



OAKMARK FUNDS



Oakmark Funds' Coverdell Education  
Savings Account Booklet  
including the UMB Bank, n.a.  
Disclosure Statement and Custodial Agreement

Advised by Harris Associates L.P.

Distributed by Harris Associates Securities L.P., Member FINRA. 12/16

# Oakmark Funds

## Coverdell Education Savings Account Booklet

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*Before investing in any Oakmark Fund, you should carefully consider the Fund's investment objectives, risks, management fees and other expenses. This and other important information is contained in a Fund's prospectus and summary prospectus. Please read the prospectus and summary prospectus carefully before investing. For more information, please visit our website at [oakmark.com](http://oakmark.com) or call 1-800-OAKMARK (625-6275).*



# **UMB Bank, n.a.**

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

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### **Special Note**

This Disclosure Statement describes the rules applicable to Education Savings Accounts, which first became available on January 1, 1998. These accounts were originally known as Education IRAs but the name was changed to Education Savings Accounts. This Disclosure Statement reflects changes to the tax law rules governing Education Savings Accounts made by the Economic Growth and Tax Relief Reconciliation Act of 2001 (“EGTRRA”), which are effective as of January 1, 2002, and were made permanent by a law enacted in early 2013. Contributions to an Education Savings Account are not tax-deductible to the person making the contribution, but withdrawals that meet certain requirements are not subject to federal income taxes when received. This makes the dividends on and growth of the investments held in an Education Savings Account tax-free for federal income tax purposes if the requirements are met.

Traditional IRAs, which have existed since 1975, are still available. Roth IRAs have been available since January 1, 1998. Both Traditional IRAs and Roth IRAs provide a tax-advantaged savings vehicle that can be used to save for higher education expenses as well as other needs, including retirement. This Disclosure Statement does not describe either Roth or Traditional IRAs. This Disclosure Statement also does not describe IRAs established in connection with a SIMPLE IRA program or a Simplified Employee Pension (SEP) plan maintained by your employer. If you wish to receive information about these IRA products, including forms and explanatory materials, or if you need information about pre-EGTRRA Education Savings Account rules, call the phone number or write the address listed at the end of this Disclosure Statement.

### **Establishing an Education Savings Account**

This Disclosure Statement contains information about an Education Savings Custodial Account with UMB Bank, n.a. as Custodian. An Education Savings Account provides several tax benefits. While contributions to an Education Savings Account are not deductible to the contributor, dividends on and growth of the assets held in the Education Savings Account are not subject to federal income tax. Withdrawals from an Education Savings Account are excluded from income for federal income tax purposes if used for qualified education expenses (described below). State income tax treatment of your Education Savings Account may differ from federal treatment; ask your state tax department or your personal tax advisor for details.

Regular annual contributions to Education Savings Accounts must be made in cash, on behalf of a designated individual (the “Student”) who is less than 18 years old at the time of the contribution, and rollover contributions must be made on behalf of a Student who is less than age 30 at the time of the

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rollover. These age restrictions do not apply to a Student who is a Special Needs Student (defined below). The trustee or custodian must be a bank or other person who has been approved by the Secretary of the Treasury. Contributions may not be invested in life insurance or be commingled with other property except in a common trust or investment fund. The Student's interest in the account must be nonforfeitable at all times. Upon the death of the Student, the account may pass to a beneficiary who has been designated as such and who is a qualifying member of the Student's family (this is explained below). If the account does not pass to such a beneficiary, any balance in the account should be withdrawn by the appropriate representative of the Student's estate within 30 days of the date of death (if not so withdrawn, the taxable amount will nevertheless be treated for income tax purposes as if it had been withdrawn). You may obtain further information on Education Savings Accounts from any district office of the Internal Revenue Service.

The Donor (the person who establishes the Custodial Account) may revoke a newly established Education Savings Account at any time within seven days after the date on which he or she receives this Disclosure Statement. An Education Savings Account established more than seven days after the date of receipt of this Disclosure Statement may not be revoked. To revoke the Education Savings Account, mail or deliver a written notice of revocation to the Custodian at the address which appears at the end of this Disclosure Statement. Mailed notice will be deemed given on the date that it is postmarked (or, if sent by certified or registered mail, on the date of certification or registration). If the Education Savings Account is revoked within the seven-day period, the Donor will receive payment of the entire amount originally contributed into the Education Savings Account, without adjustment for such items as sales charges, administrative expenses or fluctuations in market value.

An Education Savings Account is established on behalf of the Student and is controlled by the Student (or Parent). The Donor making a contribution, if not the Student or Parent, may designate the initial investments in the Education Savings Account, but shall have no further rights, interests or obligations related to the Education Savings Account, except that he or she can make additional contributions, subject to the limits described below.

The Adoption Agreement must be signed by the Donor, and any and all forms, applications, certifications and other documents must be signed by the Parent if the Student has not yet reached the age of majority recognized by the laws of the state of Student's residence ("age of majority").

While the Student remains a minor, the Parent identified in the Adoption Agreement will exercise all of the rights and responsibilities of the Student, including the selection and exchange of Fund shares in which the Education Savings Account is invested. The Custodian's acceptance of the contribution

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to this Education Savings Account is conditioned on agreement by the Parent of any Student who is a minor to be bound by all of the terms and conditions of this Disclosure Agreement and the provisions set out in Articles I-X of the Custodial Account Agreement. The Student may notify the Custodian in writing that he or she has reached the age of majority in the state where the Student then resides (and provide any documentation the Custodian may request verifying the fact that he or she has attained such age). Upon receiving such request (and documentation, if requested), the Custodian will recognize the Student as the individual controlling the Custodial account with power to exercise all rights and responsibilities related to the Education Savings Account, and the Parent will thereafter have no control or power over the Custodial account.

**Note:** The Custodian is under no obligation to determine whether any Parent actually holds the legal right and capacity to direct or control a Student's Education Savings Account.

## **Fees and Expenses**

### ***Custodian's fees***

The following is a list of the fees charged prior to December 20, 2022, for maintaining your Education Savings Account.

Fund Account Set Up Fee	\$5.00
Annual Fund Account Maintenance Fee (up to a maximum of \$14.00 per Social Security Number)	\$7.00

Effective December 20, 2022, the following is a list of the fees charged for maintaining your Education Savings Account.

Fund Account Set Up Fee	\$5.00
Annual Maintenance Fee (per Social Security Number)	\$10.00

### ***General fee policies***

- Fees may be paid by you directly or the Custodian may deduct them from your Education Savings Account.
- Fees may be changed upon advance notice to you.
- The full annual maintenance fee will be charged for any calendar year during which you have an Education Savings Account with us. This fee is not prorated for periods of less than one full year.

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- At the time of account closure, the annual maintenance fee (if not already paid or deducted that year) will be assessed.
  - The Custodian may charge you for its reasonable expenses for services not covered by its fee schedule.

### ***Other charges***

- There may be sales or other charges associated with the purchase or redemption of shares of a Fund in which your Education Savings Account is invested. Before investing, be sure to read carefully the current prospectus of any Fund you are considering as an investment for your Education Savings Account for a description of applicable charges.

## **Contributions**

### ***Who may contribute to an Education Savings Account?***

Anyone, including the Student, may open and contribute to an Education Savings Account established on the Student's behalf, as long as the Student is less than 18 at the time of the contribution or is a Special Needs Student. Contributions (subject to the limitations described below) may be made for the benefit of a Student who is a Special Needs Student, irrespective of his or her age. The person making the contribution—the "Donor"—can be anyone, even the Student; the Donor does not have to be related to the Student. Beginning January 1, 2002, the Donor may be a corporation or other entity.

A "Special Needs Student" is a Student who, because of a physical, mental or emotional condition (including a demonstrable learning disability), requires additional time to complete his or her education. Any requirements for being a Special Needs Student specified in any IRS regulations or rulings defining this term must also be satisfied.

### ***Are contributions to an Education Savings Account tax deductible?***

Contributions to an Education Savings Account are not deductible. This is a major difference between Education Savings Accounts and Traditional IRAs.

### ***When can contributions be made to an Education Savings Account?***

A contribution by an individual Donor for the year 2002 or subsequent years may be made by the due date (without extensions) of the individual's federal income tax return for that year. Typically this will be April 15 of the following year.

Also, if the Donor is a corporation or another entity (not an individual), the contribution due date for any year is December 31 of that year.

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### ***How much may be contributed to an Education Savings Account?***

Donors may contribute up to \$2,000 in a calendar year for the benefit of any one Student. For example, if Uncle Joe contributes \$1,300 to a UMB Bank, n.a. Education Savings Account on behalf of Bobby, his nephew, all other contributions made on behalf of Bobby by Uncle Joe or any other potential Donor (such as parents or grandparents) to this or any other Education Savings Account, are limited to \$700 for that tax year.

**Note:** The Custodian is under no obligation, nor can it be, to determine whether the maximum limit for any Student has been reached. It is the Parent's responsibility to consult with the other parent or guardian to determine whether the maximum limits will be exceeded.

For Donors or other contributors who are individuals with high income levels, the contribution limits may be reduced below \$2,000. This depends upon the Donor's filing status and the amount of his or her modified adjusted gross income (MAGI). The following table shows how the contribution limits are restricted.

