRA. We may change the fees at any time by providing you with notice of such changes. We will provide you with fee disclosures and policies. We may deduct fees directly from your Roth IRA or bill you separately. The payment of fees has no effect on your contributions. Additionally, we have the right to liquidate your Roth IRA assets to pay such fees and expenses. If you do not direct us on the liquidation, we will liquidate the assets of our choice and will not be responsible for any losses or claims that may arise out of the liquidation.

**9.05 Amendments.** We may amend your Roth IRA in any respect and at any time, including retroactively, to comply with applicable laws governing retirement plans and the corresponding regulations. Any other amendments shall require your consent, by action or no action, and will be preceded by written notice to you. Unless otherwise required, you are deemed to automatically consent to an amendment, which means that your written approval is not required for the amendment to apply to the Roth IRA. In certain instances the governing law or our policies may require us to secure your written consent before an amendment can be applied to the Roth IRA. If you want to withhold your consent to an amendment, you must

provide us with a written objection within 30 days of the receipt date of the amendment.

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

**9.07 Applicable Laws.** This agreement will be construed and interpreted in accordance with the laws of, and venued in, our state of domicile.

**9.08 Disqualifying Provisions.** Any provision of this agreement that would disqualify the Roth IRA will be disregarded to the extent necessary to maintain the account as a Roth IRA.

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

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

We are not responsible for determining whether your contributions or distributions comply with this agreement or the federal laws governing retirement plans. We are not responsible for any taxes, judgments, penalties, or expenses incurred in connection with your Roth IRA, or any losses that are a result of events beyond our control. We have no responsibility to process transactions until after we have received appropriate direction and documentation, and we have had a reasonable opportunity to process the transactions. We are not responsible for interpreting or directing beneficiary designations or divisions, including separate accounting, court orders, penalty exception determinations, or other similar situations.

#### **9.11 Investment of Roth IRA Assets.**

**(a) Investment of Contributions.** You may invest Roth IRA contributions in any Roth IRA investments we offer. If you fail to provide us with investment direction for a contribution, we will return or hold all or part of such contribution based on our policies and procedures. We will not be responsible for any loss of Roth IRA income associated with your failure to provide investment direction.

**(b) Directing Investments.** All investment direction must be in a format or manner acceptable to us. You may invest in any Roth IRA investments that you are qualified to purchase, and that we are authorized to offer and do offer at the time of the investment selection, and that are acceptable under the applicable laws governing retirement plans. Your Roth IRA investments will be registered in our name or our nominee's name (if applicable) for the benefit of your Roth IRA.

**(c) Investment Fees and Asset Liquidation.** Certain investment-related fees, which apply to your Roth IRA, must be

charged to your Roth IRA and cannot be paid by you. We have the right to liquidate your Roth IRA assets to pay fees and expenses, federal tax levies, or other assessments on your Roth IRA. If you do not direct us on the liquidation, we will liquidate the assets of our choice and will not be responsible for any losses or claims that may arise out of the liquidation.

**9.12 Distributions.** Withdrawal requests must be in a format acceptable to us, or on forms provided by us. We may require you, or your beneficiary after your death, to elect a distribution reason, provide documentation, and provide a proper tax identification number before we process a distribution. These withdrawals may be subject to taxes, withholding, and penalties. Distributions will generally be in cash or in kind based on our policies. In-kind distributions will be valued according to our policies at the time of the distribution.

Required minimum distributions for your beneficiaries will be based on Treasury Regulations 1.408A-6, 1.401(a)(9) and 1.408-8 in addition to our then current policies and procedures. The required minimum distribution regulations are described within the Disclosure Statement. In the event a beneficiary, after your death, fails to take a required minimum distribution we may do nothing, distribute the entire Roth IRA balance, or distribute the required minimum distribution based on our own calculation.

**9.13 Spouse Beneficiary.** Notwithstanding Article V, a spouse beneficiary shall be permitted all the beneficiary options allowed under law or applicable regulations. The default election for a spouse beneficiary is the life expectancy method. If your surviving spouse fails to take the required minimum distribution, he/she is deemed to have treated your Roth IRA as his/her own. If your surviving spouse is your sole beneficiary, your spouse may treat your Roth IRA as his/her own Roth IRA and would not be subject to the required minimum distribution rules.

**9.14 Cash or In-Kind Contributions.** We may accept transfers, rollovers, conversions, and other similar contributions in cash or in kind from other IRAs, eligible retirement plans, and as allowed by law. Prior to completing such transactions we may require that you provide certain information in a format acceptable to us. In-kind contributions will be valued according to our policies and procedures at the time of the contribution.

**9.15 Reports and Records.** We will maintain the records necessary for IRS reporting on this Roth IRA. Required reports will be provided to you, or your beneficiary after your death, and the IRS. If you believe that your report is inaccurate or incomplete, you must notify us in writing within 30 days following the receipt date. Your investments may require additional state and federal reporting.

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

**9.17 Our Resignation.** We can resign at any time by providing you with 30 days written notice prior to the resignation date, or within five days of our receipt of your written objection to an amendment. In the event you materially breach this agreement, we can terminate this agreement by providing you with five days prior written notice. Upon our resignation, you must appoint a qualified successor custodian or trustee. Your Roth IRA assets will be transferred to the successor custodian or trustee once we have received appropriate direction. Transfers will be completed within a reasonable time following our resignation notice and the payment of your remaining Roth IRA fees or expenses. At the time of resignation we may retain the sum necessary to cover any fees and expenses, taxes, or investment penalties. If you fail to provide us with acceptable

transfer direction within 30 days from the date of the notice we can transfer the assets to a successor custodian or trustee of our choice, distribute the assets to you in kind, or liquidate the assets and distribute them to you in cash.

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

**9.19 Folio as Broker-Dealer.** In establishing this Roth IRA, you also are establishing a brokerage relationship with Folio and this agreement is a part of and is incorporated into the Folio Customer Agreement applicable to this Roth IRA. Investment instructions with respect to your Roth IRA are to be provided to Folio in the form and manner acceptable to Folio.

**9.20 Folio as Our Agent.** Folio has been designated as our agent and will maintain the required records of account documentation, transactions and tax reporting. All assets in the Roth IRA will be registered for your benefit under our name as your designated nominee custodian and Folio as sub-custodian.

**9.21 Authority of Folio to Appoint a New Custodian.** Pursuant to our relationship with Folio, Folio has the authority to remove us and appoint a new custodian of your Roth IRA upon 30 days advance written notice to you. Folio as the the broker-dealer on your Roth IRA also has the authority to amend the terms and conditions applicable to your Roth IRA in any respect and at any time and such modified terms and conditions shall be applicable to your Roth IRA by virtue of your brokerage relationship with Folio.

## IRS FORM 5305-RA INSTRUCTIONS (Rev. 4-2017)

### General Instructions

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

### Purpose of Form

Form 5305-RA is a model custodial account agreement that meets the requirements of section 408A. However, only Articles I through VIII have been reviewed by the IRS. A Roth individual retirement account (Roth IRA) is established after the form is fully executed by both the individual (depositor) and the custodian. This account must be created in the United States for the exclusive benefit of the depositor and his or her beneficiaries.

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

Unlike contributions to traditional individual retirement arrangements, contributions to a Roth IRA are not deductible from the depositor's gross income; and distributions after 5 years that are made when the depositor is 59 1/2 years of age or older or on account of death, disability, or the purchase of a home by a first-time homebuyer (limited to \$10,000), are not

includible in gross income. For more information on Roth IRAs, including the required disclosures the custodian must give the depositor, see **Pub. 590-A**, Contributions to Individual Retirement Arrangements (IRAs), and **Pub. 590-B**, Distributions from Individual Retirement Arrangements (IRAs).

### Definitions

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

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

### Specific Instructions

**Article I.** The depositor may be subject to a 6% tax on excess contributions if **(1)** contributions to other individual retirement arrangements of the depositor have been made for the same tax year, **(2)** the depositor's adjusted gross income exceeds the applicable limits in Article II for the tax year, or **(3)** the depositor's and spouse's compensation is less than the amount contributed by or on behalf of them for the tax year.

**Article V.** This article describes how distributions will be made from the Roth IRA after the depositor's death. Elections made pursuant to this article should be reviewed periodically to ensure they correspond to the depositor's intent. Under paragraph 3 of Article V, the depositor's spouse is treated as the owner of the Roth IRA upon the death of the depositor, rather than as the beneficiary. If the spouse is to be treated as the beneficiary, and not the owner, an overriding provision should be added to Article IX.

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

# ROTH IRA DISCLOSURE STATEMENT

**Right to Revoke Your Roth IRA.** With exceptions, you have the right to revoke this Roth individual retirement account (IRA) within seven days of receiving this Disclosure Statement. If you revoke your Roth IRA, we will return your entire Roth IRA contribution without any adjustment for items such as sales commissions, administrative expenses, or fluctuation in market value. Exceptions to your right of revocation include that you may not revoke a Roth IRA established with a recharacterized contribution, nor do you have the right to revoke upon amendment of this agreement.

You may revoke your Roth IRA by providing us with written notice. The revocation notice may be mailed by first-class mail, or hand delivered to us. If your notice is mailed by first-class, postage pre-paid mail, the revocation will be deemed mailed on the date of the postmark.

If you have any questions or concerns regarding the revocation of your Roth IRA, please contact us as follows: Folio Investments, Inc., 8180 Greensboro Drive, 8th Floor, McLean, VA 22102, 1-888-973-7890 or support@folioinvesting.com.

**This Disclosure Statement.** This Disclosure Statement provides you, or your beneficiaries after your death, with a summary of the rules and regulations governing this Roth IRA.

**Definitions.** The IRS Forms 5305 series agreement for Roth IRAs contains a definitions section. The definitions found in such section apply to this agreement. The IRS refers to you as the depositor, and us as the custodian. References to "you," "your," and "Roth IRA owner" will mean the depositor, and "we," "us," and "our" will mean the custodian. The terms "you" and "your" will apply to you. In the event you appoint a third party, or have a third party appointed on your behalf to handle certain transactions affecting your Roth IRA, such third party will be considered your agent and, therefore, "you" for purposes of this agreement. Additionally, references to "Roth IRA" will mean the custodial account.

**For Additional Guidance.** It is in your best interest to seek the guidance of a tax or legal professional before completing any Roth IRA establishment documents. For more information, you can also refer to IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*, instructions to your federal income tax return, or the IRS's web site at [www.irs.gov](http://www.irs.gov).

## Roth IRA Restrictions and Approval.

- 1. IRS Form 5305-R or 5305-RA Agreement.** This Disclosure Statement and the IRS Forms 5305 series agreement, amendments, application, and additional provisions set forth the terms and conditions governing your Roth IRA. Such documents are the agreement.
- 2. Individual/Beneficiary Benefit.** This Roth IRA must be for the exclusive benefit of you and, upon your death, your beneficiaries. The Roth IRA must be established in your name and not in the name of your beneficiary, living trust, or another party or entity.
- 3. Beneficiary Designation.** By completing the appropriate section on the corresponding Roth IRA application you may designate any person(s) as your beneficiary to receive your Roth IRA assets upon your death. You may also change or revoke an existing designation in such manner and in accordance with such rules as we prescribe for this purpose. If there is no beneficiary designation on file at the time of your death, or if none of the beneficiaries on file are alive at the time of your death, your Roth IRA assets will be paid to your estate. We may rely on the latest beneficiary designation on file at the time of your death, will be fully protected in doing so, and will have no liability whatsoever to any person making a claim to the Roth IRA assets under a subsequently filed designation or for any other reason.
- 4. Cash Contributions.** Regular or annual Roth IRA contributions must be in cash, which may include a check, money order, or wire transfer. It is within our discretion to accept in-kind contributions for rollovers, direct rollovers, transfers, conversions, or recharacterizations.
- 5. Roth IRA Custodian.** A Roth IRA custodian must be a bank, federally insured credit union, savings and loan association, trust company, or other entity, which is approved by the Secretary of the Treasury to act as a Roth IRA custodian.

