

Roth IRA

Roth Individual Retirement
Account with Custodial
Provisions

Sponsored By:
U.S. Global Investors, Inc.
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San Antonio, TX 78229
1-800-US-FUNDS



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You can revoke your participation in this Account without charge or fee of any kind if you notify us within seven business days of the date on which you established the Roth IRA Account. Oral notification may be given by phone during business hours. If you prefer, you may notify us in writing by mail. If you notify us by mail, the revocation is deemed made on the date of mailing. For this purpose, a notice is deemed mailed on the date of the postmark (or if sent by certified or registered mail, the date of certification or registration) if it is deposited in the mail in the United States in an envelope, or other appropriate wrapper, first class postage prepaid and properly addressed.

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Roth Individual Retirement Account with Custodial Provisions

We have developed this Roth Individual Retirement Account (“IRA”) for use by Individuals who wish to establish a Roth IRA. This document contains the rules you must follow to gain the tax benefits of a Roth IRA. To establish your account, simply sign the Application and send it to us for our signature. We will accept contributions and will invest those contributions in accordance with your investment objectives. We will report to you periodically on the status of investments in your Roth IRA and will make payments from the account at your direction. This account has been established and will be administered for the exclusive benefit of you and your Beneficiaries.

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Roth Individual Retirement Account With Custodial Provisions

Article I Definitions

1.1 **Adjusted Gross Income (AGI)** “AGI” shall mean adjusted gross income as reported on an Individual’s Federal income tax return but modified, in accordance with Code §219(g)(3), to adjust for social security benefits and passive activity losses and credits and to include foreign earned income, adoption assistance or expenses and income from U.S. Savings Bonds used to pay higher education tuition and fees, and further modified, in accordance with Code §408(c)(3)(C), to exclude any amount included in income due to a conversion from a Traditional or Regular IRA to a Roth IRA.

1.2 **Applicable Dollar Amount** Applicable Dollar Amount shall mean (i) \$150,000, in the case of an individual filing a joint Federal income tax return, (ii) \$95,000, in the case of any other Individual (other than a married Individual filing separately), and (iii) \$0, in the case of a married Individual filing separately.

1.3 **Beneficiary** The person or trust designated by the Individual to receive the balance held in his or her account upon death. The Beneficiary can be changed by filing a new Beneficiary form with the Custodian. If there is no Beneficiary designation on file with the Custodian, if the designated Beneficiary has predeceased the Individual, or if the Custodian, after making reasonable attempts to do so, is unable to locate the designated Beneficiary, the Custodian shall distribute the entire account balance to the survivors of the Individual in the following order:

- (a) Spouse, if any,
- (b) children, if any, in equal shares per stirpes, and
- (c) the Individual’s estate.

An Individual residing in a community property state who wishes to designate a Beneficiary other than the Individual’s Spouse must obtain the written consent of the Spouse to the designation which consent shall be intended to transmute and voluntarily relinquish the Spouse’s community property interest in the Individual’s account.

1.4 **Code** The Internal Revenue Code of 1986, as amended.

1.5 **Compensation** The salary, wages, professional fees, bonuses, overtime, and any other taxable remuneration earned for personal services performed (including, but not limited to commissions, compensation for services on the basis of a percentage of profits, tips and bonuses) during a Taxable Year. If the Individual is self-employed or a partner, Compensation means earned income from self-employment. Earned income is defined at Code §401(c)(2) and is reduced by the deduction taken as a self-employed individual for contributions made to a self-employed retirement plan. Earned income may also be applied to Individuals, described in

Code §1402(c)(6), that are members of a religious faith or sect that cannot accept public or private insurance such as Social Security benefits. Compensation does not include amounts derived from or received as earnings or profits from property (including, but not limited to, interest and dividends) or amounts not includible in gross income. Compensation also does not include any amount received as a pension or annuity or as deferred compensation. Compensation includes any taxable amount received in a divorce or separate maintenance instrument. In the case of a married Individual filing a joint return, the greater Compensation of his or her Spouse is treated as his or her own Compensation, but only to the extent that such Spouse's Compensation is not being used for purposes of the Spouse making a contribution to a Roth IRA or a deductible contribution to a non-Roth IRA.

1.6 **Conduit IRA** An Individual Retirement Account which is the recipient of a rollover or direct transfer of benefits paid to the Individual from a Code §403(b) plan or account or Qualified Retirement Plan.

1.7 **Custodial Account** The account established under the terms of this agreement between the Individual and the Custodian creating a Roth IRA.

1.8 **Custodian** The financial institution who makes this Roth IRA available to qualifying Individuals.