#### **EDUCATION SAVINGS ACCOUNT CONTRIBUTION LIMITS**

##### *Modified Adjusted Gross Income (MAGI) Level*

<b>If Donor is a Single Taxpayer or Married Filing Separately</b>	<b>If Donor is Married Filing Jointly</b>	<b>Then Donor May Make</b>
Up to \$95,000	Up to \$190,000	Full Contribution
More than \$95,000 but less than \$110,000	More than \$190,000 but less than \$220,000	Reduced Contribution (see explanation below)
\$110,000 and up	\$220,000 and up	Zero (No Contribution)

**Note:** Limits are for years beginning on or after January 1, 2002 until such time as they are changed by future legislation.

### ***How are the limits calculated for MAGI in the "reduced contribution" range?***

If the Donor's MAGI falls in the reduced contribution range, that Donor's contribution limit must be calculated. To do this, multiply the normal contribution limit (\$2,000) by a fraction. The numerator is the amount by which MAGI exceeds the lower limit of the reduced contribution range (\$95,000 if single, or \$190,000 if married filing jointly). The denominator is \$15,000 (single taxpayers) or \$30,000 (married filing jointly). Subtract the amount obtained from multiplying from the normal limit.

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For example, assume that a Donor's MAGI for the year is \$197,555 and she is married, filing jointly. The Education Savings Account contribution limit would be calculated as follows:

1. The amount by which MAGI exceeds the lower limit of the reduced contribution range:

$$\$197,555 - \$190,000 = \$7,555$$

2. Divide this by \$30,000:

$$\frac{\$7,555}{\$30,000} = 0.25183$$

3. Multiply this by the normal contribution limit of \$2,000:

$$0.25183 \times \$2,000 = \$503.66$$

4. Subtract this from the \$2,000 contribution limit:

$$\$2,000 - \$503.66 = \$1,496.34$$

This is the contribution limit.

Of course, if one Donor is prevented by these rules from making a full \$2,000 contribution on behalf of a Student, another person (who is not the first Donor's spouse) may be willing to contribute so that the full \$2,000 per year that the law allows will be added to the Student's Education Savings Account.

**Note:** The prior law rule saying that a contribution to an Education Savings Account could not be made on behalf of a Student for any year when a contribution on the Student's behalf was made to a qualified state tuition program has been repealed. This prohibition no longer applies starting in 2002.

### ***How do I determine MAGI?***

For most taxpayers MAGI is the same as adjusted gross income, which is their gross income minus those deductions which are available to all taxpayers even if they don't itemize. (Instructions to calculate AGI are provided with income tax Form 1040 or 1040A.) Modified AGI is simply regular AGI adjusted to include certain amounts earned abroad. If a Donor has not earned income in any foreign country, Guam, American Samoa, the Northern Mariana Islands or Puerto Rico, normal AGI should be used in the calculations above.

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### ***How are excess contributions penalized?***

If more than the maximum is contributed to the Student's Education Savings Account for a year, the excess is subject to a 6% penalty tax. The excess will be subject to an additional 6% penalty tax for each subsequent year that the excess remains the Education Savings Account.

### ***How are excess contributions corrected?***

Excess contributions may be corrected without paying a 6% penalty. To do so, the excess and any earnings on the excess must, in accordance with directions from the Student to the Custodian, be paid to the Student before the first day of the sixth month following the year in which the contribution was made (the "Correction Deadline"). For calendar year taxpayers (most people), this means no later than May 31 of the following year.

One other way to eliminate excess contributions (and possibly avoid the 6% excess contribution penalty tax) is to contribute an amount out of the Education Savings Account to a qualified state tuition program, if there is one available to receive the contribution from the Education Savings Account. This must be done in the same year that the excess contribution was made.

If you miss the deadline for either of the two ways to correct an overcontribution mentioned above, the penalty tax of 6% of the excess is due. However, you can avoid paying the 6% penalty in a subsequent year by undercontributing in that year. Each dollar of undercontribution offsets a dollar of excess contribution. Any excess contribution which is not eliminated in this way will be subject to another 6% penalty tax in the subsequent year.

### ***What happens if the excess contribution is not corrected by correction deadline?***

Any excess contribution withdrawn after the correction deadline for the year for which the contribution was made will subject the Student to the 6% excise tax.

Unless an exception applies, the excess contribution and any earnings on it withdrawn after the correction deadline will be includable in the Student's taxable income and may be subject to a 10% withdrawal penalty.

### ***May a contribution be made to a qualified state tuition program in the same year as a contribution to an Education Savings Account is made?***

Yes. Under prior rules a Donor could not contribute to an Education Savings Account in any year in which a contribution was made to a qualified state tuition program for the same Student. (A qualified state tuition program allows taxpayers to pay for a child's tuition in advance.) Under these prior

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rules, any amount contributed to an Education Savings Account in the same year that a contribution was made to a state prepaid tuition plan on behalf of the Student was an excess contribution, subjecting the Student to the 6% penalty tax discussed above. However, these prior rules do not apply to years beginning January 2, 2002, and continuing until such time as the rules and regulations are changed under law.

***Can I contribute to an Education Savings Account an amount received as a military death gratuity?***

Yes, if you are an eligible survivor of a member of the armed services, and you received a military death gratuity or payment from Servicemember's Group Life Insurance (SGLI) after June 16, 2008, you may roll over all or part of this amount to one or more Education Savings Accounts for the benefit of eligible members of the beneficiary's family. Note that you must complete the contribution of such payments to an Education Savings Account within one year after the date you receive the gratuity or SGLI payment.

This amount you can contribute from such a benefit or payment is subject to the contribution limits noted above. Your contribution also cannot exceed the total amount of the survivor benefits you received, reduced by the amount of any survivor benefits that were contributed to a Roth IRA or to other Education Savings Accounts.

The amount of the survivor benefits contributed to an Education Savings Account will be treated as part of your basis or cost and so will not be taxed when distributed. Rollover contributions of a payment from a military death gratuity or SGLI are not subject to the once-in-12-months restriction on rollovers. See IRS Publication 970 for more information on these and other rules for Education Savings Accounts

## **Investments**

***How are Education Savings Account contributions invested?***

The Donor indicates the initial investment elections on the Adoption Agreement. Thereafter, the Student controls the investment by making choices among the available Fund(s) in accordance with the Fund rules. Investments must be in one or more of the Fund(s) available from time to time as listed in the Adoption Agreement for the Education Savings Account or in an investment selection form provided with the Education Savings Account Adoption Agreement or from the Fund Distributor or Service Company. The investments of your Education Savings Account are directed by giving the investment instructions to the Distributor or Service Company for the Fund(s). Since the Student controls the investment of the Education Savings Account, he or she is responsible for the investment results achieved; neither the Custodian, the Distributor nor the Service Company has any responsibility for any loss or diminution in value occasioned by your exercise

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of investment control. Transactions for the Education Savings Account will generally be at the applicable public offering price or net asset value for shares of the Fund(s) involved next established after the Distributor or the Service Company (whichever may apply) receives proper investment instructions from you; consult the current prospectus for the Fund(s) involved for additional information.

Before making any investment, read carefully the current prospectus for any Fund under consideration as an investment for the Education Savings Account. The prospectus will contain information about the Fund's investment objectives and policies, as well as any minimum initial investment or minimum balance requirements and any sales, redemption or other charges.

Because you control the selection of investments for your Education Savings Account and because mutual fund shares fluctuate in value, the growth in value of the Education Savings Account cannot be guaranteed or projected.

### ***Are there any restrictions on the use of the Education Savings Account assets?***

The tax-exempt status of the Education Savings Account will be revoked if you engage in any of the prohibited transactions listed in Section 4975 of the tax code. Upon such revocation, the Education Savings Account is treated for income tax purposes as if it had distributed its assets to the Student. The taxable portion of the amount in the Education Savings Account will be subject to income tax unless the requirements for a tax-free withdrawal are satisfied (see below). Also, you may be subject to a 10% penalty tax on the taxable amount.

### ***What is a prohibited transaction?***

Generally, a prohibited transaction is any improper use of the assets in your Education Savings Account. Some examples of prohibited transactions are:

- Direct or indirect sale or exchange of property between you and your Education Savings Account.
- Transfer of any property from your Education Savings Account to yourself or from yourself to your Education Savings Account.

The Education Savings Account could lose its tax exempt status if you use all or part of your interest in your Education Savings Account as security for a loan or borrow any money from your Education Savings Account. Any portion of your Education Savings Account used as security for a loan will be treated as a distribution in the year in which the money is borrowed. This amount may be taxable and you may also be subject to the 10% premature withdrawal penalty on the taxable amount.

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## **Withdrawals**

### ***When can I make withdrawals from my Education Savings Account?***

You may make a withdrawal from the Education Savings Account at any time. If the withdrawal meets the requirements discussed below, it is tax-free. This means that no federal income tax is due, even though the withdrawal includes dividends or gains on the Fund shares while held in the Education Savings Account.