- 6. Prohibition Against Life Insurance and Commingling.** None of your Roth IRA assets may be invested in life insurance contracts, or commingled with other property, except in a common trust fund or common investment fund.
- 7. Nonforfeitable.** The assets in your Roth IRA are not forfeitable.
- 8. Collectibles.** Generally, none of your Roth IRA assets may be invested in collectibles, including any work of art, rug, or antique, metal or gem, stamp or coin, alcoholic beverage, or any other tangible personal property. If we allow, you may invest your Roth IRA assets in the following coins and bullion: certain gold, silver, and platinum coins minted by the United States; a coin issued under the laws of any state; and any gold, silver, platinum, and palladium bullion of a certain fineness, and only if such coins and bullion are held by us. For additional guidance on collectibles, see Section 408(m) of the Internal Revenue Code (IRC).
- 9. Cash or In-Kind Rollovers.** You may be eligible to make a rollover contribution of your Roth IRA distribution, in cash or in kind, to a Roth IRA. Rollovers to and from Roth IRAs are described in greater detail elsewhere in this Disclosure Statement.
- 10. Required Minimum Distribution (RMD) Rules For Beneficiaries.** This Roth IRA is subject to the RMD rules summarized in this agreement.
- 11. No Prohibited Transactions.** If your account stops being a Roth IRA because you or your beneficiary engaged in a prohibited transaction, the account is treated as distributing all its assets to you at their fair market values on the first day of the year. If the total of those values is more than your basis in the Roth IRA, you will have a taxable gain that is includible in your income.
- 12. No Pledging.** If you use a part of your Roth IRA as security for a loan, that part is treated as a distribution and is included in your gross income. You may have to pay the 10% additional tax on early distributions.
- 13. IRS Approval of Form.** This agreement includes an IRS Forms 5305 series agreement. Articles I through VIII of this IRS agreement have been reviewed and approved by the IRS. This approval is not a determination of its merits, and not an endorsement of the investments provided by us, or the operation of the Roth IRA. Article IX of this IRS agreement contains additional contract provisions that have not been reviewed or approved by the IRS.
- 14. State Laws.** State laws may affect your Roth IRA in certain situations, including beneficiary designations, agency relationships, spousal consent, unclaimed property, taxes, and reporting.

## Roth IRA Eligibility and Contributions.

- 1. Regular or Annual Roth IRA Contribution.** An annual contribution, commonly referred to as a regular contribution, is your contribution for the tax year, and is based on your and your spouse's compensation if filing jointly. Your designation of the tax year for your contribution is irrevocable. You may direct all or a portion of any tax refund directly to an IRA, up to your annual contribution limit.

If you are married and file a joint federal income tax return, you or your spouse may make a contribution on your behalf for that tax year if you or your spouse have compensation. This contribution must be made into your Roth IRA, and it cannot exceed the contribution limits applicable to regular Roth IRA contributions.

- 2. Compensation for Eligibility.** You are eligible to contribute to your Roth IRA if you have compensation (also referred to as earned income). The amount you may contribute may be limited based on your modified adjusted gross income (MAGI). The instructions to your federal income tax return will provide helpful information in determining your compensation and MAGI amounts.

Common examples of compensation include wages, salary, tips, bonuses, and other amounts received for providing personal services, and earned income from self-employment. Compensation does not include earnings and profits from property such as dividends, interest, or capital gains, or pension, annuity, or deferred compensation plan amounts.

3. **Limitations on Contributions.** The amount you can contribute depends on your MAGI for the tax year for which the contribution applies, your marital status, and your tax-filing status. The following chart shows how your MAGI and status affect your contribution limit. The greater your MAGI, the lesser the amount you may contribute.

2020 MAGI LIMITS			
Modified AGI (MAGI)*	Single	Married, Filing Jointly	Married, Filing Separately**
Less than \$10,000	Full Contribution	Full Contribution	Phaseout
\$ 10,000 - \$124,000	Full Contribution	Full Contribution	No Contribution
\$124,001 - \$138,999	Phaseout	Full Contribution	No Contribution
\$139,000 - \$196,000	No Contribution	Full Contribution	No Contribution
\$196,001 - \$205,999	No Contribution	Phaseout	No Contribution
\$206,000 or over	No Contribution	No Contribution	No Contribution

2021 MAGI LIMITS			
Modified AGI (MAGI)*	Single	Married, Filing Jointly	Married, Filing Separately**
Less than \$10,000	Full Contribution	Full Contribution	Phaseout
\$ 10,000 - \$125,000	Full Contribution	Full Contribution	No Contribution
\$125,001 - \$139,999	Phaseout	Full Contribution	No Contribution
\$140,000 - \$198,000	No Contribution	Full Contribution	No Contribution
\$198,001 - \$207,999	No Contribution	Phaseout	No Contribution
\$208,000 or over	No Contribution	No Contribution	No Contribution

\* Subject to annual cost-of-living adjustments (COLAs), if any.

\*\*An individual who is married, filing separately, and who lived apart from his/her spouse the entire year, can use the MAGI limit for a single filer to determine his/her contribution limit.

IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, and the instructions to your federal income tax return also contain helpful calculation information.

4. **Catch-Up Contributions.** Catch-up contributions are regular Roth IRA contributions made in addition to any other regular Roth IRA contributions. You are eligible to make catch-up contributions if you meet the eligibility requirements for regular contributions and you attain age 50 by the end of the taxable year for which a catch-up contribution is being made.
5. **Maximum Contribution Limits.** Your regular (including catch-up) Roth IRA contributions are limited to the lesser of 100 percent of your and your spouse's compensation if filing jointly or the dollar amounts set forth on the following chart:

Contribution Tax Year	Regular Contribution Limit	Catch-Up Contribution Limit	Total Contribution Limit
2020	\$6,000	\$1,000	\$7,000
2021	\$6,000	\$1,000	\$7,000
2022 and later years	\$6,000 + COLA*	\$1,000	\$7,000 + COLA*

\*The regular IRA contribution limits are subject to annual cost-of-living adjustments (COLAs), if any.

6. **Contribution Deadline.** You may make regular (including catch-up) Roth IRA contributions any time for a taxable year up to and including your federal income tax return due date, excluding extensions, for that taxable year. The due date for most taxpayers is April 15. The deadline may be extended or postponed in some situations. Examples of postponed contributions include a federally declared disaster, a terroristic or military action, or service in a hazardous duty area or combat zone.
7. **Roth IRA and Traditional IRA Contribution Limit.** Your combined regular (including catch-up) traditional IRA and Roth IRA contributions may not exceed the maximum contribution limit set forth in the previous chart.

8. **SEP and SIMPLE IRA Contributions.** Your employer may not make simplified employee pension (SEP) plan or Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) IRA plan contributions to this Roth IRA.

**Nonrefundable Tax Credit.** You may be eligible to take a tax credit for your regular Roth IRA contributions. The credit is equal to a percentage of your qualified contributions up to \$2,000. The credit cannot exceed \$1,000 for any tax year. To be eligible for the tax credit, you must be age 18 or older by the end of the applicable tax year, not a dependent of another taxpayer, not a full-time student, and satisfy certain restrictions on distributions.

**Moving Assets To and From Roth IRAs.** There are a variety of transactions that allow you to move your retirement assets to and from your Roth IRAs in cash or in kind based on our policies. We have sole discretion on whether we will accept, and how we will process, movements of assets to and from Roth IRAs. We or any other financial organizations involved in the transaction may require documentation for such activities.

- Roth IRA-to-Roth IRA Transfers.** You may transfer all or a portion of your Roth IRA assets from one Roth IRA to another Roth IRA. A Roth IRA transfer means that the Roth IRA assets move from one Roth IRA to another Roth IRA in a manner that prevents you from cashing or liquidating the Roth IRA assets, or even depositing the assets anywhere except in the receiving Roth IRA. Transfers are not taxable or reportable, and the IRS does not impose timing or frequency restrictions on transfers. You may be required to complete a transfer authorization form prior to transferring your Roth IRA assets.
- Roth IRA-to-Roth IRA Rollovers.** A Roth IRA rollover is another way to move assets tax-free between Roth IRAs. You may roll over all or a portion of your Roth IRA assets by taking a distribution from a Roth IRA and recontributing part or all of it as a rollover contribution into the same or another Roth IRA. A rollover contribution is irrevocable. You must report your Roth IRA rollover to the IRS on your federal income tax return. Your contribution may only be designated as a rollover if the Roth IRA distribution is deposited within 60 calendar days following the date you receive the distributed assets. Any portion not rolled over will be subject to the Roth IRA ordering rules to determine income taxes and penalty taxes. The 60-day period may be extended to 120 days for a first-time homebuyer distribution where there is a delay or cancellation in the purchase or construction of the home. You are limited to one rollover per 1-year (12-month) period. You may only roll over one IRA distribution per 1-year period aggregated between all of your IRAs. For this purpose IRA includes rollovers among traditional (including SEP), SIMPLE, and Roth IRAs. For example, if you have IRA 1, IRA 2, and IRA 3, and take a distribution from IRA 1 and roll it over into a new IRA 4, you will have to wait 1 year from the date of that distribution to take another distribution from any of your IRAs and subsequently roll it over into an IRA. The 1-year limitation does not apply to rollovers related to first-time homebuyer distributions, distributions converted to a Roth IRA, and rollovers from an employer-sponsored eligible retirement plan.
- Extension of the 60-Day Period.** The Secretary of the Treasury may extend the 60-day period for completing rollovers in certain situations such as casualty, disaster, or other events beyond the reasonable control of the individual who is subject to the 60-day period. The IRS also provides for a self-certification procedure for making a late rollover (subject to verification by the IRS) that you may use to claim eligibility for an extension with respect to a rollover into an IRA. It provides that we may rely on the certification provided by you in accepting and reporting receipt of a rollover contribution after the 60-day period (i.e., a late rollover) if we don't have actual knowledge that is contrary to the self-certification.
- Transfers Due to Divorce.** Your former spouse, pursuant to a divorce decree or legal separation order, may transfer assets from your Roth IRA to his/her Roth IRA.

5. **Repayment of a Qualified Reservist Distribution.** If you are a qualified reservist ordered or called to active duty after September 11, 2001 for more than 179 days (or for an indefinite period), and take an IRA distribution or take certain elective deferrals from an eligible retirement plan after September 11, 2001, and before the end of your active duty, you may make one or more contributions of these assets to your Roth IRA within two years of the end of your active duty.
6. **Repayment of a Qualified Birth or Adoption Distribution.** You may take a distribution of up to \$5,000 for a qualified birth or adoption within one year of the birth or from when the adoption is finalized. Such a distribution may be repaid to the IRA.

#### **Movement of Assets Between Traditional and Roth IRAs.**

1. **Traditional IRA to Roth IRA Conversions.** You may convert all or a portion of your traditional IRA assets to a Roth IRA. Your conversion assets (excluding prorated nondeductible contributions) are subject to federal income tax. Your conversion must be reported to the IRS. The 10 percent early-distribution penalty tax does not apply to conversions. If you elect to convert your assets using a rollover transaction, the 60-day rule applies. The one per 1-year limitation does not apply to conversions.
2. **Traditional IRA and Roth IRA Recharacterizations.** You may recharacterize, or choose to treat all or a portion of your regular (including catch-up) traditional IRA contribution as a regular Roth IRA contribution. Similarly, you may recharacterize all or a portion of your regular (including catch-up) Roth IRA contribution as a regular traditional IRA contribution. A recharacterization election is irrevocable. You must complete a recharacterization no later than your federal income tax-filing due date, including extensions, for the year you make the initial contribution. If you timely file your federal income tax return, you may still recharacterize your contribution as late as October 15 for calendar year filers. Recharacterizations must occur by transfer, which means that the assets, adjusted for gains and losses on the recharacterized amount, must be transferred into another IRA. The recharacterized contribution is treated as though you deposited it into the second IRA on the same day you actually deposited it in the first IRA. Recharacterization transactions are reported to the IRS. The election to recharacterize may be completed on your behalf after your death. A written notice of recharacterization is required for recharacterization transactions.

#### **Movement of Other Assets to Roth IRAs.**

1. **Conversions from SIMPLE IRAs.** You may not convert assets from a SIMPLE IRA to a Roth IRA until two years have passed since the date on which you first participated in an employer's SIMPLE IRA plan, which is the initial contribution date. If you participated in SIMPLE IRA plans of different employers, the initial contribution date and two-year period are determined separately for SIMPLE IRA assets from each employer.
2. **Rollovers or Direct Rollovers from Eligible Retirement Plans.** You may directly or indirectly roll over assets from an eligible retirement plan sponsored by your employer into your Roth IRA (also referred to as qualified rollovers). You are responsible for the consequences of rolling over assets, including designated Roth account assets, to a Roth IRA. Your plan administrator or employer is responsible for determining the amount of your assets in its eligible retirement plan that is eligible for rollover to a Roth IRA. Assets in a Roth IRA are not eligible to be rolled over to an eligible retirement plan.
  - a. **Eligible Retirement Plan (ERP).** Eligible retirement plans include qualified trusts under IRC Section 401(a), annuity plans under IRC Section 403(a), annuity contracts under IRC Section 403(b), and certain governmental IRC Section 457(b) plans. Common names for these plans include 401(k), profit sharing, pension, money purchase, federal thrift savings, and tax-sheltered annuity plans.
  - b. **Designated Roth Account.** This is an account within an ERP under either IRC Sections 401(a), or 403(b), or 457(b) that

holds Roth contributions, in-plan Roth rollovers, and earnings. Designated Roth contributions are made by elective deferral with after-tax dollars.