1.9 **Disability** A medically determinable physical or mental impairment which prohibits an Individual from engaging in any substantial gainful activity and which can be expected to result in death or to be of long continued and indefinite duration as defined in Code §72(m)(7).

1.10 **Individual** The person who establishes a tax-qualified Roth IRA under this document.

1.11 **Life Expectancy** The life expectancy of the Individual. Life expectancy is determined by reference to the return multiple contained in the tables published at §1.72-9 of the Income Tax Regulations.

1.12 **Maximum Permissible Amount** Except in the case of a qualified rollover contribution or a recharacterization [as defined in 2.7], no contribution will be accepted unless it is in cash and the total of such contributions to all the Individual's Roth IRAs for a Taxable Year does not exceed the applicable amount [as defined in 2.1(b)], or the individual's Compensation, if less, for that Taxable Year. The contribution described in the previous sentence that may not exceed the lesser of the applicable amount or the individual's compensation is referred to as a "Regular Contribution." A "Qualified Rollover Contribution" is a rollover contribution that meets the requirements of Code §408(d)(3), except the one-rollover-per-year rule of Code §408(d)(3)(B) does not apply if the rollover contribution is from an IRA other than a Roth IRA (a "non-Roth IRA"). Contributions may be limited as described in paragraph 2.1.

1.13 **Modified AGI** An Individual's Modified AGI for a Taxable Year is defined in Code §408A(c)(3)(C)(i) and does not include any amount included in Adjusted Gross Income as a result of a rollover from a non-Roth IRA (a "conversion").

1.14 **Plan** The Roth IRA established under the terms of this document, as it may be amended from time to time.

1.15 **Plan Year** The twelve (12) month period starting on January 1 and ending on December 31.

1.16 **Qualified Retirement Plan** A corporate or self-employed retirement plan qualified under Code §401(a) and exempt from tax under Code §501(a); an annuity plan described in Code §403(a); a qualified bond purchase plan described in Code §405(a) which was in existence prior to 1984; or a plan under which amounts were contributed by an employer for an annuity contract or custodial account described in Code §403(b).

1.17 **Qualified Rollover Contribution** A contribution to an Individual's account under this Plan which represents a rollover from another Roth IRA or from a Traditional or Regular IRA, provided that such rollover contribution meets the requirements of Code §408(d)(3).

1.18 **Qualified Special Purpose Distribution** A distribution to an Individual who is a qualified first-time homebuyer, as defined under Code §72(t)(8), to the extent such distribution is used by the Individual before the close of the 120th day after the day on which such distribution is received to pay qualified acquisition costs with respect to a principal residence of the Individual, the Spouse of such Individual, or any child, grandchild, or ancestor of such Individual or the Individual's Spouse.

1.19 **Roth IRA** An Individual Retirement Account established under Code §408A under which contributions are not tax deductible and qualifying distributions are not taxable to the Individual.

1.20 **SIMPLE IRA** A qualified salary deferral arrangement described in Code §408(p) under which employer and employee contributions are made to IRAs which qualify as SIMPLE IRA accounts under Code §408(p) and to which no other IRA contributions other than rollover contributions from other SIMPLE IRAs may be made.

1.21 **Spouse** The person to whom an Individual is married. A person who was formerly married to an Individual may also be considered a Spouse under the terms of a domestic relations order.

1.22 **Taxable Year** The Individual's tax year for Federal income tax purposes.

1.23 **Traditional Or Regular IRA** An Individual Retirement Account or Individual Retirement Annuity described in Code §408(a) or (b), respectively, or a non-Roth IRA.

Article II Contributions

2.1 *Maximum Permissible Amount*

(a) Except in the case of a Qualified Rollover Contribution or a recharacterization [as defined in (f) below], no contribution will be accepted unless it is in cash and the total of such contribution to all the Individual's Roth IRAs for a taxable year does not exceed the applicable amount [as defined in (b) below], or the Individual's Compensation, if less, for that Taxable Year. The contribution described in the previous sentence that may not exceed the lesser of the applicable amount or the Individual's Compensation is referred to as a "Regular Contribution." A "Qualified Rollover Contribution" is a rollover contribution that meets the requirements of Code §408(d)(3), except the one-rollover-per-year rule of §408(d)(3)(B) does not apply if the rollover contribution is from an IRA other than a Roth IRA (a "non-Roth IRA"). Contributions may be limited as described below.