### ***When are withdrawals mandatory?***

Any amount remaining in the account as of your 30th birthday must be withdrawn by you within 30 days after your birthday, and any dividends or gains will be then subject to income tax and penalty (unless an exception applies.) You can avoid these tax consequences if, before you reach age 30, you roll over or transfer your account balance, or change the designated beneficiary of your Education Savings Account, to another member of your family. (See **Transfers/Rollovers** below.) The Custodian will not automatically distribute the Education Savings Account to you in the absence of a proper withdrawal request. If you have not withdrawn the amount in your account by the end of this 30-day period, under IRS rules, the Custodian must report the account balance to the IRS as if it had been distributed to you (this is called a “deemed distribution” in the IRS rules) and thereafter your account will be treated as a taxable account. The preceding rules do not apply to you if you are a Special Needs Student. A Special Needs Student may continue to maintain his or her Education Savings Account after his or her 30th birthday and continue using the Account for eligible education expenses.

### ***What happens if the Student should die?***

If the Student dies before withdrawing the entire account balance, the Education Savings Account will pass to the beneficiary designated in the Adoption Agreement (or in a subsequent designation). If the beneficiary is a member of the Student’s family and either under age 30 or a Special Needs Student, the account balance may remain in the Education Savings Account and be used for the qualifying educational expenses of the new designated beneficiary. Or the account balance may be withdrawn by the beneficiary and rolled over to another Education Savings Account for the benefit of the new beneficiary.

If the designated beneficiary is not a family member who is either under age 30 or a Special Needs Student, the beneficiary should withdraw the amount in the Account, and any earnings or gains withdrawn by that beneficiary will be taxable. However, the Custodian will not automatically distribute the Education Savings Account following the Student’s death in the absence of a proper withdrawal request. If not withdrawn in full, the Custodian must report the account balance as if it had been withdrawn by the beneficiary (another type of “deemed distribution” under IRS rules) and the Account

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will be treated as a taxable account of the beneficiary. If the account balance does not pass to a designated beneficiary (for example, if no designation of beneficiary has been filed with the Custodian or if no designated beneficiary survives the Student), it must be withdrawn by the Student's estate within 30 days after the Student's death. If not withdrawn within this 30-day period, under IRS rules, the Custodian must report the account balance to the IRS as if it had been distributed (also a "deemed distribution" under IRS rules) and thereafter treat the account as a taxable account.

### ***What are the requirements for a tax-free withdrawal?***

To be tax-free, a withdrawal from your Education Savings Account must meet certain requirements.

**First**, the amounts withdrawn must be made to cover the cost of "qualified education expenses" incurred by you. Qualified education expenses incurred by a Student can be either "qualified higher education expenses" or "qualified elementary and secondary education expenses."

These important terms are defined as follows:

- ***Qualified Higher Education Expenses*** include expenses for tuition, books, supplies, and equipment required for enrollment or attendance at an eligible educational institution of any Student or expenses for special needs services in the case of a Special Needs Student which are incurred in connection with such enrollment or attendance. For students attending an eligible educational institution at least half-time, qualified higher education expenses also include room and board. (**Note:** Room and board costs are the greater of the room and board allowance applicable to a Student, as determined by the eligible educational institution or for Students residing in housing owned or operated by the eligible educational institution, the actual invoice amount charged by the institution for the period.) Also, qualified expenses include amounts contributed to a qualified state tuition program.

An ***Eligible Educational Institution*** includes most colleges, universities, vocational schools, or other postsecondary educational institutions. The Student should check with his or her school to verify that it is an eligible educational institute as described in section 481 of the Higher Education Act of 1965.

- ***Qualified Elementary and Secondary Expenses*** include expenses for tuition, fees, academic tutoring, special needs services in the case of a Special Needs Student, books, supplies, and other equipment which are incurred in connection with the enrollment or attendance of the Student as an elementary or secondary school student at a public, private or religious school. Such expenses also include cost of room and board (for boarding school), uniforms, transportation, and supplementary items

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and services (including extended day programs) which are required or provided in connection with the Student's attendance or enrollment, and cost of purchasing computer equipment and software and related technology (but not sports, games or hobby-related software, unless predominantly educational in nature) or Internet access and related services, if such technology, equipment, or services are to be used by the Student and his or her family during any year in which the Student is in school.

- A **School** for these purposes is any school which provides elementary education or secondary education (K through 12), as determined in accordance with applicable state law. The school can be public, private or religious.

**Second**, the amount of the withdrawal in a year must not exceed your qualified education expenses for that year.

### ***How are withdrawals from an Education Savings Account taxed if the tax-free requirements are not met?***

If the withdrawal does not meet the tax-free requirements discussed above, the general rule is that the amount equal to the principal contributions will not be taxed, nor will the 10% withdrawal penalty apply to principal. However, that portion of the account attributable to dividends or gains is includable in the Student's gross income in the taxable year of withdrawal, and may be subject to the 10% withdrawal penalty. A portion of each non-qualifying withdrawal will be considered a nontaxable return of principal contributions, based on the ratio of total principal contributions to the total value of the account.

A special rule may apply if the amount withdrawn exceeds the Student's qualified education expenses in a year. In this case, the amount that may be excluded from income for tax purposes is determined by first determining the ratio that the qualified education expenses bear to the actual withdrawal. The portion of the withdrawal that is potentially subject to taxation—the amount of gains or dividends—is then multiplied by that ratio. The resultant sum is the amount excludable from income. The following example explains this formula:

John withdraws \$9,000 from his Education Savings Account, of which \$4,000 is attributable to dividends or gains. John's qualified education expenses total only \$7,000 for the year of the withdrawal. Therefore, 77% (\$7,000/\$9,000) of the withdrawal is attributable to educational expenses. So, \$3,080 (77% of \$4,000) is excludable from income and the difference, \$920, is includable in John's taxable income and possibly subject to the 10% penalty tax.

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Taxable withdrawals of dividends and gains from an Education Savings Account are treated as ordinary income. Withdrawals of taxable amounts from an Education Savings Account are not eligible for averaging treatment currently available to certain lump sum distributions from qualified employer-sponsored retirement plans, nor are such withdrawals eligible for capital gains tax treatment.

The receipt of any taxable withdrawal from an Education Savings Account may also be subject to a 10% penalty tax, unless:

The withdrawal is paid to your estate within 30 days of your death;

The withdrawal is paid to you on account of your disability; or

The withdrawal is equal to or less than the amount of a scholarship or other tax-free educational assistance you receive.

**Note:** The Custodian is not responsible for monitoring withdrawals or determining whether any withdrawal is being made by any individual for education expenses, nor is the Custodian responsible for determining what taxes or penalties, if any, may apply.

### ***How does receipt of a tax-free, qualified withdrawal affect available education tax credits?***

Certain rules determine whether, if the Student received a tax-free distribution from an Education Savings Account in a particular tax year, any of the Student's education expenses for that year could be claimed as the basis for a Hope Scholarship Credit or Lifetime Learning Credit. Note that such programs, including the Hope Credit, the Lifetime Learning Credit and the American Opportunity Credit, have continued to be offered on a year-to-year basis. For the most current information on what programs are offered, and rules for eligibility and applicability of credits for education expenses, see IRS Publication 970, *Tax Benefits for Education*.

Effective as of January 1, 2002, eligible education expenses could be claimed as the basis for a Hope Scholarship Credit or Lifetime Learning Credit in the same year that a Student received a tax-free distribution from an Education Savings Account, as long as the distribution was not used for the same educational expenses for which a credit is claimed. Similar rules may apply to the American Opportunity Credit and the Lifetime Learning Credit which are made available on a year-to-year basis. Since such rules are subject to change, it is advisable to check the IRS website for the most current information applicable to education tax credits before making decisions regarding the application of education expenses toward such tax credits.

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Business expense deductions for job-related educational courses may not be claimed with respect to any amount of education expenses paid for with a distribution from an Education Savings Account.

Always consult with your tax advisor to determine whether you may claim a deduction for educational expenses in the same year as you receive a tax-free distribution from an Education Savings Account.

## **Transfers/Rollovers**

### ***Can a distribution be transferred or rolled over from an employer's retirement plan into an Education Savings Account?***

Distributions from qualified employer-sponsored retirement plans or 403(b) arrangements (for employees of tax-exempt employers) are **not** eligible for rollover or direct transfer to an Education Savings Account. Nor are withdrawals from other types of IRAs.

### ***Can rollovers be made from one Education Savings Account to another Education Savings Account?***

Amounts rolled over from one Education Savings Account to another Education Savings Account are permitted only if the receiving Education Savings Account is for your benefit or for the benefit of a family member who either is under age 30 at the time of the rollover or is a Special Needs Student. Such a rollover must be completed within 60 days after the withdrawal from the first Education Savings Account. After making one rollover from an Education Savings Account, another such rollover from the same Account cannot be made until a full year (365 days) has gone by. In addition, after Education Savings Account assets are rolled over from one such Account to another, a second rollover of the same assets cannot be made for a full year.

### ***Can the beneficiary of an Education Savings Account be changed?***

Instead of rolling over an Education Savings Account to another Education Savings Account, the Student may simply change the designated beneficiary of his account to a family member who is either under the age of 30 or a Special Needs Student. This can be done at any time. (Note: This approach can be used up to the day before your 30th birthday to avoid the tax and penalty that may otherwise apply if a distribution is required because you reach age 30.) (See **When are withdrawals mandatory?** above.)