- c. **Eligible Distributions.** Not all distributions from an ERP are eligible for rollover to a Roth IRA. The most common amounts which are not eligible for rollover include RMDs, defaulted loans, substantially equal periodic payments defined in IRC Section 402(c)(4)(A), and hardship distributions. Your employer determines which assets may not be rolled over and must provide you with an IRC Section 402(f) notice of taxation which explains the tax issues and rollover eligibility concerning the distribution.
- d. **Direct Rollover.** A direct rollover moves eligible distribution assets from your eligible retirement plan to your Roth IRA in a manner that prevents you from cashing or liquidating the plan assets, or even depositing the assets anywhere except in the receiving Roth IRA. A direct rollover is reported to the IRS. There are no IRS limitations, such as the 60-day period or one per 1-year limitation, on direct rollovers.
- e. **Indirect Rollover and Withholding.** An indirect rollover begins with a plan distribution made payable to you. In general, your employer is required to withhold 20 percent on the taxable portion of your eligible distribution as a prepayment of federal income taxes on distributions. You may make up the 20 percent withholding from your own funds at the time you deposit the distribution into a Roth IRA. If you are younger than age 59 1/2, you are subject to a 10 percent early-distribution penalty tax on the taxable amount of the distribution that is not rolled over, unless a penalty tax exception applies. Your eligible distribution may be contributed to a Roth IRA during the 60 days following your receipt of a plan distribution. There may be exceptions to completing the rollover within 60 days. For example, exceptions for making a late rollover are available for rolling over the return of an improper tax levy as well as for rolling over qualified plan loan offset amounts. Generally, these exceptions permit amounts to be rolled over until the tax-filing due date of the year in which such amounts are, for example, returned or treated as distributed. Your decision to contribute the assets to a Roth IRA as a rollover contribution is irrevocable. The one per 1-year limitation does not apply to rollovers from eligible retirement plans. State withholding may apply to eligible distributions.
- f. **Taxes and Treatment of Qualified Rollover Contributions.** The rollover and direct rollover contribution amounts from an eligible retirement plan are referred to as "qualified rollover contributions." The taxable portion that is rolled or directly rolled over to a Roth IRA is subject to federal income tax. The 10 percent early-distribution penalty tax does not apply to these taxable amounts. However, if the taxable portion of the qualified rollover contribution is distributed from the Roth IRA within five years and an exception does not apply, the 10 percent penalty tax would apply in this later year. With respect to subsequent distributions from this Roth IRA that are nonqualified distributions, the qualified rollover contribution amount is considered as part of the nontaxable conversion category for purposes of the ordering rules.
- g. **Rollover or Direct Rollover of Designated Roth Account Assets.** Rollovers of designated Roth account assets to a Roth IRA are not taxable. The plan administrator will inform you if the distribution amount from the designated Roth account is qualified or nonqualified. Qualified distributions rolled over from designated Roth accounts are considered regular contributions for the Roth IRA "nonqualified distribution" ordering rules. The earnings portion of nonqualified distributions rolled over from designated Roth accounts is considered earnings for the Roth IRA ordering rules while the remainder is considered a regular contribution.

- 3. Rollover of Military Death Gratuity.** If a person serving in the military dies from injuries received in such service and you are the beneficiary of either a military death gratuity or an amount under a Servicemembers Group Life Insurance (SGLI) program for such person, you may roll over part or all of these amounts to a Roth IRA. If the death occurred on or after June 17, 2008, the rollover contribution must be completed within one year of when each amount was received. These contributions are qualified rollover contributions.

**Roth IRA Distributions.** You, or after your death your beneficiary, may take a Roth IRA distribution at any time. Income and penalty taxes may be avoided by taking qualified distributions.

- 1. Five-Year Holding Period.** The five-year holding period begins with the earlier of the first year for which you made any regular Roth IRA contribution, the first year in which you made a conversion from a traditional IRA to any Roth IRA, the first year of a rollover or direct rollover of designated Roth account assets to any Roth IRA, the first year of a rollover or direct rollover of ERP assets to any Roth IRA, the first year of a qualified distribution repayment to any Roth IRA, or the first year of any other contribution treated as a qualified rollover contribution.
- 2. Qualified Distributions.** A qualified distribution is a distribution which is made after the expiration of the five-year holding period and as the result of certain events. The events which will create a qualified distribution after the expiration of the five-year holding period are as follows:
  - a. Distributions made on or after the date on which you attain age 59 1/2;
  - b. Distributions made to your beneficiary after your death;
  - c. Distributions attributable to you being disabled; and
  - d. Qualified first-time homebuyer distributions.
- 3. Nonqualified Distributions and the Ordering Rules.** If your distribution is not a qualified distribution, any earnings you withdraw from your Roth IRA will be included in your gross income for federal income tax purposes. Additionally, for each conversion or qualified rollover completed while you are younger than age 59 1/2, a separate five-year holding period will be applied solely for determining if you owe a 10 percent early-distribution penalty. The ordering rules for Roth IRAs determine what portion of your distribution will be subject to income and penalty taxes. The ordering rules, which take into account all of your Roth IRAs, state that you are deemed to take your Roth IRA asset types in the following order: (1) all regular or annual contributions and amounts treated as such, (2) conversion and qualified rollover contributions and amounts treated as such on a first in first out basis, and (3) your earnings. All of your assets within a certain type must be removed before you may move on to the next asset type. For each conversion or qualified rollover contribution removed, the originally taxable portion is removed first and the nontaxable portion is removed last.
- 4. Removal of Excess Contributions.** You may withdraw all or a portion of your excess contribution and attributable earnings by your federal income tax return due date, including extensions, for the taxable year for which you made the contribution. The excess contribution amount distributed will not be taxable, but the attributable earnings on the contribution will be taxable in the year in which you made the contribution and may be subject to the 10 percent early-distribution penalty tax. In certain situations, you may treat your excess as a regular (including catch-up) contribution for the next year. If you timely file your federal income tax return, you may still remove your excess contribution, plus attributable earnings, as late as October 15 for calendar year filers.
- 5. Distributions of Unwanted Roth IRA Contributions by Tax-Filing Date.** You may withdraw all or a portion of your regular (including catch-up) Roth IRA contribution and attributable earnings in the same manner as an excess contribution. However, you cannot apply your unwanted contribution as a regular Roth IRA contribution for a future year. The unwanted contribution amount distributed will not

be taxable, but the attributable earnings on the contribution will be taxable in the year in which you made the contribution, and may be subject to the 10 percent early-distribution penalty tax. If you timely file your federal income tax return, you may still remove your unwanted contribution, plus attributable earnings, as late as October 15 for calendar year filers.

- 6. Qualified Health Savings Account (HSA) Funding Distribution.** If you are an HSA eligible individual, you may elect to take a qualified HSA funding distribution from your Roth IRA to the extent such distribution is contributed to your HSA in a trustee-to-trustee transfer. This amount is aggregated with all other annual HSA contributions and is subject to your annual HSA contribution limit. A qualified HSA funding distribution election is irrevocable and is generally available once in your lifetime. A testing period applies. The testing period for this provision begins with the month of the contribution to your HSA and ends on the last day of the 12th month following such month. If you are not an eligible individual for the entire testing period, unless you die or become disabled, the amount of the distribution made under this provision may be includable in gross income for the tax year of the month you are not an eligible individual, and may be subject to a 10 percent penalty tax.
- 7. Qualified Charitable Distributions (QCD).** If you have attained age 70 1/2, you may be able to make tax-free distributions directly from your Roth IRA to a qualified charitable organization. However, you must track the amount of all deductible contributions made for tax years while age 70 1/2 or older and then reduce the QCD claimed by those prior deductible contributions. Tax-free distributions are limited to \$100,000. Consult with your tax or legal professional regarding tax-free charitable distributions.

**RMDs After Age 72.** You are not required to take RMDs from your Roth IRA when you reach age 72. Furthermore, you cannot satisfy any RMDs for your traditional IRAs or SIMPLE IRAs by taking a distribution from any of your Roth IRAs.

**RMDs For Your Beneficiaries.** You can designate specific individuals or other entities—including, but not limited to, an estate, a trust, or a charitable organization—as your Roth IRA death beneficiaries. The named beneficiaries that survive inherit any assets remaining in the Roth IRA after your death. Different types of beneficiaries may have different options available.

- 1. Types of Beneficiaries.** The different types of beneficiaries are designated beneficiaries, eligible designated beneficiaries and those that are not designated beneficiaries. Different types of beneficiaries will have different rules—and in some cases options or elections—and distribution periods available.
- 2. Designated Beneficiary.** A designated beneficiary is any individual you name as a beneficiary who has an interest in your Roth IRA on the determination date, which is September 30 of the year following the year of your death. Certain qualifying trusts can also be a designated beneficiary. For a qualifying trust to be a designated beneficiary, the qualifying trust beneficiaries must be designated beneficiaries.

If your beneficiary is a designated beneficiary who is not an eligible designated beneficiary, such beneficiary will have to follow the ten-year rule and is required to remove all assets from the Roth IRA by December 31 of the tenth year following the year of your death.
- 3. Eligible Designated Beneficiary.** An 'eligible designated beneficiary' is a designated beneficiary who is: 1) the Roth IRA owner's surviving spouse; 2) a Roth IRA owner's minor child (through the age of majority); 3) disabled (as defined by law); 4) a chronically ill individual (as defined by law); or 5) an individual who is not more than 10 years younger than the Roth IRA owner. Certain qualifying trusts can also be an eligible designated beneficiary. For a qualifying trust to be an eligible designated beneficiary, the qualifying trust beneficiaries must be eligible designated beneficiaries.

- a. Spouse Beneficiary.** Your spouse may have the option of distributing the Roth IRA assets over a single life expectancy period or within ten years (the ten-year rule). Your spouse may alternatively choose to treat the entire interest (all of the account) of the Roth IRA as his/her own Roth IRA.

Under the single life expectancy, if your spouse is your only designated beneficiary on the determination date, or if there are multiple designated beneficiaries and separate accounting applies, he/she will use his/her age each year to determine the life expectancy divisor for calculating that year's RMD. If your spouse is the only designated beneficiary, or if there are multiple designated beneficiaries and separate accounting applies, your surviving spouse can postpone commencement of his/her RMDs until the end of the year in which you would have attained age 72.

If your spouse chooses the ten-year rule, he/she is required to remove all assets from the Roth IRA by December 31 of the tenth year following the year of your death.

If your spouse is the only designated beneficiary, or if there are multiple designated beneficiaries and separate accounting applies, he/she can treat your Roth IRA as his/her own Roth IRA after your death even if he/she had chosen one of the options above.

Your spouse beneficiary can take a distribution of part or all of his/her share of your Roth IRA and roll it over to a Roth IRA of his/her own, less his/her RMD for that year.

- b. Eligible Designated Beneficiary Who is Your Minor Child.** If your beneficiary is an eligible designated beneficiary who is your minor child, he/she has the option of taking distribution of the Roth IRA assets over a single life expectancy period or within ten years. However, upon reaching the age of majority, he/she must take out any remaining interest in the Roth IRA assets within ten years after such date. The age of majority is an issue determined by state law.

- c. Eligible Designated Beneficiary (Other than a Surviving Spouse or Minor Child).** If your beneficiary is an eligible designated beneficiary who is someone other than your surviving spouse or your minor child, he/she has the option of taking distribution of the Roth IRA assets over a single life expectancy period or within ten years.

If such a beneficiary chooses the single life expectancy option, the beneficiary uses his/her age at the end of the year following the year of death to determine the initial single life expectancy divisor and reduces this number by one for each following year's RMD calculation.

If such a beneficiary chooses the ten-year rule, he/she is required to remove all assets from the Roth IRA by December 31 of the tenth year following the year of your death.