(b) The applicable amount is determined under (i) or (ii) below:

(i) If the Individual is under age fifty (50), the applicable amount is \$3,000 for any Taxable Year beginning in 2002 through 2004, \$4,000 for any Taxable Year beginning in 2005 through 2007, and \$5,000 for any Taxable Year beginning in 2008 and years thereafter.

(ii) If the Individual is age fifty (50) or older, the applicable amount is \$3,500 for any Taxable Year beginning in 2002 through 2004, \$4,500 for any Taxable Year beginning in 2005, \$5,000 for any Taxable Year beginning in 2006 through 2007, and \$6,000 for any Taxable Year beginning in 2008 and years thereafter.

(c) If (i) and/or (ii) below apply, the maximum Regular Contribution that can be made to all the Individuals' Roth IRAs for a Taxable Year is the smaller amount determined under (i) or (ii).

(i) The maximum Regular Contribution is phased out ratably between certain levels of modified Adjusted Gross Income ("Modified AGI,") in accordance with the following table:

<u>Filing Status</u>	<u>Full Contribution</u>	<u>Phase-Out Range</u>	<u>No Contribution</u>
Modified AGI			
Single or Head of Household	\$95,000 or less	Between \$95,000 and \$110,000	\$110,000 or more
Joint Return or Qualifying Widow(er)	\$150,000 or less	Between \$150,000 and \$160,000	\$160,000 or more
Married-Separate Return	\$0	Between \$0 and \$10,000	\$10,000 or more

If the Individual's Modified AGI for a taxable year is in the phase-out range, the maximum Regular Contribution determined under this table for that Taxable Year is rounded up to the next multiple of \$10 and is not reduced below \$200.

(ii) If the Individual makes Regular Contributions to both Roth and non-Roth IRAs for a Taxable Year, the maximum Regular Contribution that can be made to all the Individual's Roth IRAs for the Taxable Year is reduced by the Regular Contributions made to the Individual's non-Roth IRAs for the taxable year.

(d) A rollover from a non-Roth IRA cannot be made to this IRA if, for the year the amount is distributed from the non-Roth IRA (i) the Individual is married and files a separate return, (ii) the Individual is not married and has Modified AGI in excess of \$100,000 or (iii) the Individual is married and together the Individual and the Individual's Spouse have Modified AGI in excess of \$100,000. For purposes of the preceding sentence, a husband and wife are not treated as married for a Taxable Year if they have lived apart at all times during that Taxable Year and file separate returns for the Taxable Year.

(e) No contributions will be accepted under a SIMPLE IRA plan established by any employer pursuant to Code §408(p). Additionally, no transfer or rollover of funds attributable to contributions made by a particular employer under its SIMPLE IRA plan will be accepted from an IRA used in conjunction with a SIMPLE IRA plan, prior to the expiration of the two (2) year period beginning on the date the Individual first participated in that employer's SIMPLE IRA plan.

(f) A Regular Contribution to a non-Roth IRA may be recharacterized pursuant to the rules in §1.408A-5 of the Regulations as a Regular Contribution to this IRA, subject to the limits in (c) above.

(g) For purposes of this paragraph, an Individual's Modified AGI for a Taxable Year is defined in Code §408A(c)(3)(c)(i) and does not include any amount included in adjusted gross income as a result of a rollover from a non-Roth IRA (a "conversion").

2.2 Spousal Contribution

(a) A working Individual may make a nondeductible cash contribution on behalf of his or her nonworking Spouse in an amount up to the lesser of \$2,000 or 100% of the sum of the Compensation includible in the Individual's gross income for the Taxable Year, plus the Compensation includible in the gross income of the Individual's Spouse for the Taxable Year; reduced by, the sum of the contributions for such Taxable Year made to all other IRAs, including Roth IRAs, maintained for the benefit of the Spouse.

(b) The maximum dollar amount for a Taxable Year for married Individuals filing a joint Federal income tax return and qualifying widow(er)s is reduced if such Adjusted Gross Income on the joint income tax return is between \$150,000 and \$160,000. No contribution is allowed for either Individual if their Adjusted Gross Income is in excess of \$160,000 for the applicable Taxable Year.

If the Individual's Adjusted Gross Income for the Taxable Year is in the phase-out range, the maximum contribution is rounded up to the next multiple of \$10 and is not reduced below \$200.

2.3 Rollover From A Qualified Retirement Plan An Individual may not roll over to this or any other Roth IRA any part of a distribution received from a Qualified Retirement Plan.