### ***Who is a member of the Student's family?***

Family members include the Student and any of the following who are under age 30 or a Special Needs Student: (i) the Student's spouse, (ii) the Student's children and their descendants, stepchildren and their descendants, siblings and their children, parents and grandparents, stepparents, and spouses of all of the foregoing, or (iii) an individual who is a first cousin of the Student.

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### ***How do rollovers affect Education Savings Account contribution limits?***

Rollover contributions, if properly made, do not count toward the maximum contribution. Also, rollovers from one Education Savings Account to another can be made even during a year when the Donor is not eligible to contribute to an Education Savings Account (for example, because MAGI for that year is too high).

### **Tax Matters**

#### ***What reports does the Custodian issue?***

The Custodian will report all withdrawals to the IRS and the recipient on the appropriate form. The Custodian will also report “deemed distributions” from the Account (described above).

The Custodian will report to the IRS the year-end value of the Account and the amount of any rollovers or regular contributions made for a calendar year.

#### ***What tax information must the Student report to the IRS?***

IRS Form 5329 must be filed with the IRS for each taxable year for which there is made an excess contribution or in which there is a withdrawal that is subject to the 10% penalty tax.

#### ***Are Education Savings Account withdrawals subject to withholding?***

Federal income tax withholding requirements have not been established by the law or by IRS regulations or rulings. Consult your tax advisor or the IRS for the latest information on taxable withdrawals from an Education Savings Account.

#### ***Are the earnings on Education Savings Account funds taxed?***

Any dividends on or growth of investments held in an Education Savings Account are generally exempt from federal income taxes and will not be taxed until withdrawn, unless the tax exempt status of the Education Savings Account is revoked. If a withdrawal qualifies as a tax-free withdrawal (see above), amounts reflecting earnings or growth of assets in the Education Savings Account will not be subject to federal income tax.

### **Account Termination**

The Student may terminate the Education Savings Account at any time after its establishment by sending a completed withdrawal form (or other

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instructions in a form acceptable to the Custodian), or a transfer authorization form, to:

Oakmark Funds  
P.O. Box 219558  
Kansas City, MO 64121-9558

An Education Savings Account with UMB Bank, n.a. will terminate upon the first to occur of the following:

The date the Student's properly executed withdrawal form or instructions (as described above) withdrawing the total Education Savings Account balance is received and accepted by the Custodian.

The date the Education Savings Account ceases to qualify under the tax code. This will be deemed a termination.

The transfer of the Education Savings Account to another custodian/trustee.

The rollover of the amounts in the Education Savings Account to another custodian/trustee.

Any outstanding fees must be received prior to such a termination of an Education Savings Account.

The amount received from an Education Savings Account upon termination of the account will be treated as a withdrawal, and thus the rules relating to Education Savings Account withdrawals will apply. For example, if the Education Savings Account is terminated and distributions are not made for qualified education expenses, the 10% penalty may apply to the taxable amount received.

**Important: The discussion of the tax rules for Education Savings Accounts in this Disclosure Statement is based upon the best available information. The Donor, Student and/or Parent should consult his or her tax advisor or the IRS website for the latest developments or for advice on how maintaining an Education Savings Account will affect his or her personal tax or financial situation.**

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## **Education Savings Account Documents**

The terms contained in Articles I to X of the UMB Bank, n.a. Education Savings Custodial Account document are generally in the form promulgated by the IRS in Form 5305-EA for use in establishing an Education Savings Account under Code Section 530. If the IRS issues an amended or revised Form 5305-EA, the Custodian will adopt the provisions of such amended or revised Form 5305-EA as an amendment hereto, accordingly. IRS approval relates only to the form of Articles I to X and will not be an approval of the merits of the Education Savings Account or of any investment permitted by the Education Savings Account.

## **Additional Information**

For additional information you may write to the following address or call the following telephone number:

Oakmark Funds  
P.O. Box 219558  
Kansas City, MO 64121-9558

1-800-OAKMARK (625-6275)

**FACTS**
**WHAT DOES UMB BANK, N.A. ("UMB") DO WITH YOUR PERSONAL INFORMATION?**

<b>Why?</b>	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
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<b>What?</b>	<p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <ul style="list-style-type: none"> <li>• Social Security number</li> <li>• Account balances and account transactions</li> <li>• Payment history and transaction history</li> <li>• Retirement assets</li> </ul> <p>When you are <i>no longer</i> our customer, we continue to share your information as described in this notice.</p>
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<b>How?</b>	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information, the reasons UMB chooses to share and whether you can limit this sharing.
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Reasons we can share your personal information	Does UMB share?	Can you limit this sharing?
<b>For our everyday business purposes</b> — such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
<b>For our marketing purposes</b> — to offer our products and services to you	No	We don't share
<b>For joint marketing with other financial companies</b>	No	We don't share
<b>For our affiliates' everyday business purposes</b> — information about your transactions and experiences	No	We don't share
<b>For our affiliates' everyday business purposes</b> — information about your creditworthiness	No	We don't share
<b>For affiliates to market to you</b>	No	We don't share
<b>For nonaffiliates to market to you</b>	No	We don't share

<b>Question?</b>	Call toll-free <a href="tel:800.441.9535">800.441.9535</a> (or if in Kansas City, call <a href="tel:816.860.5780">816.860.5780</a> ).
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## Who we are

<b>Who is providing this notice?</b>	UMB Bank, n.a.
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## What we do

<b>How does UMB protect my personal information?</b>	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
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<b>How does UMB collect my personal information?</b>	We collect your personal information, for example, when you: <ul style="list-style-type: none"> <li>• Open an account or provide account information</li> <li>• Make deposits or take withdrawals from your account</li> <li>• Tell us about your investment or retirement portfolio</li> </ul>
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<b>Why can't I limit all sharing?</b>	Federal law gives you the right to limit only: <ul style="list-style-type: none"> <li>• Sharing for affiliates' everyday business purposes — information about your creditworthiness</li> <li>• Affiliates from using your information to market to you</li> <li>• Sharing for nonaffiliates to market to you</li> </ul> State laws and individual companies may give you additional rights to limit sharing. See below for more on your rights under state law.
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## Definitions

<b>Affiliates</b>	Companies related by common ownership or control. They can be financial and nonfinancial companies. <ul style="list-style-type: none"> <li>• <i>UMB does not share with affiliates.</i></li> </ul>
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<b>Nonaffiliates</b>	Companies not related by common ownership or control. They can be financial and nonfinancial companies. <ul style="list-style-type: none"> <li>• <i>UMB does not share with nonaffiliates so they can market to you.</i></li> </ul>
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<b>Joint Marketing</b>	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. <ul style="list-style-type: none"> <li>• <i>UMB doesn't jointly market.</i></li> </ul>
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## Other Important Information

You may have other privacy protections under applicable state laws. To the extent these state laws apply, we will comply with them when we share information about you. *For California residents:* We will not share information we collect about you with nonaffiliates, except as permitted by California law, including, for example to process your transactions or to maintain your account. *For Vermont residents:* We will not share information we collect about you with nonaffiliates, except as permitted by Vermont law, including, for example to process your transactions or to maintain your account.

# **UMB Bank, n.a.**

## **Coverdell Education Savings Account Custodial Agreement**

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Articles I-X are in the form promulgated by the Internal Revenue Service in Form 5305-EA (Revised October 2010). References are to sections of the Internal Revenue Code of 1986, as amended (“Code”).

### **Article I.**

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

### **Article II.**

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

### **Article III.**

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

### **Article IV.**

The Depositor shall have the power to direct the Custodian regarding the investment of the above-listed amount assigned to the Custodial Account (including earnings thereon) in the investment choices offered by the Custodian. The Responsible Individual, however, shall have the power to redirect the Custodian regarding the investment of such amounts, as well as the power to direct the Custodian regarding the investment of all additional contributions (including earnings thereon) to the Custodial Account. In the event that the Responsible Individual does not direct the Custodian

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regarding the investment of additional contributions (including earnings thereon), the initial investment direction of the Depositor also will govern all additional contributions made to the Custodial Account until such time as the Responsible Individual otherwise directs the Custodian. Unless otherwise provided in this Agreement, the Responsible Individual also shall have the power to direct the Custodian regarding the administration, management, and distribution of the Account.

#### **Article V.**

The "Responsible Individual" named by the Depositor shall be a parent or guardian of the Designated Beneficiary. The Custodial Account shall have only one Responsible Individual at any time. If the Responsible Individual becomes incapacitated or dies while the Designated Beneficiary is a minor under state law, the successor Responsible Individual shall be the person named to succeed in that capacity by the preceding Responsible Individual in a witnessed writing or, if no successor is so named, the successor Responsible Individual shall be the Designated Beneficiary's other parent or successor guardian. At the time that the Designated Beneficiary attains the age of majority under state law, the Designated Beneficiary becomes the Responsible Individual. If a family member under the age of majority under state law becomes the Designated Beneficiary by reason of being a named death beneficiary, the Responsible Individual shall be such Designated Beneficiary's parent or guardian.