- 4. Not a Designated Beneficiary.** A beneficiary that is not a designated beneficiary includes a nonindividual that is an estate, charitable organization, or nonqualified trust. If your beneficiary is not a designated beneficiary, such a beneficiary is required to remove all assets from the Roth IRA by December 31 of the fifth year following the year of your death (the five-year rule).
- 5. Beneficiary Determination.** Named beneficiaries who completely distribute their interests in your Roth IRA, or completely disclaim their interests in your Roth IRA under IRC Section 2518, will not be considered when designated beneficiaries are determined. Named beneficiaries who die after your death but before the determination date (September 30 of the year following the year of your death) will still be considered for the sake of determining the distribution period. If any named beneficiary that is not an individual, such as an estate or charity, has an interest in your Roth IRA on the determination date, and separate accounting does not apply, your Roth IRA will be treated as having no designated beneficiary (i.e., not a designated beneficiary).
- 6. Qualifying Trusts.** If you name a qualifying trust, which is defined in Treasury Regulation 1.401(a)(9)-4, Q&A 5, as your Roth IRA beneficiary, the beneficiaries of the qualifying trust are treated as the

beneficiaries of your Roth IRA for purposes of determining the appropriate distribution period. A qualifying trust provides documentation of its beneficiaries to the trustee.

- 7. Successor Beneficiaries.** Our policy may allow your beneficiaries to name their own successor beneficiaries to your Roth IRA. A successor beneficiary would receive any of your Roth IRA assets that remain after your death and the subsequent death of your beneficiaries. Generally, the beneficiary will have to distribute all the remaining Roth IRA assets within a ten-year period.
- 8. Separate Accounting (Multiple Beneficiaries).** Our policies may permit separate accounting to be applied to your Roth IRA for the benefit of your beneficiaries. If permitted, separate accounting must be applied in accordance with Treasury Regulation 1.401(a)(9)-8, Q&A 2 and 3. If there are multiple beneficiaries, a beneficiary is considered the only beneficiary of their share of the Roth IRA assets if separate accounting applies. If separate accounting applies, the rules above apply based on the type of beneficiary (i.e., designated beneficiary, eligible designated beneficiary, not a designated beneficiary).

#### **Federal Income Tax Status of Your Roth IRA.**

- 1. No Deduction for Contributions.** Roth IRA contributions are not deductible on your federal income tax return at any time.
- 2. Tax-free Earnings.** The earnings, including gains and losses, on your Roth IRA contributions accumulate tax-deferred. At the time of your distribution, the earnings will be free from federal income tax if your distribution is a qualified distribution.
- 3. Taxation of Distributions.** The taxation of your Roth IRA distribution, which is not rolled over, is dependent upon whether your distribution is a qualified distribution or nonqualified distribution and is subject to the ordering rules. Roth IRA distributions are generally not subject to federal income tax withholding. You may be subject to state or local taxes on your Roth IRA distributions.
- 4. No Special Tax Treatment.** Roth IRA distributions are not eligible for special tax treatments, such as ten year averaging, that may apply to other employer-sponsored retirement plan distributions.

**Estate and Gift Tax.** The designation of a beneficiary to receive Roth IRA distributions upon your death will not be considered a transfer of property for federal gift tax purposes. Upon your death, the value of all assets remaining in your Roth IRA will usually be included in your gross estate for estate tax purposes, regardless of the named beneficiary or manner of distribution. There is no specific estate tax exclusion for assets held within a Roth IRA. After your death, beneficiaries should pay careful attention to the rules for the disclaiming any portion of your Roth IRA under IRC Section 2518.

**Annual Statements.** Each year we will furnish you and the IRS with statements reflecting the activity in your Roth IRA. You and the IRS will receive IRS Forms 5498, *IRA Contribution Information*, and 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.* IRS Form 5498 or an appropriate substitute indicates the fair market value of the account, including Roth IRA contributions, for the year. IRS Form 1099-R reflects your Roth IRA distributions for the year.

**Federal Tax Penalties and IRS Form 5329.** Several tax penalties may apply to your various Roth IRA transactions, and are in addition to any federal, state, or local taxes. Federal penalties and excise taxes are generally reported and remitted to the IRS by completing IRS Form 5329, *Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts*, and attaching the form to your federal income tax return. The penalties may include any of the following taxes:

- 1. Early-Distribution Penalty Tax.** If you take a distribution from your Roth IRA before reaching age 59 1/2, you are subject to a 10 percent early-distribution penalty tax on the taxable portion of the distribution and certain converted or qualified rollover contribution assets distributed during the five-year holding period. However, certain exceptions apply. Exceptions to the 10 percent penalty tax include: the qualified distributions reasons previously listed, distributions due



to eligible higher education expenses, medical expenses exceeding a certain percentage of adjusted gross income, health insurance premiums due to your extended unemployment, a series of substantially equal periodic payments, IRS levy, traditional IRA conversions, qualified reservist distributions, qualified birth or adoption distributions, and qualified HSA funding distributions. Additional exceptions include distributions taken during the five year holding period as a result of your attaining age 59 1/2, death, disability, or a first-time home purchase. Properly completed rollovers, transfers, and recharacterizations are not subject to the 10 percent penalty tax.

2. **Excess Contribution Penalty Tax.** If you contribute more to your Roth IRA than you are eligible to contribute, you have created an excess contribution, which is subject to a 6 percent excise tax. The excise tax applies each year that the excess contribution remains in your Roth IRA. If you timely file your federal income tax return, you may still remove your excess contribution, plus attributable earnings, as late as October 15 for calendar year filers.
3. **Excess Accumulation Penalty Tax.** Any portion of an RMD that is not distributed to your beneficiary by its deadline is subject to a 50 percent excess accumulation penalty tax. The IRS may waive this penalty upon proof of reasonable error and that reasonable steps were taken to correct the error, including remedying the shortfall. A beneficiary should review IRS Form 5329 instructions when requesting a waiver.

## FINANCIAL DISCLOSURE

IRS regulations require us to provide you with a financial projection of the growth of your Roth IRA account based upon certain assumptions where possible. Because your account is a self-directed Roth IRA giving you access to a wide range of investments such a projection is not possible. Growth in the value of your Roth IRA is neither guaranteed nor projected. The value of your Roth IRA will be computed by totaling the value of the assets credited to your Roth IRA. At least once a year we will send you a written report stating the current value of your Roth IRA assets. We will disclose separately a description of:

- (a) The type and amount of each charge to your account;
- (b) the method of computing and allocating earnings from investments in your account, and

**Disaster Tax Relief and Repayment of a Qualified Disaster Distribution.** Subject to applicable law, individuals in certain federally declared disaster areas may be given the opportunity to take qualified disaster distributions without an early distribution penalty (e.g., for a qualified hurricane distribution). When these qualified disaster distributions are allowed, they are subject to any time periods as defined by law and, if multiple distributions are made for the same event, are aggregated with distributions from other IRAs and eligible retirement plans up to prescribed limits (e.g., \$100,000). Typically, the qualified disaster distributions are included in gross income over a three tax year period or all in the year of distribution. In addition, an individual may be allowed three years after the date of receipt to repay all or part of the qualified disaster distribution without being subject to the one rollover per 1-year limitation or the 60-day requirement. Certain first-time homebuyer or hardship distributions may be eligible for repayment within a prescribed time period. For additional disaster area information and IRS guidance on associated tax relief, refer to IRS forms, notices and publications, or visit the IRS's web site at [www.irs.gov/DisasterRelief](http://www.irs.gov/DisasterRelief).

- (c) any portion of your contributions, if any, which may be used for the purchase of life insurance.

### **Custodian and Sub-custodian Fees:**

We and Folio may charge reasonable fees or compensation for its services and may deduct all reasonable expenses incurred in the administration of your Roth IRA, including any legal, accounting, distribution, transfer, termination or other designated fees. Such fees may be charged to you or directly to your Roth IRA. In addition, depending on your investment choices, you may incur brokerage commissions or other costs attributable to the purchase or sale of assets.

**Dear IRA Owner:**

Thank you for opening your traditional IRA through Folio Investments, Inc. ("Folio"). Folio is a self-clearing federally registered broker-dealer that provides certain administrative and investment services for your traditional IRA. The Kingdom Trust Company ("Kingdom Trust", "we", "us", "our"), a South Dakota trust company, is the sponsor and custodian of your traditional IRA using Folio as a sub-custodian to hold your assets.

## TRADITIONAL INDIVIDUAL RETIREMENT CUSTODIAL ACCOUNT

(Under section 408(a) of the Internal Revenue Code)

Form **5305-A** (Rev. April 2017) Department of the Treasury Internal Revenue Service  
The depositor and the custodian make the following agreement:

**Do Not File with  
Internal Revenue Service**

**Article I.** Except in the case of a rollover contribution described in section 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or 457(e)(16), an employer contribution to a simplified employee pension plan as described in section 408(k), or a recharacterized contribution described in section 408A(d)(6), the custodian will accept only cash contributions up to \$5,500 per year for 2013 through 2017. For individuals who have reached the age of 50 by the end of the year, the contribution limit is increased to \$6,500 per year for 2013 through 2017. For years after 2017, these limits will be increased to reflect a cost-of-living adjustment, if any.

**Article II.** The depositor's interest in the balance in the custodial account is nonforfeitable.

**Article III.**

1. 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 common investment fund (within the meaning of section 408(a)(5)).

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

**Article IV.**

1. Notwithstanding any provision of this agreement to the contrary, the distribution of the depositor's interest in the custodial account shall be made in accordance with the following requirements and shall otherwise comply with section 408(a)(6) and the regulations thereunder, the provisions of which are herein incorporated by reference.

2. The depositor's entire interest in the custodial account must be, or begin to be, distributed not later than the depositor's required beginning date, April 1 following the calendar year in which the depositor reaches age 70 1/2. By that date, the depositor may elect, in a manner acceptable to the custodian, to have the balance in the custodial account distributed in:

- (a) A single sum; or
- (b) Payments over a period not longer than the life of the depositor or the joint lives of the depositor and his or her designated beneficiary.

3. If the depositor dies before his or her entire interest is distributed to him or her, the remaining interest will be distributed as follows:

- (a) If the depositor dies on or after the required beginning date and:
  - (i) the designated beneficiary is the depositor's surviving spouse, the remaining interest will be distributed over the surviving spouse's life expectancy as determined each year until such spouse's death, or over the period in paragraph (a)(iii) below if longer. Any interest remaining after the spouse's death will be distributed over such spouse's remaining life expectancy as determined in the year of the spouse's death and reduced by 1 for each subsequent year, or, if distributions are being made over the period in paragraph (a)(iii) below, over such period.
  - (ii) the designated beneficiary is not the depositor's surviving spouse, the remaining interest will be distributed over the beneficiary's remaining life expectancy as determined in the year following the death of the depositor and reduced by 1 for each subsequent year, or over the period in paragraph (a)(iii) below if longer.
  - (iii) there is no designated beneficiary, the remaining interest will be distributed over the remaining life expectancy of the depositor as determined in the year of the depositor's death and reduced by 1 for each subsequent year.
- (b) If the depositor dies before the required beginning date, the remaining interest will be distributed in accordance with (i) below

or, if elected or there is no designated beneficiary, in accordance with (ii) below.

- (i) The remaining interest will be distributed in accordance with paragraphs (a)(i) and (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), starting by the end of the calendar year following the year of the depositor's death. If, however, the designated beneficiary is the depositor's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the depositor would have reached age 70 1/2. But, in such case, if the depositor's surviving spouse dies before distributions are required to begin, then the remaining interest will be distributed in accordance with (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), over such spouse's designated beneficiary's life expectancy, or in accordance with (ii) below if there is no such designated beneficiary.

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

4. If the depositor dies before his or her entire interest has been distributed and if the designated beneficiary is not the depositor's surviving spouse, no additional contributions may be accepted in the account.

5. The minimum amount that must be distributed each year, beginning with the year containing the depositor's required beginning date, is known as the "required minimum distribution" and is determined as follows:

- (a) The required minimum distribution under paragraph 2(b) for any year, beginning with the year the depositor reaches age 70 1/2, is the depositor's account value at the close of business on December 31 of the preceding year divided by the distribution period in the uniform lifetime table in Regulations section 1.401(a)(9)-9. However, if the depositor's designated beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the depositor's account value at the close of business on December 31 of the preceding year divided by the number in the joint and last survivor table in Regulations section 1.401(a)(9)-9. The required minimum distribution for a year under this paragraph (a) is determined using the depositor's (or, if applicable, the depositor and spouse's) attained age (or ages) in the year.
- (b) The required minimum distribution under paragraphs 3(a) and 3(b)(i) for a year, beginning with the year following the year of the depositor's death (or the year the depositor would have reached age 70 1/2, if applicable under paragraph 3(b)(i)) is the account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table in Regulations section 1.401(a)(9)-9) of the individual specified in such paragraphs 3(a) and 3(b)(i).
- (c) The required minimum distribution for the year the depositor reaches age 70 1/2 can be made as late as April 1 of the following year. The required minimum distribution for any other year must be made by the end of such year.