2.4 Rollover Or Transfer From An IRA Other Than A Roth IRA An Individual may roll over or arrange for a direct transfer of all or part of an existing IRA (including a Conduit or SIMPLE IRA), to this Roth IRA provided that:

(a) a single Individual's Adjusted Gross Income does not exceed \$100,000 for the Taxable Year, or if the Individual is married, such Individual and his or her Spouse do not have a combined Adjusted Gross Income in excess of \$100,000 and they file a joint income tax return for the Taxable Year (an Individual who is married and files a separate income tax return cannot make a rollover or transfer from an existing IRA to this Roth IRA),

(b) the amount to be rolled over is contributed no later than the sixtieth (60th) day after receipt by the Individual,

(c) if property other than money is distributed from the other IRA, the same property or the proceeds from the sale is transferred to this Roth IRA,

(d) the Individual confirms to the Custodian that the rollover consists solely of amounts transferred from the other IRA, and

(e) no transfer or rollover of funds will be accepted from a SIMPLE IRA before the expiration of the two (2) year period beginning on the date the Individual first participated in the SIMPLE IRA.

Individuals who rollover or transfer existing Traditional or Regular IRAs to this Roth IRA must include in income the taxable portion of the rollover or transfer as if such amount had been distributed to the Individual in the Taxable Year during which the rollover or transfer took place. With respect to rollovers or transfers taking place prior to January 1, 1999, any amount required to be included in gross income may, if elected, be so included ratably over the four (4) Taxable Year periods beginning with the Taxable Year in which the rollover or transfer is made.

2.5 Rollover Or Transfer From Another Roth IRA An Individual may rollover or directly transfer all or any part of his or her account held under the terms of another Roth IRA to this Roth IRA provided that:

(a) the amount to be rolled over is contributed no later than the sixtieth (60th) day after receipt by the Individual,

(b) if property other than money is distributed from the other IRA, the same property or the proceeds from the sale of such property is transferred to this Roth IRA,

(c) the Individual confirms to the Custodian that the rollover consists solely of amounts transferred from the other IRA, and

(d) no similar rollover has taken place within the one (1) year period ending on the date the distribution is received by the Individual.

2.6 *Conversion Of Roth IRA Account With The Same Trustee* Conversions and recharacterizations made with the same Custodian may be accomplished by redesignating the account or annuity contract, rather than by the opening of a new account or the issuing of a new annuity contract for each conversion or recharacterization.

2.7 *Recharacterized Contributions* If an Individual makes a contribution to an IRA (the first IRA) for a Taxable Year and then transfers the contribution (or a portion of the contribution) in a trustee-to-trustee transfer from the trustee of the first IRA to the trustee of another IRA (the second IRA), the Individual can elect to treat the contribution as having been made to the second IRA, instead of to the first IRA, for Federal tax purposes. A transfer between the first IRA and the second IRA will not fail to be a trustee-to-trustee transfer merely because both IRAs are maintained by the same trustee. For purposes of Code §408A(d)(6), redesignating the first IRA as the second IRA will be treated as a transfer of the entire account balance from the first IRA to the second IRA.

This recharacterization election can be made only if the trustee-to-trustee transfer from the first IRA to the second IRA is made on or before the due date (including extensions) for filing the Individual's Federal income tax return for the Taxable Year for which the contribution was made to the first IRA. For purposes of this section, a conversion that is accomplished through a rollover of a distribution from a Traditional or Regular IRA in a taxable year that, sixty (60) days after the distributions [as described in Code §408(d)(3)(A)(i)], is contributed to a Roth IRA in the next Taxable Year is treated as a contribution for the earlier Taxable Year.

2.8 *Election To Recharacterize A Roth IRA Contribution For A Taxable Year* An Individual makes an election by notifying, on or before the date of the transfer, both the trustee of the first Roth IRA and the trustee of the second Roth IRA, that the Individual has elected to treat the contribution as having being made to the second Roth IRA, instead of the first Roth IRA, for Federal tax purposes. The notification of the election must include the following information: the type and amount of the contribution to the first IRA that is to be recharacterized; the date on which the contribution was made to the first Roth IRA and the year for which it was made; directions to the trustee of the first Roth IRA to transfer, in a trustee-to-trustee transfer, the amount of the contribution and net income allocable to the contribution to the trustee of the second Roth IRA; and the name of the trustee of the first Roth IRA and the trustee of the second Roth IRA and any additional information needed to make the transfer.

The election and the trustee-to-trustee transfer must occur on or before the due date (including extensions) for filing the Individual's Federal income tax return for the Taxable Year for which the recharacterized contribution was made to the first IRA, and the election cannot be revoked after the transfer. An Individual who makes this

election must report the recharacterization, and must treat the contribution as having been made to the second IRA, instead of the first IRA, on the Individual's Federal income tax return for the Taxable Year described in the preceding sentence in accordance with the applicable Federal tax forms and instructions.