#### **Article VI.**

The Responsible Individual may change the Beneficiary designated under this Agreement to another member of the Designated Beneficiary's family described in section 529(e)(2) in accordance with the Custodian's procedures.

#### **Article VII.**

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

#### **Article VIII.**

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

#### **Article IX.**

This Agreement will be amended as necessary to comply with the provisions of the Code and the related regulations. Other amendments may be made

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with the consent of the Depositor and the Custodian whose signatures appear on the Adoption Agreement.

## **Article X.**

1. *Definitions.* As used in this Custodial Agreement the following terms have the following meanings:

“Adoption Agreement” is the application signed by the Donor to accompany and adopt this Custodial Account. The Adoption Agreement may also be referred to as the “Account Application”.

“Agreement” means this UMB Bank, n.a. Coverdell Education Savings Custodial Account Agreement and the Adoption Agreement signed by the Donor.

“Ancillary Fund” means any mutual fund or registered investment company designated by Sponsor, which is (i) advised, sponsored or distributed by a duly licensed mutual fund or registered investment company other than the Custodian, and (ii) subject to a separate agreement between the Sponsor and such mutual fund or registered investment company, to which neither the Custodian nor the Service Company is a party; provided, however, that such mutual fund or registered investment company must be legally offered for sale in the state of the Depositor’s residence.

“Custodial Account” means the Coverdell Education Savings Account established using the terms of this Agreement and the Adoption Agreement signed by or on behalf of the Student.

“Custodian” means UMB Bank, n.a.

“Distributor” means the entity which has a contract with the Fund(s) to serve as distributor of the shares of such Fund(s). In any case where there is no Distributor, the duties assigned hereunder to the Distributor may be performed by the Fund(s) or by an entity that has a contract to perform management or investment advisory services for the Fund(s). In any case where there is no Distributor, the duties assigned hereunder to the Distributor may be performed by the Fund(s) or by an entity that has a contract to perform management or investment advisory services for the Fund(s).

“Donor” means the person or entity designated as such in the Adoption Agreement (or on a form acceptable to the Custodian for use in connection with the Custodial Account, and filed with the Custodian.) The individual or entity who is the “Donor” (as used in this Article X) and the individual or entity who is the “Depositor” (as used in Articles I through X) are the same.

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“Fund” means any registered investment company which is specified in the Adoption Agreement, or which is advised, sponsored or distributed by Sponsor; provided, however, that such a mutual fund or registered investment company must be legally offered for sale in the state of the Student’s residence. Subject to the provisions of Section 3 below, the term “Fund” includes an Ancillary Fund.

“Parent” means the person designated as such in the Adoption Agreement (or a form acceptable to the Custodian for use in connection with the Custodial Account). The individual who is the “Parent” (as used in this Article X) and the individual who is the “Responsible Individual” (as used in Articles I through X) are the same. The individual designated and serving as Parent at any time may be changed as provided in Article V or Section 9(d) of this Article X, or under such other circumstances and in accordance with such procedures as the Custodian may agree to.

“Service Company” means any entity employed by the Custodian or the Distributor, including the transfer agent for the Fund(s), to perform various administrative duties of either the Custodian or the Distributor. In any case where there is no Service Company, the duties assigned hereunder to the Service Company will be performed by the Distributor (if any) or by an entity that has a contract to perform management or investment advisory services for the Fund(s).

“Sponsor” means Harris Associates Investment Trust. Reference to the Sponsor includes reference to any affiliate of Sponsor to which Sponsor has delegated (or which is in fact performing) any duty assigned to Sponsor under this Agreement.

“Special Needs Student” is a Student who, because of a physical, mental, or emotional condition (including a demonstrable learning disability) requires additional time to complete his or her education. Any requirements for a “Special Needs Student” specified in IRS regulations or rulings (if any) defining this term also must be satisfied.

“Spouse” means an individual married to another individual under the laws of the applicable jurisdiction. The term “spouse” shall include same-sex individuals whose marriage was validly entered into in a jurisdiction whose laws authorize such marriage even if the couple is domiciled in a state that does not recognize the validity of same-sex marriages. The term “spouse” shall not include individuals (whether of the same or opposite sex) who have entered into a registered domestic partnership, civil union, or other similar relationship recognized under the laws of a jurisdiction that is not denominated as marriage under the laws of the jurisdiction. An individual and his or her spouse are deemed to be “married” for all purposes of this Agreement.

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“Student” means the person designated as such in the Adoption Agreement (or on a form acceptable to the Custodian for use in connection with the Custodial Account, and filed with the Custodian). The individual who is the “Student” (as used in this Article X) and the individual who is the “Designated Beneficiary” (as used in the application and in Articles I through X) are the same. The Student may, in writing on such form as may be acceptable to the Custodian designate another person, who is a “family member” of the Student (within the meaning of section 529(e)(2) of the Code) who is under the age of 30 (or who is a Special Needs Student of any age) as the successor Designated Beneficiary and Student with respect to the Custodial Account hereunder, and thereafter such individual will be the designated Beneficiary and the Student for purposes of Articles I through IX and Article X respectively.

2. (a) *Revocation.* Subject to the last paragraph of this Section 2(a), the Donor may revoke the Custodial Account established hereunder by mailing or delivering a written notice of revocation to the Custodian within seven days after the Donor first receives the Disclosure Statement related to the Custodial Account. Mailed notice is treated as given to the Custodian on the date of the postmark (or on the date of Post Office certification or registration in the case of notice sent by certified or registered mail). Upon timely revocation, the Donor will receive a payment equal to the initial contribution, without adjustment for administrative expenses, commissions or sales charges, fluctuations in market value or other changes.

The Donor may certify in the Adoption Agreement that the Donor received the Disclosure Statement related to the Custodial Account at least seven days before signing the Adoption Agreement to establish the Custodial Account, and the Custodian may rely on such certification. In any instance where it is established that the Donor has had possession of the Disclosure Statement for more than seven days, it will be conclusively presumed that the Donor has waived his or her right to revoke under this Section.

(b) *Rights and responsibilities of Donor, Parent and Student.* After making a contribution to the Custodial Account for the benefit of the Student, and specifying the initial investment elections and the initial Designated Beneficiary, all rights and obligations to, in and for the Custodial Account shall irrevocably inure to, and be enjoyed and exercised by, the Student, and Donor shall have no such rights or obligations (unless Donor and Student or Parent are the same person or unless Donor revokes the Custodial Account in accordance with subsection (a) above).

The Donor must sign the Adoption Agreement, and, for purposes of maintaining the Custodial Account, the Parent (identified in the Adoption Agreement) must execute all forms, applications, certifications and other documents on behalf of any Student who has not yet attained

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the age of majority as recognized by the laws of the Student's state of residence ("age of majority"). Any right, power, responsibility, authority or requirement given to the Student under this Agreement or any related document shall be exercised or carried out by such Parent on behalf of any Student who has not yet attained the age of majority. The Custodian's acceptance of the Custodial Account on behalf of a minor Student is expressly conditioned upon the Parent's acceptance of the rights and responsibilities accorded hereunder, and all parties hereto so acknowledge. Upon attainment of the age of majority under the laws of the Student's state of residence at such time, the Student may advise the Custodian in writing (accompanied by such documentation as the Custodian may require) that he or she is assuming sole responsibility to exercise all rights, powers, obligations, responsibilities, authorities or requirements associated with the Custodial Account. Upon such notice to the Custodian, the Student shall have and shall be responsible for all of the foregoing, the Custodian will deal solely with the Student as the person controlling the administration of the Custodial Account, and Parent shall thereafter have or exercise none of the foregoing. (Absent such written notice by Student, Custodian shall be under no obligation to acknowledge Student's right to exercise such powers and authority and may continue to rely on Parent to exercise such powers and authority.)

3. *Investments.* All contributions to the Custodial Account shall be invested and reinvested in full and fractional shares of one or more Funds. All such shares shall be held as book entry shares, and no physical shares or share certificates will be held in the Custodial Account. Such investments shall initially be made in such proportions and/or in such amounts as are specified in the Adoption Agreement or by other written notice to the Service Company (in such form as may be acceptable to the Service Company) may direct.

The parties to this Agreement recognize and agree that the Sponsor may from time-to-time designate an Ancillary Fund in which all or a portion of the contributions to a Custodial Account may be invested and reinvested. Despite any contrary provision of this Agreement, neither the Custodian nor the Service Company has any discretion with respect to the designation of any Ancillary Fund.

Subsequent exchanges among Funds shall be made in accordance with written instructions from the Student. The Service Company shall be responsible for promptly transmitting all investment directions by the Student for the purchase or sale of shares of one or more Funds hereunder to the Funds' transfer agent for execution. However, if investment directions with respect to the investment of any contribution hereunder are not received initially from the Donor or thereafter from the Student as required or, if received, are unclear or incomplete in the opinion of

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the Service Company, the contribution may be paid to the Student, or may be held uninvested (or invested in a money market fund if available) pending clarification or completion by the Donor or the Student, as the case may be, in either case without liability for interest, depreciation in value or loss of income or appreciation. If any other directions or other orders by the Student with respect to the sale or purchase of shares of one or more Funds are unclear or incomplete in the opinion of the Service Company, the Service Company will refrain from carrying out such investment directions or from executing any such sale or purchase, without liability for loss of income or for appreciation or for depreciation of any asset, pending receipt of clarification or completion from the Student.