6. The owner of two or more traditional IRAs may satisfy the minimum distribution requirements described above by taking from one traditional IRA the amount required to satisfy the requirement for another in accordance with the regulations under section 408(a)(6).

**Article V.**

1. The depositor agrees to provide the custodian with all information necessary to prepare any reports required by section 408(i) and Regulations sections 1.408-5 and 1.408-6.

2. The custodian agrees to submit to the Internal Revenue Service (IRS) and depositor the reports prescribed by the IRS.

**Article VI.** Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through III and this sentence will be controlling. Any additional articles inconsistent with section 408(a) and the related regulations will be invalid.

**Article VII.** 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 persons whose signatures appear on the Application that accompanies this agreement.

**Article VIII.**

**8.01 Your IRA Documents.** This Internal Revenue Service (IRS) Forms 5305 series agreement for traditional IRAs, amendments, application, beneficiary designation, disclosure statement, and other documentation, if any, set forth the terms and conditions governing your individual retirement account (IRA) and your or, after your death, your beneficiary's relationship with us. Articles I through VII of the IRS 5305 agreement have been reviewed and approved by the IRS. The disclosure statement sets forth various IRA rules in simpler language. Unless it would be inconsistent to do so, words and phrases used in this document should be construed so the singular includes the plural and the plural includes the singular.

**8.02 Definitions.** This agreement refers to you as the depositor, and us as the custodian. References to "you," "your," and "IRA owner" will mean the depositor, and "we," "us," and "our" will mean the custodian. The terms "you" and "your" will apply to you. In the event you appoint a third party, or have a third party appointed on your behalf, to handle certain transactions affecting your IRA, such agent will be considered "you" for purposes of this agreement. Additionally, references to "IRA" will mean the custodial account.

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

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

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

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

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

**8.08 Disqualifying Provisions.** Any provision of this agreement that would disqualify the IRA will be disregarded to the extent necessary to maintain the account as an IRA.

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

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

We are not responsible for determining whether any contributions or distributions comply with this agreement or the federal laws governing retirement plans. We are not responsible for any taxes, judgments, penalties or expenses incurred in connection with your IRA, or any losses that are a result of events beyond our control. We have no responsibility to process transactions until after we have received appropriate direction and documentation, and we have had a reasonable opportunity to process the transactions. We are not responsible for interpreting or directing beneficiary designations or divisions, including separate accounting, court orders, penalty exception determinations, or other similar situations.

**8.11 Investment of IRA Assets.**

**(a) Investment of Contributions.** You may invest IRA contributions in any IRA investments we offer. If you fail to provide us with investment direction for a contribution, we will return or hold all or part of such contribution based on our policies and procedures. We will not be responsible for any loss of IRA income associated with your failure to provide investment direction.

**(b) Directing Investments.** All investment directions must be in a format or manner acceptable to us. You may invest in any IRA investments that you are qualified to purchase, and that we are authorized to offer and do offer at the time of the investment selection, and that are acceptable under the applicable laws governing retirement plans. Your IRA investments will generally be registered in our name or our nominee's name (if applicable) for the benefit of your IRA.

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

**(d) Qualifying Longevity Annuity Contract (QLAC).** A QLAC is an investment vehicle and payout option we may choose to allow or purchase on your behalf. In summary, a QLAC is an annuity contract purchased from an insurance company that provides a delayed annuity payment starting date which will be after your required beginning date but must begin no later than the first day of the month following your 85th birthday. Premiums paid from your IRA to purchase a QLAC are limited to the lesser of: \$135,000 (subject to annual cost-of-living adjustments) or 25% of your aggregated traditional (including SEP) and SIMPLE IRA balances. The \$135,000 limit is also reduced by the amount of premium you paid from an employer-sponsored retirement plan (i.e., 401(k) plan) to purchase a QLAC. We may rely on your

representations that premiums paid for your QLAC(s) in other IRAs or employer plans do not exceed the \$135,000 limit nor exceed 25% of aggregated IRA balances. Please refer to the Disclosure Statement for additional QLAC information.

**8.12 Distributions.** Withdrawal requests must be in a format acceptable to us, or on forms provided by us. We may require you, or your beneficiary after your death, to elect a distribution reason, provide documentation, and provide a proper tax identification number before we process a distribution. These withdrawals may be subject to taxes, withholding, and penalties. Distributions will generally be in cash or in kind based on our policies. In-kind distributions will be valued according to our policies at the time of the distribution.

Required minimum distributions will be based on Treasury Regulations 1.401(a)(9) and 1.408-8 in addition to our then current policies and procedures. The required minimum distribution regulations are described within the Disclosure Statement. In the event you, or your beneficiary after your death, fail to take a required minimum distribution we may do nothing, distribute your entire IRA balance, or distribute the amount of your required minimum distribution based on our own calculation.

**8.13 Cash or In-Kind Contributions.** We may accept transfers, rollovers, recharacterizations, and other similar contributions in cash or in kind from other IRAs, eligible retirement plans, and as allowed by law. Prior to completing such transactions we may require that you provide certain information in a format acceptable to us. In-kind contributions will be valued according to our policies and procedures at the time of the contribution.

**8.14 Reports and Records.** We will maintain the records necessary for IRS reporting on this IRA. Required reports will be provided to you, or your beneficiary after your death, and the IRS. If you believe that your report is inaccurate or incomplete you must notify us in writing within 30 days following the receipt date. Your investments may require additional state and federal reporting.

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

**8.16 Our Resignation.** We can resign at any time by providing you with 30 days written notice prior to the resignation date, or within five days of our receipt of your written objection to an amendment. In the event you materially breach this agreement, we can terminate this agreement by providing you with five days prior written notice. Upon our resignation, you must appoint a qualified successor custodian or trustee. Your IRA assets will be transferred to the successor custodian or trustee once we have received appropriate direction. Transfers will be completed within a reasonable time following our resignation notice and the payment of your remaining IRA fees or expenses. At the time of resignation we may retain the sum necessary to cover any fees and expenses, taxes, or investment penalties. If you fail to provide us with acceptable transfer direction within 30 days from the date of the notice, we can transfer the assets to a successor custodian or trustee of our choice, distribute the assets to you in kind, or liquidate the assets and distribute them to you in cash.

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

**8.18 Folio as Broker-Dealer.** In establishing this IRA, you also are establishing a brokerage relationship with Folio and this agreement is a part of and is incorporated into the Folio Customer Agreement applicable to this IRA. Investment instructions with respect to your IRA are to be provided to Folio in the form and manner acceptable to Folio.

**8.19 Folio as Our Agent.** Folio has been designated as our agent and will maintain the required records of account documentation, transactions and tax reporting. All assets in the IRA will be registered for your benefit under our name as your designated nominee custodian and Folio as sub-custodian.

**8.20 SEP-IRA.** If your IRA is used as a SEP-IRA because your employer maintains a Simplified Employee Pension ("SEP") plan and makes SEP contributions to your IRA, it is solely your responsibility to retain your employer's SEP plan document and/or disclosures and to confirm with your employer that SEP-IRA contributions made to your IRA are appropriate. Folio's sole responsibility is to receive and record keep designated SEP contributions made to your IRA by your employer. Your IRA cannot be used to fund an active Salary Deferral SEP or "SARSEP".

**8.21 Authority of Folio to Appoint a New Custodian.** Pursuant to our relationship with Folio, Folio has the authority to remove us and appoint a new custodian of your IRA upon 30 days advance written notice to you. Folio as the the broker-dealer on your IRA also has the authority to amend the terms and conditions applicable to your IRA in any respect and at any time and such modified terms and conditions shall be applicable to your IRA by virtue of your brokerage relationship with Folio.

# IRS FORM 5305-A INSTRUCTIONS (Rev. 4-2017)

## General Instructions

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

### Purpose of Form

Form 5305-A is a model custodial account agreement that meets the requirements of section 408(a). However, only Articles I through VII have been reviewed by the IRS. A traditional individual retirement account (traditional IRA) is established after the form is fully executed by both the individual (depositor) and the custodian. To make a regular contribution to a traditional IRA for a year, the IRA must be established no later than the due date of the individual's income tax return for the tax year (excluding extensions). This account must be created in the United States for the exclusive benefit of the depositor and his or her beneficiaries.

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

For more information on IRAs, including the required disclosures the custodian must give the depositor, see **Pub. 590-A**, Contributions to Individual Retirement Arrangements (IRAs), and **Pub. 590-B**, Distributions from Individual Retirement Arrangements (IRAs).

### Definitions

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

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

**Traditional IRA for Nonworking Spouse**  
Form 5305-A may be used to establish the IRA custodial account for a nonworking spouse.

Contributions to an IRA custodial account for a nonworking spouse must be made to a separate IRA custodial account established by the nonworking spouse.

## Specific Instructions

**Article IV.** Distributions made under this article may be made in a single sum, periodic payment, or a combination of both. The distribution option should be reviewed in the year the depositor reaches age 70 1/2 to ensure that the requirements of section 408(a)(6) have been met.

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

# TRADITIONAL IRA DISCLOSURE STATEMENT

**Right to Revoke Your IRA.** With some exceptions, you have the right to revoke this individual retirement account (IRA) within seven days of receiving this Disclosure Statement. If you revoke your IRA, we will return your entire IRA contribution without any adjustment for items such as sales commissions, administrative expenses, or fluctuation in market value. Exceptions to your right of revocation include that you may not revoke an IRA established with a recharacterized contribution, nor do you have the right to revoke upon amendment of this agreement.

You may revoke your IRA by providing us with written notice. The revocation notice may be mailed by first-class mail, or hand delivered to us. If your notice is mailed by first-class, postage pre-paid mail, the revocation will be deemed mailed on the date of the postmark.

If you have any questions or concerns regarding the revocation of your IRA, please contact us as follows: Folio Investments, Inc., 8180 Greensboro Drive, 8th Floor, McLean, VA 22102, 1-888-973-7890 or support@folioinvesting.com.

**This Disclosure Statement.** This Disclosure Statement provides you, and your beneficiaries after your death, with a summary of the rules and regulations governing this IRA.

**Definitions.** The IRS Forms 5305 series agreement for traditional IRAs contains a definitions section. The definitions found in such section apply to this agreement. The IRS refers to you as the depositor, and us as the custodian. References to "you," "your," and "IRA owner" will mean the depositor, and "we," "us," and "our" will mean the custodian. The terms "you" and "your" will apply to you. In the event you appoint a third party, or have a third party appointed on your behalf to handle certain transactions affecting your IRA, such third party will be considered your agent and, therefore, "you" for purposes of this agreement. Additionally, references to "IRA" will mean the custodial account.

**For Additional Guidance.** It is in your best interest to seek the guidance of a tax or legal professional before completing any IRA establishment documents. For more information, you can also refer to IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*, instructions to your federal income tax return, or the IRS's web site at [www.irs.gov](http://www.irs.gov).

## IRA Restrictions and Approval.

- 1. IRS Form 5305 or 5305-A Agreement.** This Disclosure Statement and the IRS Forms 5305 series agreement, amendments, application, and additional provisions set forth the terms and conditions governing your traditional IRA. Such documents are the agreement.
- 2. Individual/Beneficiary Benefit.** This IRA must be for the exclusive benefit of you, and upon your death, your beneficiaries. The IRA must be established in your name and not in the name of your beneficiary, living trust, or another party or entity.
- 3. Beneficiary Designation.** By completing the appropriate section on the corresponding IRA application you may designate any person(s) as your beneficiary to receive your IRA assets upon your death. You may also change or revoke an existing designation in such manner and in accordance with such rules as we prescribe for this purpose. If there is no beneficiary designation on file at the time of your death, or if none of the beneficiaries on file are alive at the time of your death, your IRA assets will be paid to your estate. We may rely on the latest beneficiary designation on file at the time of your death, will be fully protected in doing so, and will have no liability whatsoever to any person making a claim to the IRA assets under a subsequently filed designation or for any other reason.
- 4. Cash Contributions.** Regular or annual IRA contributions must be in cash, which may include a check, money order, or wire transfer. It is within our discretion to accept in-kind contributions for rollovers, transfers, or recharacterizations.
- 5. IRA Custodian.** An IRA custodian must be a bank, federally insured credit union, savings and loan association, trust company, or other entity, which is approved by the Secretary of the Treasury to act as an IRA custodian.
- 6. Prohibition Against Life Insurance and Commingling.** None of your IRA assets may be invested in life insurance contracts, or commingled with other property, except in a common trust fund or common investment fund.