The election to recharacterize a contribution may be made on behalf of a deceased IRA account holder by his or her executor, administrator, or other person responsible for filing the final Federal income tax return of the decedent under Code §6012(b)(1).

2.9 Age Requirements Contributions may be made to this Roth IRA even after the Individual has reached age 70-1/2. A parent or guardian of a minor child may establish a Roth IRA on behalf of the minor child. In the case of any contribution to a Roth IRA established for a minor child, the child must have Compensation for the Taxable Year for which the contribution is made.

2.10 Excess Contribution If the amount contributed by an Individual exceeds the maximum contribution allowed with respect to a Taxable Year, the Individual must notify the Custodian to distribute to the Individual the excess contribution, together with any investment earnings on that amount. If an excess is not corrected by the tax filing deadline (including extensions) for the year during which the excess contribution was made, such excess contribution may be applied, on a year-by-year basis, against the annual limit for regular Roth IRA contributions. However, in order to "carry over" the excess contribution and treat it as a contribution made for a subsequent year, the Individual must meet the eligibility requirements for the subsequent year. In addition, the Individual is subject to the six percent (6%) excise tax for the initial year and each subsequent year until the excess is used up.

The provisions under Code §408(d)(5) for Traditional or Regular IRAs (correcting excesses after the filing deadline) and under Code §219(f)(6) for Traditional or Regular IRAs (carrying over excesses to a subsequent year) do not apply to Roth IRAs.

The Individual must notify the Custodian of the excess contribution, in writing, before the date on which the Individual files, or is required to file, his or her income tax return for the Taxable Year for which the excess contribution was made.

2.11 Timing Of Contributions An Individual must make his or her contribution for a Taxable Year either during such year or within the time period prescribed by law for filing the Individual's Federal income tax return for such Taxable Year without extensions.

Article III Investments

3.1 Individual Accounts The Custodian will establish and maintain a Roth Individual Retirement Account in the Individual's name under the terms as contained herein and where applicable, the Application Form. The account is established for the exclusive benefit of the Individual or that of the Individual's

Beneficiaries. The Individual's account will be administered separately from any other IRA or Roth IRA and the assets of such Individual's IRA or Roth IRA will not be commingled with the assets of any other IRA or Roth IRA, except in a common trust fund or common investment fund.

3.2 *Investment Options* Permissible investment alternatives may include stocks, bonds, money market instruments, savings accounts, certificates of deposit, mutual funds, (including funds for which the Custodian, or any affiliates serve as investment advisor), obligations issued by or guaranteed by the United States, or in any other investment available for acquisition through the Custodian in its regular course of business and approved by the Custodian for investment under the Plan. The investment alternatives specifically include securities or savings accounts or certificates issued by Custodian and/or any of its affiliates. Notwithstanding the above, the Custodian reserves the right to limit the investment vehicles available to an Individual who establishes a Roth IRA under this agreement. Code §408(m) prohibits the Custodian from investing any part of an IRA in life insurance contracts or in tangible personal property characterized by the Internal Revenue Service as a collectible investment. Investments in either U.S. government issued gold and silver coins after December 11, 1986 or certain state issued coins after November 11, 1988 are not considered collectibles. However, gold and silver coins used as jewelry will be considered collectibles and therefore, are prohibited as an investment.

The Custodian will exercise all ownership rights with respect to the investments in the Individual's Roth IRA. These activities include holding investments, collecting investment income, voting proxies and exercising options.

3.3 *Directed Investments* The Individual or the Individual's duly authorized representative may delegate the investment management of all or a portion of a Roth IRA account to an agent or attorney-in-fact, including but not limited to the Custodian or a division or affiliate of the Custodian by notifying the Custodian in writing on a form acceptable to the Custodian of such delegation, including the name of the person or persons to whom such responsibility is delegated and the assets with respect to which such agent or attorney-in-fact shall direct investments. The Custodian shall follow the directions of such agent or attorney-in-fact and shall be under no duty to review or question any direction, action or failure to direct or act of such agent or attorney-in-fact. The Individual may revoke the authority of any agent or attorney-in-fact at any time by notifying the Custodian in writing of such revocation and the Custodian shall not be liable in any way for transactions initiated prior to receipt of such notice. The Custodian is not responsible for the propriety of any investment the Individual directs and will not be required to consult with or advise the Individual regarding the investment quality of any directed investment.