All initial investment directions by the Donor or subsequent investment directions by the Student will be subject to any minimum initial or additional investment or minimum balance rules applicable to a Fund as described in its prospectus.

All dividends and capital gains or other distributions received on the shares of any Fund shall be (unless received in additional shares) reinvested in full and fractional shares of such Fund (or any other Fund offered by the Sponsor, if so directed).

If any Fund held in the Custodial Account is liquidated or is otherwise made unavailable by the Sponsor as a permissible investment for a Custodial Account hereunder, the liquidation or other proceeds of such Fund shall be invested in accordance with the instructions of the Student. If the Student does not give such instructions, or if such instructions are unclear or incomplete in the opinion of the Service Company, the Service Company may invest such liquidation or other proceeds in such other Fund (including a money market fund if available) as the Sponsor designates, provided that the Sponsor gives at least thirty (30) days advance written notice to the Donor and the Service Provider. In such case, neither the Service Company nor the Custodian will have any responsibility for such investment.

Alternatively, if the Donor does not give instructions and the Sponsor does not designate such other Fund as described above then the Donor (or his or her Beneficiaries) will be deemed to have directed the Custodian to distribute any amount remaining in the Fund to (i) the Donor (or to his Beneficiaries as their interests shall appear on file with the Custodian) or, (ii) if the Donor is deceased with no Beneficiaries on file with the Custodian, then to the Donor's estate, subject to the Custodian's right to reserve funds as provided in Section 16(b). The Sponsor and the Custodian will be fully protected in making any and all such distributions pursuant to this Section 3, provided that the Sponsor gives at least thirty (30) days advance written notice to the Donor and the Service

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Provider. In such case, neither the Service Company nor the Custodian will have any responsibility for such distribution. The Donor (or his or her Beneficiaries) shall be fully responsible for any taxes due on such distribution.

4. *Exchanges.* Subject to the minimum initial or additional investment, minimum balance and other exchange rules applicable to a Fund, the Student may at any time direct the Service Company to exchange all or a specified portion of the shares of a Fund in the Custodial Account for shares and fractional shares of one or more other Funds. The Student shall give such directions by written notice acceptable to the Service Company, and the Service Company will process such directions as soon as practicable after receipt thereof (subject to the second paragraph of Section 3 of this Article X.)
5. *Transaction pricing.* Any purchase or redemption of shares of a Fund for or from the Custodial Account will be effected at the public offering price or net asset value of such Fund (as described in the then effective prospectus for such Fund) next established after the Service Company has transmitted the Student's investment directions to the transfer agent for the Fund(s).

Any purchase, exchange, transfer or redemption of shares of a Fund for or from the Custodial Account will be subject to any applicable sales, redemption or other charge as described in the then effective prospectus for such Fund.

6. *Recordkeeping.* The Service Company shall maintain adequate records of all purchases or sales of shares of one or more Funds for the Student's Custodial Account. Any Custodial Account maintained in connection herewith shall be in the name of the Custodian for the benefit of the Student. All assets of the Custodial Account shall be registered in the name of the Custodian or of a suitable nominee. The books and records of the Custodian shall show that all such investments are part of the Custodial Account.

The Custodian shall maintain or cause to be maintained adequate records reflecting transactions of the Custodial Account. In the discretion of the Custodian, records maintained by the Service Company with respect to the Custodial Account hereunder will be deemed to satisfy the Custodian's recordkeeping responsibilities therefor. The Service Company agrees to furnish the Custodian with any information the Custodian requires to carry out the Custodian's recordkeeping responsibilities.

7. *Allocation of Responsibility.* Neither the Custodian nor any other party providing services to the Custodial Account will have any responsibility for rendering advice with respect to the investment and reinvestment of the Custodial Account, nor shall such parties be liable for any loss or

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diminution in value which results from the Donor's initial or the Student's subsequent exercise of investment control over the Custodial Account. Donor will have and exercise exclusive responsibility for the initial investment of the assets of the Custodial Account. Thereafter Student shall have and exercise exclusive responsibility for and control over the investment of the assets of the Custodial Account. Neither Custodian nor any other party shall have any duty to question directions in that regard or to advise regarding the purchase, retention or sale of shares of one or more Funds for the Custodial Account.

8. *Appointment of Investment Advisor.* The Student may in writing appoint an investment advisor with respect to the Custodial Account on a form acceptable to the Custodian and the Service Company. The investment advisor's appointment will be in effect until written notice to the contrary is received by the Custodian and the Service Company. While an investment advisor's appointment is in effect, the investment advisor may issue investment directions or may issue orders for the sale or purchase of shares of one or more Funds to the Service Company, and the Service Company will be fully protected in carrying out such investment directions or orders to the same extent as if they had been given by the Student.

The Student's appointment of any investment advisor will also be deemed to be instructions to the Custodian and the Service Company to pay such investment advisor's fees to the investment advisor from the Custodial Account hereunder without additional authorization by the Student or the Custodian.

9. (a) *Responsibility for Distributions.* Distribution of the assets of the Custodial Account shall be made at such time and to such person or entity as the Student shall elect by written order to the Custodian. The Student will be responsible for (and the Custodian will have no responsibility for) including and reporting any distribution from the Custodial Account in the gross income of the Student in a manner consistent with the requirements of Code section 72 and Code Section 530 (which sections provide that distributions shall be considered to consist partly of principal contributions and partly of earnings and appreciation (or depreciation) in value) and any other applicable Code requirements.

In general, the portion of a withdrawal considered to be principal is not subject to income tax, and the portion considered to be earnings and appreciation is generally subject to income tax and a potential penalty tax unless such withdrawal is used to pay the qualified education expenses of the Student (as defined in Code Section 530) and such qualified education expenses for the tax year are not less than the aggregate withdrawals from the Custodial Account during the tax year. In addition, such Code sections provide that, if the aggregate withdrawals

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exceed the qualified education expenses for the Student for that year, the amount that must be included as income for tax purposes is determined by first determining the ratio that the qualified education expenses bear to the actual withdrawal. The portion of the withdrawal that is potentially subject to taxation—the amount of earnings or appreciation—is then multiplied by that percentage amount. The resultant sum is the amount excludable from income.

Notwithstanding the foregoing general information about the tax treatment of distributions from the Custodial Account, the Student will be responsible for properly reporting and, to the extent applicable, paying income taxes or applicable penalties on, any distribution from the Custodial Account.

(b) *Taxability of distributions.* Student acknowledges that any distribution of a taxable amount from the Custodial Account (except for distributions specified in Code Section 530, including distribution on account of Student's disability or death, return of an "excess contribution" referred to in Code Section 530(d)(4)(C), a "rollover" from this Custodial Account, or distributions made on account of a qualified scholarship, allowance or payment described in Code section 25A(g)(2)), may subject Student to an additional tax on distributions under Code Section 530(d)(4). For these purposes, Student will be considered disabled if Student can prove, as provided in Code Section 72(m)(7), that Student is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or be of long-continued and indefinite duration. Neither the Custodian nor any other party providing services to the Custodial Account assumes any responsibility for monitoring or approving the purposes for which such distributions are used, nor for the tax treatment accorded any distribution from the Custodial Account; such responsibility rests solely with the person ordering or receiving the distribution.

(c) *Distribution requirements at age 30.* Any balance remaining in the Custodial Account when the Student attains age 30 is, pursuant to Code Section 530, to be distributed to the Student. The Student has the responsibility to notify the Custodian to make such distribution and the Student will be responsible for any tax consequences of not so directing the Custodian. However, the Custodian may, based upon its records, make a distribution to the Student upon the Student's attaining age 30, and/or the Custodian may report the balance in the Custodial Account at such time as a "deemed distribution" and thereafter maintain the Custodial Account as a taxable account (not an Education Savings Account), and/or the Custodian may take any other action required by law or by the IRS, and the Custodian will have no responsibility for any of the foregoing actions. This Section 9(c) shall not apply if the Student is a Special Needs Student. The Custodian may rely on any statement or

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certification (in the Adoption Agreement or other writing) filed with the Custodian to the effect that the Student is a Special Needs Student.

(d) *Designated Beneficiary.* Upon the death of the Student, if a member of the Student's family (as defined in Code Section 529) who is under age 30 at the time of the Student's death or a Special Needs Student is the Designated Beneficiary for the Custodial Account, the Custodial Account will continue to be maintained as an Education Savings Custodial Account for the benefit of the Designated Beneficiary (who thereupon will be entitled to be treated as the Student hereunder; and, upon proper notification to the Custodian of the original Student's death, the Custodian will treat the Designated Beneficiary as the Student for purposes of administering the Custodial Account). If the Designated Beneficiary at the time of the Student's death is not a family member of the Student who is either under age 30 or a Special Needs Student, the Designated Beneficiary will be entitled to receive the remaining balance in the Custodial Account and any withdrawal by such Designated Beneficiary will be a taxable distribution (and reported as such by the Custodian in accordance with applicable regulations). If not withdrawn by the Designated Beneficiary within 30 days after the Student's death, the balance in the Custodial Account will be reported by the Custodian as a "deemed distribution" to the Designated Beneficiary in accordance with applicable regulations, and the Custodian may thereafter maintain the Custodial Account as a taxable account (not an Education Savings Account). If there is no Designated Beneficiary, any balance remaining in the Custodial Account will be distributed to the Student's estate in the manner required by Code Section 530, and the Custodian will have no responsibility for making such a distribution, or for not making such distribution in the absence of instructions to do so from the legal representative of the Student's estate, and/or the Custodian may report the balance in the Student's Custodial Account at death as a "deemed distribution" and thereafter maintain the Custodial Account as a taxable account, and the Custodian will have no responsibility for so doing.