- 7. Nonforfeitable.** The assets in your IRA are not forfeitable.
- 8. Collectibles.** Generally, none of your IRA assets may be invested in collectibles, including any work of art, rug, or antique, metal or gem, stamp or coin, alcoholic beverage, or any other tangible personal property. If we allow, you may invest your IRA assets in the following coins and bullion: certain gold, silver, and platinum coins minted by the United States; a coin issued under the laws of any state; and any gold, silver, platinum, and palladium bullion of a certain fineness, and only if such coins and bullion are held by us. For additional guidance on collectibles, see Section 408(m) of the Internal Revenue Code (IRC).
- 9. Cash or In-Kind Rollovers.** You may be eligible to make a rollover contribution, in cash or in kind, to an IRA or certain employer-sponsored eligible retirement plans. Rollovers to and from IRAs and eligible retirement plans are described in greater detail elsewhere in this Disclosure Statement.
- 10. Required Minimum Distribution (RMD) Rules.** Your IRA is subject to the RMD rules summarized in this agreement.
- 11. No Prohibited Transactions.** If your account stops being an IRA because you or your beneficiary engaged in a prohibited transaction, the account is treated as distributing all its assets to you at their fair market values on the first day of the year. If the total of those values is more than your basis in the IRA, you will have a taxable gain that is includible in your income.
- 12. No Pledging.** If you use a part of your IRA as security for a loan, that part is treated as a distribution and is included in your gross income. You may have to pay the 10% additional tax on early distributions.
- 13. IRS Approval of Form.** This agreement includes an IRS Forms 5305 series agreement. Articles I through VII of this IRS agreement have been reviewed and approved by the IRS. This approval is not a determination of its merits, and not an endorsement of the investments provided by us, or the operation of the IRA. Article VIII of this IRS agreement contains additional contract provisions that have not been reviewed or approved by the IRS.
- 14. State Laws.** State laws may affect your IRA in certain situations, including deductions, beneficiary designations, agency relationships, spousal consent, unclaimed property, taxes, tax withholding, and reporting.

## IRA Eligibility and Contributions.

- 1. Regular or Annual IRA Contribution.** An annual contribution, commonly referred to as a regular contribution, is your contribution for the tax year, and is based on your and your spouse's compensation if filing jointly. Your designation of the tax year for your contribution is irrevocable. You may direct all or a portion of any tax refund directly to an IRA, up to your annual contribution limit.  
If you are married and file a joint federal income tax return, you or your spouse may make a contribution on your behalf for that tax year if you or your spouse have compensation. This contribution must be made into your IRA, and it cannot exceed the contribution limits applicable to regular IRA contributions. You may make a regular IRA contribution even if you are age 70 1/2 or older during a tax year.
- 2. Compensation for Eligibility.** You are eligible to contribute to your IRA if you have compensation (also referred to as earned income).  
Common examples of compensation include wages, salary, tips, bonuses, and other amounts received for providing personal services, and earned income from self-employment. Compensation does not include earnings and profits from property such as dividends, interest, or capital gains, or pension, annuity, or deferred compensation plan amounts.
- 3. Catch-Up Contributions.** Catch-up contributions are regular IRA contributions made in addition to any other regular IRA contributions. You are eligible to make catch-up contributions if you meet the eligibility requirements for regular contributions and you attain age 50 by the end of the taxable year for which a catch-up contribution is being made.

4. **SEP and SIMPLE IRA Contributions.** Your employer may make simplified employee pension (SEP) plan contributions to this IRA in addition to your own regular IRA contributions. Your employer is responsible for verifying the SEP eligibility requirements and determining the SEP contribution amount. This IRA cannot accept Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) IRA contributions from your employer.

5. **Maximum Contribution Limits.** Your regular (including catch-up) IRA contributions are limited to the lesser of 100 percent of your and your spouse's compensation if filing jointly or the dollar amounts set forth on the following chart:

Contribution Tax Year	Regular Contribution Limit	Catch-Up Contribution Limit	Total Contribution Limit
2020	\$6,000	\$1,000	\$7,000
2021	\$6,000	\$1,000	\$7,000
2022 and later years	\$6,000 + COLA*	\$1,000	\$7,000 + COLA*

\* The regular IRA contribution limits are subject to annual cost-of-living adjustments (COLAs), if any.

6. **Contribution Deadline.** You may make regular (including catch-up) IRA contributions any time for a taxable year up to and including your federal income tax return due date, excluding extensions, for that taxable year. The due date for most taxpayers is April 15. The deadline may be extended or postponed in some situations. Examples of postponed contributions include a federally declared disaster, a terroristic or military action, or service in a hazardous duty area or combat zone.

7. **Roth IRA and Traditional IRA Contribution Limit.** Your combined regular (including catch-up) traditional IRA and Roth IRA contributions may not exceed the maximum contribution limit set forth in the previous chart.

**Tax Deductions.** Tax deductions apply only to your regular (including catch-up) IRA contribution amount, and the deduction may never exceed your maximum regular (including catch-up) contribution amount for the contribution year. Your deduction depends on whether you and your spouse (if applicable) are active participants, and your modified adjusted gross income (MAGI). Your MAGI is your adjusted gross income from your federal income tax return for the contribution year with certain subtractions and additions. For more information on MAGI, see the instructions to your federal income tax return or IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*.

1. **Active Participant.** You could be an active participant in one of the following employer-sponsored retirement plans:

- a qualified pension, profit sharing, 401(k), money purchase pension, employee stock ownership plan, or stock bonus plan;
- a SEP plan;
- a SIMPLE IRA or SIMPLE 401(k) plan;
- a qualified annuity plan of an employer;
- a tax-sheltered annuity plan for employees of certain tax-exempt organizations or public schools;
- a Section 501(c)(18) trust;
- an H.R. 10 or Keogh plan (for self-employed individuals); or
- a plan for federal, state, or local government employees or by an agency or instrumentality thereof (other than a section 457(b) plan).

For assistance in determining whether you (or your spouse) are an active participant, see your employer or a tax or legal professional. IRS Form W-2, *Wage and Tax Statement*, as provided by your employer, should indicate whether you are an active participant.

2. **Deduction Limits.** If you are not an active participant, your entire regular contribution to your IRA is generally deductible. Your marital status may affect your deduction amount. If you are an active participant, the amount you can deduct depends on your MAGI for the tax year for which the contribution applies. The following chart shows how your active participant status and tax-filing status and MAGI affect your deduction. If you are an active participant, the greater your MAGI, the lesser the amount you may deduct.

Tax Year	MAGI THRESHOLDS							
	Filing Status							
	Single, Active Participant		Married, Filing Jointly, Active Participant		Married, Filing Separately, Active Participant		Married, Filing Jointly, Not an Active Participant, but Spouse is	
	Low End	High End	Low End	High End	Low End	High End	Low End	High End
2020	\$65,000	\$75,000	\$104,000	\$124,000	\$0	\$10,000	\$196,000	\$206,000
2021	\$66,000	\$76,000	\$105,000	\$125,000	\$0	\$10,000	\$198,000	\$208,000
2022 and later years	\$66,000*	\$76,000*	\$105,000*	\$125,000*	\$0	\$10,000	\$198,000*	\$208,000*

\* The MAGI thresholds are subject to annual cost-of-living adjustments, if any.

3. **Deduction Calculation.** If your MAGI is equal to or is less than the applicable Low End number in the chart based on your tax-filing status, then you may deduct your entire regular (including catch-up) IRA contribution. If your MAGI meets or exceeds the High End number, you may not deduct any portion of your contribution. If your MAGI is between the Low End and High End numbers, which is the phaseout range, see your tax or legal professional for assistance in determining your deduction amount. IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, and the instructions to your federal income tax return also contain helpful calculation information.

4. **Nondeductible Contributions.** You may make nondeductible contributions to your IRA if you are not able to, or choose not to, deduct your contributions. You report nondeductible contributions to the IRS on IRS Form 8606, *Nondeductible IRAs*, which is attached to your federal income tax return for the year of the contribution. Failure to report nondeductible contributions, or the overstatement of nondeductible contributions, may result in IRS penalties.

**Nonrefundable Tax Credit.** You may be eligible to take a tax credit for your regular IRA contributions. The credit is equal to a percentage of your qualified contributions up to \$2,000. The credit cannot exceed \$1,000 for any tax year, and is in addition to any deduction that may apply. To be eligible for the tax credit, you must be age 18 or older by the end of the applicable tax year, not a dependent of another taxpayer, not a full-time student, and satisfy certain restrictions on distributions.

**Moving Assets To and From IRAs.** There are a variety of transactions that allow you to move your retirement assets to and from your IRAs and certain other eligible retirement plans in cash or in kind based on our policies. We have sole discretion on whether we will accept, and how we will process, movements of assets to and from IRAs. We or any other financial organizations involved in the transaction may require documentation for such activities.

1. **IRA-to-IRA Transfers.** You may transfer all or a portion of your traditional IRA assets from one traditional IRA to another traditional IRA. An IRA transfer means that the IRA assets move from one IRA to another IRA in a manner that prevents you from cashing or liquidating the IRA assets, or even depositing the assets anywhere except in the receiving IRA. Transfers are not taxable or reportable, and the IRS does not impose timing or frequency restrictions on transfers. You may be required to complete a transfer authorization form prior to transferring your IRA assets.

2. **IRA-to-IRA Rollovers.** An IRA rollover is another way to move assets tax-free between IRAs. You may roll over all or a portion of your IRA assets by taking a distribution from an IRA and recontributing it as a rollover contribution into the same or another IRA. A rollover contribution is irrevocable. You must report your IRA rollover to the IRS on your federal income tax return. Your contribution may only be designated as a rollover if the IRA distribution is deposited within 60 calendar days following the date you receive the distributed assets. The 60-day period may be extended to 120 days for a first-time homebuyer distribution where there is a delay or cancellation in the purchase or construction of the home. You are limited to one rollover per 1-year (12-month) period. You may only roll over one IRA distribution per 1-year period aggregated between all of your IRAs. For this purpose IRA includes

rollovers among traditional (including SEP), SIMPLE, and Roth IRAs. For example, if you have IRA 1, IRA 2, and IRA 3, and take a distribution from IRA 1 and roll it over into a new IRA 4, you will have to wait 1 year from the date of that distribution to take another distribution from any of your IRAs and subsequently roll it over into an IRA. The 1-year limitation does not apply to rollovers related to first-time homebuyer distributions, distributions converted to a Roth IRA, and rollovers to or from an employer-sponsored eligible retirement plan.