3.4 *Restrictions On Directing Investments* While the Individual may direct the Custodian with respect to investments, the Individual may not:

(a) borrow from the account or pledge any of the assets of the IRA as security for a loan,

- (b) buy property or assets from or sell property or assets to the account,
- (c) charge any fee for services rendered to the account, or
- (d) receive any services from the account on a preferential basis.

3.5 *Nonforfeitability* The entire amount in the Individual's Roth IRA belongs to such Individual, which means that the benefit is nonforfeitable at all times.

3.6 *Assignment And Alienation* The Individual may not pledge any part of his or her Roth IRA as security for a loan nor can it be assigned, transferred, appropriated, encumbered, commuted, or anticipated. The Custodian shall not recognize any legal process to levy upon, garnish, or attach an Individual's account for payment of any claim against the Individual except as may be provided by law.

Article IV Distributions

4.1 *Qualified Distributions* A distribution of contributions or rollovers made pursuant to this Roth IRA, that are held in a Roth IRA account for five (5) or more Taxable Years, will be Federal income tax-free and penalty-free if the distribution is made on account of:

- (a) the Individual having attained age 59-1/2,
- (b) the Individual's death,
- (c) the Individual's Disability, or
- (d) a Qualified Special Purpose Distribution.

If the entire Roth IRA account balance is distributed before any other Roth IRA contributions are made, the five (5) year holding period does not start over when future contributions are made.

However, in the following situations, the five (5) year holding period will not be considered to have begun if:

- (e) the initial Roth IRA contribution is revoked within the initial seven (7) day period.
- (f) the initial Roth IRA contribution is recharacterized to a Traditional IRA; or
- (g) an excess contribution, plus earnings, is timely distributed in accordance with Code §408(d)(4), by the tax filing deadline (including extensions), unless other eligible contributions were made.

4.2 *Nonqualified Distributions* A distribution will not be considered qualified if such distribution is made within the five (5) year period beginning with the first Taxable Year for which a contribution or rollover is made to this Roth IRA. If a nonqualified distribution is made from this Roth IRA, the amount so distributed shall be subject to tax and applicable penalties to the extent the distribution, when added to previous nonqualified distributions, exceeds the aggregate contributions

made by the Individual pursuant to this Roth IRA. For purposes of this determination, contributions shall be deemed to be distributed on a first-in first-out basis.

4.3 Form Of Payment An Individual may elect to have the balance in his or her Roth IRA paid in the form of a lump sum or installment payments in equal or substantially equal monthly, quarterly, semi-annual, or annual amounts.

4.4 Distributions Commencing Prior To Death An Individual may direct the Trustee to commence payments in the form of a lump sum or installments at any time without regard to the minimum distribution requirements under Code §401(a)(9). Installment payments may be set up over any period selected by the Individual provided that such period is acceptable to the Custodian. Installment payments will continue only so long as amounts remain in the Individual's Roth IRA. The Individual shall have the right at any time to request a lump sum payment of the balance remaining in his or her account.

4.5 Distributions After Death Benefits payable to a Beneficiary must be distributed or commence to be distributed from the Individual's account in accordance with one of the following provisions:

(a) Notwithstanding any provision of this IRA to the contrary, the distribution of the Individual's interest in the account shall be made in accordance with the requirements of Code §408(a)(6), as modified by Code §408A(c)(5) and the Regulations thereunder, the provisions of which are herein incorporated by reference. If distributions are made from an annuity contract purchased from an insurance company, distributions thereunder must satisfy the requirement of Regulations §1.401(a)(9)-6T [taking into account Code §408A(c)(5)], rather than the distribution rules in paragraphs (b), (c) and (d) below.

(b) Upon the death of the Individual, his or her entire interest will be distributed at least as rapidly as follows:

(i) If the designated Beneficiary is someone other than the Individual's surviving Spouse, the entire interest will be distributed, starting by the end of the calendar year following the calendar year of the Individual's death, over the remaining life expectancy of the designated Beneficiary, with such life expectancy determined using the age of the Beneficiary as of his or her birthday in the year following the year of the Individual's death, or, if elected, in accordance with paragraph (b)(iii) below.

(ii) If the Individual's sole designated Beneficiary is the Individual's surviving Spouse, the entire interest will be distributed, starting by the end of the calendar year following the calendar year of the individual's death (or by the end of the calendar year in which the individual would have attained age 70-1/2, if later), over such Spouse's life or if elected, in accordance with paragraph (b)(iii) below. If the surviving Spouse dies before distributions are required to begin, the remaining interest will be distributed, starting by the end of the calendar year following the calendar year of the Spouse's death, over the Spouse's designated Beneficiary's remaining life expectancy determined using such Beneficiary's age of his or her

birthday in the year following the death of the Spouse, or if elected, will be distributed in accordance with paragraph (b)(iii) below. If the surviving Spouse dies after distributions are required to begin, any remaining interest will be distributed over the Spouse's remaining life expectancy determined using the Spouse's age as of his or her birthday in the year of the Spouse's death.