The Parent (in the event the deceased Student was a minor at the time of death) or the executor or other representative of the Student's estate (if the deceased Student was not a minor at the time of death) has the responsibility to notify the Custodian of the Student's death as soon as practicable.

In the event that the Custodian continues to maintain the Custodial Account as an Education Savings Account for the benefit of the Designated Beneficiary under the first sentence of the preceding paragraph, the deceased Student's Parent will continue to be the Parent for purposes of the Custodial Account and to discharge the rights and responsibilities of the Student hereunder until the Designated Beneficiary (as the new Student for the Custodial Account) reaches the age of

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majority in the state of his or her residence and notifies the Custodian in accordance with this Agreement that the Student is assuming control of the Custodial Account. However, the Parent may in writing to the Custodian designate a new Parent, providing such information concerning a new Parent and such acceptance of designation by the new Parent as the Custodian may request, the Custodian will thereupon treat the new Parent as the Parent for purposes of administration of the Custodial Account.

Despite any contrary provision of this Agreement, the Custodian may disregard the express terms of a Beneficiary designation under this Section 9(d) and pay over the balance of the deceased Depositor's interest in his or her Custodial Account to a different person, trust, estate or other beneficiary, where the Custodian determines, in the reasonable and good faith exercise of its discretion, that an applicable state law, court decree or other ruling governing the disposition or appointment of property incident to a divorce or other circumstance affecting inheritance rights so requires and if the Custodian has knowledge of the facts that may invalidate the designation of such Beneficiary.

10. *Distribution instructions.* The Custodian assumes (and shall have) no responsibility to make any distribution or process any withdrawal request except upon the written order of Student containing such information as the Custodian may reasonably request (provided that the Custodian may make distributions on its own initiative to the extent specifically provided for in Section 9 of this Article X). Also, before making any distribution or honoring any assignment of the Custodial Account, Custodian shall be furnished with any and all applications, certificates, tax waivers, signature guarantees and other documents (including proof of any legal representative's authority) deemed necessary or advisable by Custodian, but Custodian shall not be responsible for complying with any order or instruction which appears on its face to be genuine, or for refusing to comply if not satisfied it is genuine and in good order, and Custodian has no duty of further inquiry. Any distributions from the Custodial Account may be mailed, first-class postage prepaid, to the last known address of the person or entity who is to receive such distribution, as shown on the Custodian's records, and such distribution shall to the extent thereof completely discharge the Custodian's liability for such payment.

11. *Tax reporting responsibilities.*

(a) The Student agrees to provide information to the Custodian at such time and in such manner as may be necessary for the Custodian to prepare any reports required under Section 530(h) or other provision of the Code.

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(b) The Custodian or the Service Company will submit reports to the Internal Revenue Service and the Student at such time and manner and containing such information as is prescribed by the Internal Revenue Service.

(c) The Student, Custodian and Service Company shall furnish to each other such information relevant to the Custodial Account as may be required under the Code and any regulations issued or forms adopted by the Internal Revenue Service thereunder or as may otherwise be necessary for the administration of the Custodial Account.

(d) The Student and/or the Donor shall file any reports to the Internal Revenue Service which are required of either of them by law, and neither the Custodian nor Service Company shall have any duty to advise either concerning or monitor either's compliance with such requirement.

## 12. *Amendments.*

(a) Student retains the right to amend this Custodial Account document in any respect at any time, effective on a stated date which shall be at least 60 days after giving written notice of the amendment (including its exact terms) to Custodian by registered or certified mail, unless Custodian waives notice as to such amendment. If the Custodian does not wish to continue serving as such under this Custodial Account document as so amended, it may resign in accordance with Section 16 below.

(b) Student delegates to the Custodian the Student's right so to amend, provided (i) the Custodian does not change the investments available under the Custodial Agreement (other than an amendment to reflect any change in the Funds available hereunder made by the Sponsor) and (ii) the Custodian amends in the same manner all agreements comparable to this one, having the same Custodian, permitting comparable investments, and under which such power has been delegated to it; this includes the power to amend retroactively if necessary or appropriate in the opinion of the Custodian in order to conform this Custodial Account to pertinent provisions of the Code and other laws or successor provisions of law, or to obtain a governmental ruling that such requirements are met, to adopt a prototype or master form of agreement in substitution for this Agreement, or as otherwise may be advisable in the opinion of the Custodian. Such an amendment by the Custodian shall be communicated in writing to Student, and Student shall be deemed to have consented thereto unless, within 30 days after such communication to Student is mailed, Student either (i) gives Custodian a written order for a complete distribution or transfer of the Custodial Account, or (ii) removes the Custodian and appoints a successor under Section 16 below.

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Pending the adoption of any amendment necessary or desirable to conform this Custodial Account document to the requirements of the Code, or any amendment thereto or to any applicable provision of the regulations or rulings thereunder, the Custodian and the Service Company may operate the Student's Custodial Account in accordance with such requirements to the extent that the Custodian and/or the Service Company deem necessary to preserve the tax benefits of the Custodial Account or otherwise necessary to meet all legal requirements, and the Custodian and/or Service Company shall have no liability for so doing.

(c) Notwithstanding the provisions of subsections (a) and (b) above, no amendment shall increase the responsibilities or duties of Custodian without its prior written consent.

(d) This Section 12 shall not be construed to restrict the Custodian's right to substitute fee schedules in the manner provided by Section 15 below, and no such substitution shall be deemed to be an amendment of this Agreement.

### 13. *Terminations*

(a) This Agreement shall terminate and have no further force and effect upon a complete distribution of the Custodial Account to the Student (or his or her Beneficiaries) or to a successor custodian or trustee in accordance with the instructions provided to the Custodian by the Student. In addition, the Sponsor shall have the right to terminate this Agreement and instruct the Custodian to distribute the Custodial Account upon thirty (30) days notice to the Custodian and the Student (or his or her Beneficiaries if the Student is deceased). In the event of such termination by the Sponsor, the Custodian shall transfer the entire amount in the Custodial Account to a successor custodian or trustee as the Student (or his or her Beneficiaries) shall instruct or shall distribute the Custodial Account to the Student (or his or her Beneficiaries) if so directed. If, at the end of such thirty (30) day period, the Student (or his or her Beneficiaries) has not directed the Custodian to transfer or distribute the amount in the Custodial Account as described above then the Student (or his or her Beneficiaries) will be deemed to have directed the Custodian to distribute any amount remaining in the Custodial Account to (i) the Student (or to his or her Beneficiaries as their interests shall appear on file with the Custodian) or, (ii) if the Student is deceased with no Beneficiaries on file with the Custodian, then to the Student's estate, subject to the Custodian's right to reserve funds as provided in Section 16(b). The Sponsor and the Custodian will be fully protected in making any and all such distributions pursuant to this Section 13(a). The Student (or his or her Beneficiaries) shall be fully responsible for any taxes due on such distribution.

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(b) Sections 14(f), 16(b) and 16(c) hereof shall survive the termination of the Custodial Account and this document, and Custodian shall be relieved from all further liability hereunder or with respect to the Custodial Account and all assets thereof so distributed.

14. *Responsibilities of Custodian and service providers*

(a) In its discretion, the Custodian may appoint one or more contractors or service providers to carry out any of its functions and may compensate them from the Custodial Account for expenses attendant to those functions.

(b) The Service Company shall be responsible for receiving all instructions, notices, forms and remittances from Student and for dealing with or forwarding the same to the transfer agent for the Fund(s).

(c) The parties do not intend to confer any fiduciary duties on Custodian or Service Company (or any other party providing services to the Custodial Account), and none shall be implied. Neither shall be liable (or assumes any responsibility) for the collection of contributions, the proper amount, time or tax treatment of any contribution to the Custodial Account or the propriety of any contributions under this Agreement, or the purpose, time, amount (including any required distribution amounts), tax treatment or propriety of any distribution hereunder, which matters are the sole responsibility of Student.

(d) Not later than 60 days after the close of each calendar year (or after the Custodian's resignation or removal), the Custodian or Service Company shall file with Student a written report or reports reflecting the transactions effected by it during such period and the assets of the Custodial Account at its close. Upon the expiration of 60 days after such a report is sent to Student, the Custodian or Service Company shall be forever released and discharged from all liability and accountability to anyone with respect to transactions shown in or reflected by such report except with respect to any such acts or transactions as to which Student shall have filed written objections with the Custodian or Service Company within such 60-day period.