3. **Rollovers and Transfers from SIMPLE IRAs.** You may not roll over or transfer assets from a SIMPLE IRA to a traditional IRA or other eligible retirement plan until two years have passed since the date on which you first participated in an employer's SIMPLE, which is the initial contribution date. If you participated in SIMPLEs of different employers, the initial contribution date and two-year period are determined separately for SIMPLE IRA assets from each employer.
4. **Rollovers to SIMPLE IRAs.** You may not roll over assets to a SIMPLE IRA from a traditional IRA or other eligible retirement plan until two years have passed since you first participated in an employer's SIMPLE, which is the initial contribution date. If you participated in SIMPLEs of different employers, the initial contribution date and two-year period are determined separately for SIMPLE IRA assets from each employer.
5. **Rollovers from Employer-Sponsored Eligible Retirement Plans.** You may directly or indirectly roll over assets from an eligible retirement plan, sponsored by your employer, into your IRA. Your plan administrator or employer is responsible for determining the amount of your assets in its eligible retirement plan that are eligible for rollover to an IRA or other eligible retirement plan.
  - a. **Eligible Retirement Plan.** Eligible retirement plans include qualified trusts under IRC Section 401(a), annuity plans under IRC Section 403(a), annuity contracts under IRC Section 403(b), and certain governmental IRC Section 457(b) plans. Common names for these plans include 401(k), profit sharing, pension, money purchase, federal thrift savings, and tax-sheltered annuity plans.
  - b. **Eligible Distribution.** Not all distributions from an employer-sponsored eligible retirement plan are eligible for rollover to an IRA. The most common distributions, which are not eligible for rollover, include RMDs, defaulted loans, substantially equal periodic payments as defined in IRC Section 402(c)(4)(A), distributions paid to nonspouse beneficiaries, and hardship distributions. Your employer determines which assets may not be rolled over, and must provide you with an IRC Section 402(f) notice of taxation, which explains the tax issues concerning distributions.
  - c. **Direct Rollover.** A direct rollover moves eligible retirement plan assets from your employer-sponsored eligible retirement plan to your IRA in a manner that prevents you from cashing or liquidating the plan assets, or even depositing the assets anywhere except in the receiving IRA. A direct rollover is reported to the IRS but, if properly completed, the transaction is not subject to tax or penalty. There are no IRS limitations, such as the 60-day period or one per 1-year limitation, on direct rollovers. This agreement should not be used for a direct rollover from an eligible retirement plan to an inherited traditional IRA.
  - d. **Indirect Rollover and Withholding.** An indirect rollover begins with a plan distribution made payable to you. If you receive distributions during the tax year totaling more than \$200, your employer is required to withhold 20 percent on the taxable portion of your eligible rollover distribution as a prepayment of federal income taxes on distributions. You may make up the 20 percent withholding from your own funds at the time you deposit the distribution into an IRA. If the 20 percent is not made up at the time you deposit your distribution into an IRA, that portion is generally treated as taxable income. If you are younger than age 59 1/2, you are subject to a 10 percent early-distribution penalty

tax on the taxable amount of the distribution that is not rolled over, unless a penalty tax exception applies. Your distribution is only eligible to be contributed to an IRA during the 60 days following your receipt of a plan distribution. There may be exceptions to completing the rollover within 60 days. For example, exceptions for making a late rollover are available for rolling over the return of an improper tax levy as well as for rolling over qualified plan loan offset amounts. Generally, these exceptions permit amounts to be rolled over until the tax-filing due date of the year in which such amounts are, for example, returned or treated as distributed. Your decision to contribute the assets to the IRA as a rollover contribution is irrevocable. The one per 1-year limitation does not apply to rollovers from employer-sponsored eligible retirement plans. State withholding may apply to eligible rollover distributions.

- e. **Separate or Conduit IRA.** In certain cases, it may be to your benefit to make the rollover contribution into a separate or conduit IRA. Conduit IRAs can provide individuals with a means of tracking IRA assets from different sources, which may be subject to certain restrictions or favorable tax treatment.
6. **Extension of the 60-Day Period.** The Secretary of the Treasury may extend the 60-day period for completing rollovers in certain situations such as casualty, disaster, or other events beyond the reasonable control of the individual who is subject to the 60-day period. The IRS also provides for a self-certification procedure for making a late rollover (subject to verification by the IRS) that you may use to claim eligibility for an extension with respect to a rollover into an IRA. It provides that we may rely on the certification provided by you in accepting and reporting receipt of a rollover contribution after the 60-day period (i.e., a late rollover) if we don't have actual knowledge that is contrary to the self-certification.
7. **Traditional IRA to Employer-Sponsored Eligible Retirement Plans.** You may directly or indirectly roll over a taxable distribution from your IRA to an employer-sponsored eligible retirement plan which accepts rollover contributions. Nontaxable or nondeductible IRA assets may not be rolled over into employer-sponsored eligible retirement plans. You can generally roll over, to employer-sponsored eligible retirement plans, only the aggregate taxable balance in all of your traditional IRAs and SIMPLE IRAs. The one per 1-year limitation does not apply to these rollovers.
8. **Transfers Due to Divorce.** Your former spouse, pursuant to a divorce decree or legal separation order, may transfer assets from your traditional IRA to his/her traditional IRA.
9. **Repayment of a Qualified Reservist Distribution.** If you are a qualified reservist ordered or called to active duty after September 11, 2001 for more than 179 days (or for an indefinite period), and take an IRA distribution or take certain elective deferrals from an eligible retirement plan after September 11, 2001, and before the end of your active duty, you may make one or more contributions of these assets to your IRA within two years of the end of your active duty.
10. **Repayment of a Qualified Birth or Adoption Distribution.** You may take a distribution of up to \$5,000 for a qualified birth or adoption within one year of the birth or from when the adoption is finalized. Such a distribution may be repaid to the IRA.

#### **Movement of Assets Between Traditional and Roth IRAs.**

1. **Traditional IRA to Roth IRA Conversions.** You may convert all or a portion of your traditional IRA assets to a Roth IRA. Your conversion assets (excluding prorated nondeductible contributions) are subject to federal income tax. Your conversion must be reported to the IRS. The 10 percent early-distribution penalty tax does not apply to conversions. If you elect to convert your assets using a rollover transaction, the 60-day rule applies. The one per 1-year limitation does not apply to conversions.
2. **Traditional IRA and Roth IRA Recharacterizations.** You may recharacterize, or choose to treat all or a portion of your regular (including catch-up) traditional IRA contribution as a regular Roth



IRA contribution. Similarly, you may recharacterize your regular (including catch-up) Roth IRA contribution as a regular traditional IRA contribution. A recharacterization election is irrevocable. You must complete a recharacterization no later than your federal income tax-filing due date, including extensions, for the year you make the initial contribution. If you timely file your federal income tax return, you may still recharacterize as late as October 15 for calendar year filers. Recharacterizations must occur by transfer, which means that the assets, adjusted for gains and losses on the recharacterized amount, must be transferred into another IRA. The recharacterized contribution is treated as though you deposited it into the second IRA on the same day you actually deposited it in the first IRA. Recharacterization transactions are reported to the IRS. The election to recharacterize may be completed on your behalf after your death. A written notice of recharacterization is required for recharacterization transactions.

**IRA Distributions.** You or, after your death, your beneficiary may take an IRA distribution, in cash or in kind based on our policies, at any time. However, depending on the timing and amount of your distribution you may be subject to income taxes or penalty taxes.

- 1. Removal of Excess Contributions.** You may withdraw all or a portion of your excess contribution and attributable earnings by your federal income tax return due date, including extensions, for the taxable year for which you made the contribution. The excess contribution amount distributed will not be taxable, but the attributable earnings on the contribution will be taxable in the year in which you made the contribution and may be subject to the 10 percent early-distribution penalty tax. In certain situations, you may treat your excess as a regular (including catch-up) IRA contribution for the next year. If you timely file your federal income tax return, you may still remove your excess contribution, plus attributable earnings, as late as October 15 for calendar year filers.
- 2. Distributions of Unwanted IRA Contributions by Tax-Filing Date.** You may withdraw all or a portion of your regular (including catch-up) IRA contribution and attributable earnings in the same manner as an excess contribution. However, you cannot apply your unwanted contribution as a regular IRA contribution for a future year. The unwanted contribution amount distributed will not be taxable, but the attributable earnings on the contribution will be taxable in the year in which you made the contribution, and may be subject to the 10 percent early-distribution penalty tax. If you timely file your federal income tax return, you may still remove your unwanted contribution, plus attributable earnings, as late as October 15 for calendar year filers.
- 3. Distribution of Nondeductible and Nontaxable Contributions.** If any of your traditional IRAs or SIMPLE IRAs contain nondeductible contributions or rollovers of nontaxable distributions from employer-sponsored eligible retirement plans, any distributions you take from any of your traditional IRAs or SIMPLE IRAs, that are not rolled over, will return to you a proportionate share of the taxable and nontaxable balances in all of your traditional IRAs and SIMPLE IRAs at the end of the tax year of your distributions. IRS Form 8606, *Nondeductible IRAs*, has been specifically designed to calculate this proportionate return. You must complete IRS Form 8606 each year you take distributions under these circumstances, and attach it to your tax return for that year to validate the nontaxable portion of your IRA distributions reported for that year.
- 4. Qualified Health Savings Account (HSA) Funding Distribution.** If you are an HSA eligible individual, you may elect to take a qualified HSA funding distribution from your IRA (not including ongoing SEP and SIMPLE IRAs) to the extent such distribution is contributed to your HSA in a trustee-to-trustee transfer. This amount is aggregated with all other annual HSA contributions and is subject to your annual HSA contribution limit. A qualified HSA funding distribution election is irrevocable and is generally available once in your lifetime. A testing period applies. The testing period for this provision begins with the month of the contribution to your HSA and ends on the last day of the 12th month following such month. If you are not an eligible individual for the entire testing period, unless

you die or become disabled, the amount of the distribution made under this provision will be includable in gross income for the tax year of the month you are not an eligible individual, and is subject to a 10 percent penalty tax.

- 5. Qualified Charitable Distributions (QCD).** If you have attained age 70 1/2, you may be able to make tax-free distributions directly from your IRA to a qualified charitable organization. However, you must track the amount of all deductible contributions made for tax years while age 70 1/2 or older and then reduce the QCD claimed by those prior deductible contributions. Tax-free distributions are limited to \$100,000. Qualified charitable distributions are not permitted from an on-going SEP or SIMPLE IRA. Consult with your tax or legal professional regarding tax-free charitable distributions.

#### **RMDs For You.**

- 1. After Age 72.** Your first RMD must be taken by April 1 following the year you attain age 72, which is your required beginning date (RBD). For tax years 2019 and earlier, the law required you to take your first RMD by April 1 following the year you attained age 70 1/2. Second year and subsequent distributions must be taken by December 31 of each such year. An RMD is taxable in the calendar year you receive it.
- 2. Distribution Calculations.** Your RMD will generally be calculated by dividing your previous year-end adjusted balance in your IRA by a divisor from the uniform lifetime table provided by the IRS. This table is indexed to your age attained during a distribution year. This table is used whether you have named a beneficiary and regardless of the age or type of beneficiary you may have named. However, if for any distribution year, you have as your only named beneficiary for the entire year, your spouse, who is more than ten years younger than you, the uniform lifetime table will not be used. To calculate your RMD for that year, you will use the ages of you and your spouse at the end of that year to determine a joint life expectancy divisor from the IRS' s joint and last survivor table. This will be the case even if your spouse dies, or you become divorced and do not change your beneficiary, during that year. The fair market value of a qualifying longevity annuity contract (QLAC) is not included in the adjusted balance for RMD calculations.
- 3. Failure to Withdraw an RMD.** If you do not withdraw your RMD by its required distribution date, you will owe a 50 percent excess accumulation penalty tax on the amount not withdrawn. You can always take more than your RMD in any year but no additional amounts taken can be credited to a subsequent year's RMD.
- 4. Multiple IRAs.** If you have more than one traditional IRA or SIMPLE IRA you must calculate a separate RMD for each one. You may, however, take the aggregate total of your RMDs from any one or more of your personal traditional IRAs (including SEP IRAs) or SIMPLE IRAs.
- 5. No Rollovers of RMDs.** An RMD must be satisfied before you can roll over any portion of your IRA account balance. The first distributions made during a year will be considered RMDs and can be satisfied by earlier distributions from your other traditional IRAs (including SEP IRAs) or SIMPLE IRAs that are aggregated. Any RMD that is rolled over will be fully taxable and considered an excess contribution until corrected.
- 6. Transfers of RMDs.** Transfers are not considered distributions. You can transfer any portion of your traditional IRA or SIMPLE IRA at any time during the year provided you satisfy your aggregate RMDs before the end of the distribution year.
- 7. Qualifying Longevity Annuity Contract (QLAC).** The fair market value of any QLAC you hold in this IRA is not included in determining your adjusted account balance when calculating your RMD. If, however, you make an excess premium payment (premium payment that causes you to exceed the \$135,000 (as adjusted) or 25% of balance limitations) and the excess premium is returned to the non-QLAC portion of your IRA after the valuation date to determine the next year's RMD, such amount is added to the adjusted account balance used for the year of the return to calculate your RMD.

**RMDs For Your Beneficiaries.** You can designate specific individuals or other entities—including, but not limited to, an estate, a trust, or a charitable organization—as your IRA death beneficiaries. The named beneficiaries that survive inherit any assets remaining in the IRA after your death. Different types of beneficiaries may have different options available.

**1. Types of Beneficiaries.** The different types of beneficiaries are designated beneficiaries, eligible designated beneficiaries and those that are not designated beneficiaries. Different types of beneficiaries will have different rules—and in some cases options or elections—and distribution periods available.