(iii) If there is no designated Beneficiary, or if applicable by operation of paragraph (b)(i) or (b)(ii) above, the entire interest will be distributed by the end of the calendar year containing the fifth anniversary of the Individual's death [or of the Spouse's death in the case of the surviving Spouse's death before distributions are required to begin under paragraph (b)(ii) above].

(iv) The amount to be distributed each year under paragraph (b)(i) or (b)(ii) is the quotient obtained by dividing the value of the IRA as of the end of the preceding year by the remaining life expectancy specified in such paragraph. Life expectancy is determined using the Single Life Table in Q&A-1 of Regulations §1.401(a)(9)-9. If distributions are being made to a surviving Spouse as the sole designated Beneficiary, such Spouse's remaining life expectancy for a year is the number in the Single Life Table corresponding to such Spouse's age in the year. In all other cases, remaining life expectancy for a year is the number in the Single Life Table corresponding to the Beneficiary's age in the year specified in paragraph (b)(i) or (b)(ii) and reduced by one (1) for each subsequent year.

(c) The "value" of the IRA includes the amount of any outstanding rollover, transfer and recharacterization under Q&A-7 and Q&A-8 of Regulations §1.408-8.

(d) If the sole designated Beneficiary is the Individual's surviving Spouse, the Spouse may elect to treat the IRA as his or her own IRA. This election will be deemed to have been made if such surviving Spouse makes a contribution to the IRA or fails to take required distributions as a Beneficiary.

4.6 *Ordering Rules Upon Death Of Individual* For purposes of the ordering rules upon distribution, a Beneficiary's inherited Roth IRAs may not be aggregated with any other Roth IRAs maintained by such Beneficiary, except for other Roth IRAs that the Beneficiary inherited from the same decedent. However, if the surviving Spouse is the sole Beneficiary of a Roth IRA and such surviving Spouse elects to treat the Roth IRA as his or her own Roth IRA, the Spouse can aggregate contributions with his or her other Roth IRAs for purposes of determining the ordering rules when distributions are taken.

4.7 *Minimum Payment* No amount is required to be distributed from this Roth IRA before the death of the Individual for whose benefit it has been established. Distributions made pursuant to this Roth IRA will not be subject to the required minimum distribution rules under Code §401(a)(9)(A), or the incidental death benefit rules under Code §401(a).

4.8 *Closing The Account* The Roth IRA may be closed at any time by requesting a withdrawal or by directing a transfer of the account to an IRA or Roth IRA

maintained with another institution. In connection with such withdrawal or transfer, the Individual must provide a written notice specifying the intended use of the funds to be withdrawn. The notice is not required in the case of:

- (a) death
- (b) Disability
- (c) Qualified Special Purpose Distribution or
- (d) termination of the Roth IRA within seven (7) days of the date the Roth IRA is established.

4.9 *Payment Directions* The Custodian shall make distributions in accordance with written instructions received from the Individual or, after the Individual's death, from the Beneficiary. Any directions received from the Beneficiary shall not conflict with any written election made by the Individual. The Custodian shall not be liable for making any distribution in accordance with written instructions received from an authorized party under this document.

Article V Administrative Duties

5.1 *Duties Of Custodian* The administrative functions performed will include:

- (a) Setting up and maintaining a Roth IRA in the Individual's name.
- (b) Accepting contributions for deposit to the Individual's Roth IRA. The Custodian will not accept contributions in excess of \$3,000 for any Taxable Year or contributions from a SIMPLE IRA unless such contribution is a rollover or direct transfer from another Roth IRA or Traditional or Regular IRA (other than a Conduit IRA as described in paragraph 2.5 or 2.6 hereof).
- (c) Investing contributions in accordance with the investment options offered by the Custodian.
- (d) Making payments or distributions from this Roth IRA in accordance with written instructions issued by an authorized party hereunder.
- (e) Preparing and issuing an annual calendar year report of the Roth IRA for each Plan Year concerning the status of the status of the account and such information concerning required minimum distributions as is prescribed by the Commissioner of Internal Revenue. The report will show the contributions received, the payments and distributions made, the investment earnings received, the market value of assets held in the account and the balance held in the account at the end of the Plan Year, and such information concerning required minimum distributions as is prescribed by the Commissioner of Internal Revenue.
- (f) Preparing any reports that may be required by the Internal Revenue Service or by any governmental unit or agency having authority to request reports.