(e) The Service Company shall deliver, or cause to be delivered by mail or electronically, to Student all notices, prospectuses, financial statements and other reports to shareholders, proxies and proxy soliciting materials relating to the shares of the Funds(s) credited to the Custodial Account. The Custodian shall vote any shares held in the Account in accordance with the timely written instructions of the Student if received. If no timely written voting instructions are received from the Student, the Student agrees that the Custodian may vote such unvoted shares as instructed by the Sponsor, which may include voting in the same

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proportion of shares of the Fund for which written voting instructions were timely received by the Fund (or its agent) from the Fund's other shareholders or in accordance with the recommendations of the Fund's board of directors in the relevant proxy soliciting materials. In the latter case, the Custodian shall have no responsibility to separately review or evaluate the Fund's board of directors' voting recommendations nor have any liability for following the Student's instruction to follow the Fund's board of directors' recommendation.

(f) Student and Parent shall always fully indemnify Service Company, Sponsor, Distributor, the Fund(s) and Custodian, and shall defend and save them harmless from any and all liability whatsoever which may arise either (i) in connection with this Agreement and the matters which it contemplates, except that which arises directly out of the Service Company's, Distributor's, Fund's, Sponsor's or Custodian's bad faith, gross negligence or willful misconduct, (ii) with respect to making or failing to make any distribution, other than for failure to make distribution in accordance with an order therefor which is in good order and in full compliance with Section 9, or (iii) actions taken or omitted in good faith by such parties. Neither Service Company nor Custodian shall be obligated or expected to commence or defend any legal action or proceeding in connection with this Agreement or such matters unless agreed upon by that party and Student, and unless fully indemnified for so doing to that party's satisfaction. The Custodian's acceptance of the contributions to this Custodial Account is expressly conditioned upon Parent's and Student's agreement with the foregoing, and with all other provisions of this Agreement. Exercise of any right, duty or responsibility by Parent (or Student, as the case may be) in connection with the Student's Custodial Account shall be deemed to constitute acceptance of this condition.

(g) The Custodian and Service Company shall each be responsible solely for performance of those duties expressly assigned to it in this Agreement, and neither assumes any responsibility as to duties assigned to anyone else hereunder or by operation of law.

(h) The Custodian and Service Company may each conclusively rely upon and shall be protected in acting upon any written order from Student, or any investment advisor appointed under Section 8, or any other notice, request, consent, certificate or other instrument or paper believed by it to be genuine and to have been properly executed, and so long as it acts in good faith, in taking or omitting to take any other action in reliance thereon. In addition, Custodian will carry out the requirements of any apparently valid court order relating to the Custodial Account and will incur no liability or responsibility for so doing.

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15. *Fees and Expenses.*

(a) The Custodian, in consideration of its services under this Agreement, shall receive the fees specified on the applicable fee schedule. The fee schedule originally applicable shall be the one specified in the Adoption Agreement or Disclosure Statement, as applicable. The Custodian may substitute a different fee schedule at any time upon 30 days' written notice to Student. The Custodian shall also receive reasonable fees for any services not contemplated by any applicable fee schedule and either deemed by it to be necessary or desirable or requested by Student.

(b) Any income, gift, estate and inheritance taxes and other taxes of any kind whatsoever, including transfer taxes incurred in connection with the investment or reinvestment of the assets of the Custodial Account, that may be levied or assessed in respect to such assets, and all other administrative expenses incurred by the Custodian in the performance of its duties (including fees for legal services rendered to it in connection with the Custodial Account) shall be charged to the Custodial Account. If the Custodian is required to pay any such amount, the Student shall promptly upon notice thereof reimburse the Custodian.

(c) All such fees and taxes and other administrative expenses charged to the Custodial Account shall be collected either from the amount of any contribution or distribution to or from the Custodial Account, or (at the option of the person entitled to collect such amounts) to the extent possible under the circumstances by the conversion into cash of sufficient shares of one or more Funds held in the Custodial Account (without liability for any loss incurred thereby). Notwithstanding the foregoing, the Custodian or Service Company may make demand upon the Student for payment of the amount of such fees, taxes and other administrative expenses. Fees which remain outstanding after 60 days may be subject to a collection charge.

16. *Resignation or Replacement of Custodian.*

(a) Upon 30 days' prior written notice to the Custodian, Student or Sponsor, as the case may be, may remove it from its office hereunder. Such notice, to be effective, shall designate a successor custodian and shall be accompanied by the successor's written acceptance. The Custodian also may, but is not required to, at any time resign upon 30 days' prior written notice to Sponsor, whereupon Sponsor shall notify the Student, and shall appoint a successor to the Custodian. In connection with its removal or resignation hereunder, the Custodian may, but is not required to, designate a successor custodian by written notice to the Student or Sponsor, if neither the Sponsor nor Student (or Beneficiary) designate a successor custodian, and the Student or Sponsor will be deemed to have consented to such successor unless the Student or Sponsor designates a different successor custodian and provides written

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notice thereof together with such different successor's written acceptance by such date as the Custodian specifies in its original notice to the Student or Sponsor (provided that the Student will have a minimum 30 days to designate a different successor).

(b) The successor custodian shall be a bank, insured credit union, or other person satisfactory to the Secretary of the Treasury under Code Section 530(b)(1)(B). Upon receipt by Custodian of written acceptance by its successor of such successor's appointment, Custodian shall transfer and pay over to such successor the assets of the Custodial Account and all records (or copies thereof) of Custodian pertaining thereto, provided that the successor custodian agrees not to dispose of any such records without the Custodian's consent. Custodian is authorized, however, to reserve such sum of money or property as it may deem advisable for payment of all its fees, compensation, costs, and expenses, or for payment of any other liabilities constituting a charge on or against the assets of the Custodial Account or on or against the Custodian, with any balance of such reserve remaining after the payment of all such items to be paid over to the successor custodian.

(c) No custodian shall be liable for the acts or omissions of its predecessor or its successor.

17. *Applicable Code.* References herein to the "Internal Revenue Code" or "Code" and sections thereof shall mean the same as amended from time to time, including successors to such sections.

18. *Delivery of notices.* Except where otherwise specifically required in this Agreement, any notice from Custodian to any person provided for in this Agreement shall be effective if sent by first-class mail to such person at that person's last address on the Custodian's records.

19. *Exclusive benefit.* Student shall not have the right or power to anticipate any part of the Custodial Account or to sell, assign, transfer, pledge or hypothecate any part thereof. The Custodial Account shall not be liable for the debts of Student or subject to any seizure, attachment, execution or other legal process in respect thereof except to the extent required by law. At no time shall it be possible for any part of the assets of the Custodial Account to be used for or diverted to purposes other than for the exclusive benefit of the Student except to the extent required by law.

20. *Applicable law/Interpretation.* When accepted by the Custodian, this Agreement is accepted in and shall be construed and administered in accordance with the laws of the state where the principal office of the Custodian is located. Any action involving the Custodian brought by any other party must be brought in such state.

This Agreement is intended to qualify under Code Section 530 as an Education Savings Account and to entitle Student to the tax benefits

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thereof, and if any provision hereof is subject to more than one interpretation or any term used herein is subject to more than one construction, such ambiguity shall be resolved in favor of that interpretation or construction which is consistent with that intent.

However, the Custodian shall not be responsible for whether or not such intentions are achieved through use of this Agreement, and Student is referred to Student's attorney for any such assurances.

21. *Professional advice.* Student (or Donor) should seek advice from Student's (or Donor's) attorney regarding the legal consequences (including but not limited to federal and state tax matters) of entering into this Agreement, making contributions to the Custodial Account, and ordering Custodian to make distributions from the Custodial Account. Student (and Donor) acknowledges that Custodian and Service Company (and any company associated therewith) are prohibited by law from rendering such advice.
22. *Definition of written notice.* If any provision of any document governing the Custodial Account provides for notice, instructions or other communication from one party to another in writing, to the extent provided for in the procedures of the Custodian, Service Company or another party, any such notice, instructions or other communications may be given by telephonic, computer, other electronic or other means, and the requirement for written notice will be deemed satisfied.
23. *Governing documents.* This Agreement and the Adoption Agreement signed by Student or Donor (as either may be amended) are the documents governing the Student's Custodial Account. Articles I through IX are in the form promulgated by the Internal Revenue Service in Form 5305-EA for use in establishing and maintaining an Education Savings Account under Code Section 530. If the Internal Revenue Service amends such form, the Custodian will amend this Agreement accordingly, and the Student specifically consents to such amendment in accordance with Section 12(b) hereof. In addition, if there is any change in the legal requirements applicable to Education Savings Accounts, pending the adoption by the Internal Revenue Service of a revised Form 5305-EA, the Custodial Account may be operated in accordance with such changed legal requirements, notwithstanding that such operation may be in conflict with the unrevised version of Form 5305-EA.
24. *Representations by Donor and/or Student.* The Donor and/or Student acknowledges that he or she has received and read the current prospectus for each Fund in which the Custodial Account is invested and the Coverdell Education Savings Custodial Account Disclosure Statement related to the Custodial Account. The Donor and Student each represent under penalties of perjury that his or her Social Security number (or other Taxpayer Identification Number) as stated in the Adoption Agreement is correct.



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