**2. Designated Beneficiary.** A designated beneficiary is any individual you name as a beneficiary who has an interest in your IRA on the determination date, which is September 30 of the year following the year of your death. Certain qualifying trusts can also be a designated beneficiary. For a qualifying trust to be a designated beneficiary, the qualifying trust beneficiaries must be designated beneficiaries.

If your beneficiary is a designated beneficiary who is not an eligible designated beneficiary, such beneficiary will have to follow the ten-year rule and is required to remove all assets from the IRA by December 31 of the tenth year following the year of your death.

**3. Eligible Designated Beneficiary.** An 'eligible designated beneficiary' is a designated beneficiary who is: 1) the IRA owner's surviving spouse; 2) an IRA owner's minor child (through the age of majority); 3) disabled (as defined by law); 4) a chronically ill individual (as defined by law); or 5) an individual who is not more than 10 years younger than the IRA owner. Certain qualifying trusts can also be an eligible designated beneficiary. For a qualifying trust to be an eligible designated beneficiary, the qualifying trust beneficiaries must be eligible designated beneficiaries.

**a. Spouse Beneficiary.** Your spouse may have the option of distributing the IRA assets over a single life expectancy period or within ten years (the ten-year rule). Your spouse may alternatively choose to treat the entire interest (all of the account) of the IRA as his/her own IRA.

Under the single life expectancy, if your spouse is your only designated beneficiary on the determination date, or if there are multiple designated beneficiaries and separate accounting applies, he/she will use his/her age each year to determine the life expectancy divisor for calculating that year's RMD. If your spouse is the only designated beneficiary, or if there are multiple designated beneficiaries and separate accounting applies, and you die before your RBD, your surviving spouse can postpone commencement of his/her RMDs until the end of the year in which you would have attained age 72. If you die on or after your RBD, your surviving spouse will use the longer of his/her single life expectancy, determined each year after the year of death using his/her attained age, or your remaining single life expectancy determined in your year of death and reduced by one each subsequent year.

If your spouse chooses the ten-year rule, he/she is required to remove all assets from the IRA by December 31 of the tenth year following the year of your death.

If your spouse is the only designated beneficiary, or if there are multiple designated beneficiaries and separate accounting applies, he/she can treat your IRA as his/her own IRA after your death even if he/she had chosen one of the options above. This generally happens after any of your remaining RMD amount for the year of your death has been distributed.

Your spouse beneficiary can take a distribution of part or all of his/her share of your IRA and roll it over to an IRA of his/her own, less that year's RMD.

**b. Eligible Designated Beneficiary Who is Your Minor Child.** If your beneficiary is an eligible designated beneficiary who is your minor child, he/she has the option of taking distribution of the IRA assets over a single life expectancy period or within ten years. However, upon reaching the age of majority, he/she must take out any remaining interest in the IRA assets within ten years

after such date. The age of majority is an issue determined by state law.

**c. Eligible Designated Beneficiary (Other than a Surviving Spouse or Minor Child).** If your beneficiary is an eligible designated beneficiary who is someone other than your surviving spouse or your minor child, he/she has the option of taking distribution of the IRA assets over a single life expectancy period or within ten years.

If such a beneficiary chooses the single life expectancy option to calculate his/her RMD, the life expectancy divisor used may depend on whether your death occurs before or on or after your RBD. If your death occurred before your RBD, the beneficiary uses his/her age at the end of the year following the year of death to determine the initial single life expectancy divisor and reduces this number by one for each following year's RMD calculation. However, if you die on or after your RBD, your beneficiary uses the longer of your remaining life expectancy, determined in your year of death and reduced by one in each subsequent year, or your beneficiary uses his/her life expectancy in the year following the year of your death, reduced by one for each subsequent year.

If such a beneficiary chooses the ten-year rule, he/she is required to remove all assets from the IRA by December 31 of the tenth year following the year of your death.

**4. Not a Designated Beneficiary.** A beneficiary that is not a designated beneficiary includes a nonindividual that is an estate, charitable organization, or nonqualified trust. If your beneficiary is not a designated beneficiary and you die before your RBD, such a beneficiary is required to remove all assets from the IRA by December 31 of the fifth year following the year of your death (the five-year rule). If you die on or after your RBD, such a beneficiary must use your remaining single life expectancy to calculate the RMD. Your remaining single life expectancy divisor is determined in the year of your death using your age at the end of that year and then reducing the divisor by one for each subsequent year's calculation.

**5. Beneficiary Determination.** Named beneficiaries who completely distribute their interests in your IRA, or completely disclaim their interests in your IRA under IRC Section 2518, will not be considered when designated beneficiaries are determined. Named beneficiaries who die after your death but before the determination date (September 30 of the year following the year of your death) will still be considered for the sake of determining the distribution period. If any named beneficiary that is not an individual, such as an estate or charity, has an interest in your IRA on the determination date, and separate accounting does not apply, your IRA will be treated as having no designated beneficiary (i.e., not a designated beneficiary).

**6. Qualifying Trusts.** If you name a qualifying trust, which is defined in Treasury Regulation 1.401(a)(9)-4, Q&A 5, as your IRA beneficiary, the beneficiaries of the qualifying trust are treated as the beneficiaries of your IRA for purposes of determining the appropriate distribution period. A qualifying trust provides documentation of its beneficiaries to the trustee.

**7. Successor Beneficiaries.** Our policy may allow your beneficiaries to name their own successor beneficiaries to your IRA. A successor beneficiary would receive any of your IRA assets that remain after your death and the subsequent death of your beneficiaries. Generally, the beneficiary will have to distribute all the remaining IRA assets within a ten-year period.

**8. Separate Accounting (Multiple Beneficiaries).** Our policies may permit separate accounting to be applied to your IRA for the benefit of your beneficiaries. If permitted, separate accounting must be applied in accordance with Treasury Regulation 1.401(a)(9)-8, Q&A 2 and 3. If there are multiple beneficiaries, a beneficiary is considered the only beneficiary of their share of the IRA assets if separate accounting applies. If separate accounting applies, the rules above apply based on the type of beneficiary (i.e., designated beneficiary, eligible designated beneficiary, not a designated beneficiary).

**9. Qualifying Longevity Annuity Contract (QLAC).** The terms of a QLAC you hold in this IRA may or may not provide a death benefit. The QLAC may permit death benefits in the form of a life annuity or a return of premiums. If your QLAC has a return of premium feature as a death benefit, the premium returned to your beneficiary is the RMD amount if your death occurs after the RBD. The return of premium amount is the difference between the premiums paid for the QLAC and the amounts paid to you. The return of premium amount must be distributed to the beneficiary by the end of the calendar year following the year of death. If your death occurs before the RBD, a return of premium death benefit will be added to your IRA and must be taken in accordance with the beneficiary rules described earlier. If the death benefit under the terms of the QLAC is a life annuity, your beneficiary will receive annuity payments for life.

#### **Federal Income Tax Status of Distributions.**

- 1. Taxation.** IRA distributions which are not rolled over will be taxed as income in the year distributed except for the portion of your aggregate SIMPLE IRA and traditional IRA distributions that represents your nondeductible contributions or nontaxable rollover amounts. You may also be subject to state or local taxes and withholding on your IRA distributions.
- 2. Earnings.** Earnings, including gains and losses, on your IRA will not be subject to federal income taxes until they are considered distributed.
- 3. Ordinary Income Taxation.** Your taxable IRA distribution is usually included in gross income in the distribution year. IRA distributions are not eligible for special tax treatments, such as ten year averaging, that may apply to other employer-sponsored retirement plan distributions.

**Estate and Gift Tax.** The designation of a beneficiary to receive IRA distributions upon your death will not be considered a transfer of property for federal gift tax purposes. Upon your death, the value of all assets remaining in your IRA will usually be included in your gross estate for estate tax purposes, regardless of the named beneficiary or manner of distribution. There is no specific estate tax exclusion for assets held within an IRA. After your death, beneficiaries should pay careful attention to the rules for the disclaiming any portion of your IRA under IRC Section 2518.

**Federal Income Tax Withholding.** IRA distributions are subject to federal income tax withholding unless you or, upon your death, your beneficiary affirmatively elect not to have withholding apply. The required federal income tax withholding rate is 10 percent of the distribution. Upon your request for a distribution, by providing IRS Form W-4P or an appropriate substitute, we will notify you of your right to waive withholding or elect to have greater than 10 percent withheld.

**Annual Statements.** Each year we will furnish you and the IRS with statements reflecting the activity in your IRA. You and the IRS will receive IRS Forms 5498, *IRA Contribution Information*, and 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.* IRS Form 5498 or an appropriate substitute indicates the fair market value of the account, including IRA contributions, for the year. IRS Form 1099-R reflects your IRA distributions for the year.

## **FINANCIAL DISCLOSURE**

IRS regulations require us to provide you with a financial projection of the growth of your IRA account based upon certain assumptions where possible. Because your account is a self-directed IRA giving you access to a wide range of investments, such a projection is not possible. Growth in the value of your IRA is neither guaranteed nor projected. The value of your IRA will be computed by totaling the value of the assets credited to your IRA. At least once a year we will send you a written report stating the current value of your IRA assets. We will disclose separately a description of:

- (a) The type and amount of each charge to your account;
- (b) the method of computing and allocating earnings from investments in your account; and

By January 31 of each year, you will receive a report of your fair market value as of the previous calendar year end. If applicable, you will also receive a report concerning your annual RMD.

**Federal Tax Penalties and IRS Form 5329.** Several tax penalties may apply to your various IRA transactions, and are in addition to any federal, state, or local taxes. Federal penalties and excise taxes are generally reported and remitted to the IRS by completing IRS Form 5329, *Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts*, and attaching the form to your federal income tax return. The penalties may include any of the following taxes:

- 1. Early-Distribution Penalty Tax.** If you take a distribution from your IRA before reaching age 59 1/2, you are subject to a 10 percent early-distribution penalty tax on the taxable portion of the distribution. However, certain exceptions apply. Exceptions to the 10 percent penalty tax are distributions due to death, disability, first-time home purchase, eligible higher education expenses, medical expenses exceeding a certain percentage of adjusted gross income, health insurance premiums due to your extended unemployment, a series of substantially equal periodic payments, IRS levy, traditional IRA conversions, qualified reservist distributions, qualified birth or adoption distributions, and qualified HSA funding distributions. Properly completed rollovers, transfers, recharacterizations, and conversions are not subject to the 10 percent penalty tax.
- 2. Excess Contribution Penalty Tax.** If you contribute more to your IRA than you are eligible to contribute, you have created an excess contribution, which is subject to a 6 percent excise tax. The excise tax applies each year that the excess contribution remains in your IRA. If you timely file your federal income tax return, you may still remove your excess contribution, plus attributable earnings, as late as October 15 for calendar year filers.
- 3. Excess Accumulation Penalty Tax.** Any portion of a RMD that is not distributed by its deadline is subject to a 50 percent excess accumulation penalty tax. The IRS may waive this penalty upon your proof of reasonable error and that reasonable steps were taken to correct the error, including remedying the shortfall. See IRS Form 5329 instructions when requesting a waiver.

#### **Disaster Tax Relief and Repayment of a Qualified Disaster**

**Distribution.** Subject to applicable law, individuals in certain federally declared disaster areas may be given the opportunity to take qualified disaster distributions without an early distribution penalty (e.g., for a qualified hurricane distribution). When these qualified disaster distributions are allowed, they are subject to any time periods as defined by law and, if multiple distributions are made for the same event, are aggregated with distributions from other IRAs and eligible retirement plans up to prescribed limits (e.g., \$100,000). Typically, the qualified disaster distributions are included in gross income over a three tax year period or all in the year of distribution. In addition, an individual may be allowed three years after the date of receipt to repay all or part of the qualified disaster distribution without being subject to the one rollover per 1-year limitation or the 60-day requirement. Certain first-time homebuyer or hardship distributions may be eligible for repayment within a prescribed time period. For additional disaster area information and IRS guidance on associated tax relief, refer to IRS forms, notices and publications, or visit the IRS's web site at [www.irs.gov/DisasterRelief](http://www.irs.gov/DisasterRelief).

- (c) any portion of your contributions, if any, which may be used for the purchase of life insurance.

#### **Custodian and Sub-custodian Fees:**

We and Folio may charge reasonable fees or compensation for its services and may deduct all reasonable expenses incurred in the administration of your IRA, including any legal, accounting, distribution, transfer, termination or other designated fees. Such fees may be charged to you or directly to your IRA. In addition, depending on your investment choices, you may incur brokerage commissions or other costs attributable to the purchase or sale of assets.