5.2 ***Duties Of Individual*** The administrative functions the Individual must perform include:

- (a) Determining the amount and timing of the annual contribution, if any.
- (b) Notifying the Custodian of any excess contribution made for a Taxable Year and directing the Custodian as to the disposition of such contribution plus the investment earnings thereon.
- (c) Authorizing any payment or distribution from the account.
- (d) Filing Form 5329, Return for Additional Taxes Attributable to Qualified Retirement Plans, if an excise tax is owed with respect to the Roth IRA.
- (e) Furnishing the Custodian with a written explanation of the intended use of any distribution to the Individual prior to the attainment of age 59-1/2.
- (f) Furnishing the Custodian with any information the Custodian may need to complete any governmental report required under applicable statutes or regulations.

5.3 ***Fees*** The Custodian reserves the right to charge a fee for the administrative and investment services provided for the Individual's Roth IRA. In addition, brokerage expenses, if any, will be charged to the account for investment transactions. The Custodian also reserves the right to impose a termination fee for any Roth IRA closed or transferred to a successor trustee or custodian. No termination fee will be charged for an account closed as a result of the Individual's death, disability or within the seven (7) day grace period from the date on which the account was established.

Article VI Powers and Responsibilities of Custodian

6.1 ***In General*** The Custodian acts only as a passive Custodian and shall have only such powers and responsibilities with respect to the Roth IRA account as are set forth in this agreement.

6.2 ***Written Instructions*** Any written instructions required in this agreement must be in a form acceptable to the Custodian. The Custodian shall be fully protected when acting upon any written instructions from the Individual or any other notice, request, consent, certificate or other instrument or paper believed by the Custodian to be genuine or properly executed, or to take or omit any action, so long as the Custodian acts in good faith.

6.3 ***Investment Instructions*** Investment instructions of the Individual shall be accepted by the Custodian in accordance with established banking and/or brokerage customs and procedures. The Custodian shall not be liable for holding all or part of the Roth IRA account uninvested in cash in the absence of any investment instructions from the Individual or the Individual's legal representatives. In general, all transactions directed by the Individual shall be subject to the rules, regulations, customs and usages of the exchanges, market or clearinghouse where made, applicable Federal and state laws, and the policies and procedures of the Custodian.

6.4 **Records** The Custodian shall keep accurate records of all receipts, investments, distributions, disbursements and other transactions with respect to the Roth IRA account.

6.5 **Proxies And Voting Of Shares** The Custodian shall deliver or cause to be delivered to the Individual, all notices, prospectuses, financial statements, proxies and proxy solicitations relating to securities held in the Roth IRA account.

Unless otherwise provided with a directive pursuant to paragraph 6.2 the Custodian will pass through shareholder rights. If no directive is provided we shall exercise any shareholder rights (including voting rights) with respect to any securities held but only in accordance with the instructions of the person or persons responsible for the investment of such securities subject to and as permitted by, any applicable rules of the securities and exchange commission and any national securities exchange.

Pursuant to the Individual's direction, the Custodian shall have the power and the authority to participate in distributions, reorganizations, consolidations, mergers, sales, leases, mortgages, transfers or other changes affecting securities held by it.

6.6 **Right To Request Judicial Assistance** The Custodian shall have the right at any time to apply to a court of competent jurisdiction for judicial settlement of its accounts or for determination of any questions or constructions which may arise or for instructions. The only necessary party defendant to any such action shall be the Individual establishing the Roth IRA, but the Custodian may join any other person or persons as a party defendant. The costs, including attorney's fees, of any other such proceeding shall be charged as an administrative expense under Article V.

Article VII Amendment and Termination

7.1 **Custodian's Right To Amend** The Custodian reserves the right to amend any or all provisions of this Roth IRA at any time, without obtaining the Individual's approval or consent. However, no amendment may be adopted which would result in the diversion of any part of the Individual's Roth IRA to purposes other than for the exclusive benefit of such Individual and his or her Beneficiary.

7.2 **IRS Approval** This document has been submitted to the Internal Revenue Service for approval as the Custodian intends that this Plan will meet the requirements of Code §408A as a qualified Roth IRA. Should the Commissioner of Internal Revenue or any delegate of the Commissioner, at any time, determine that the Plan fails to meet the requirements of Code §408A, the Custodian will amend the document to maintain its qualified status.

7.3 **Custodian's Right To Resign** The Custodian has the right to resign as Custodian of the Individual's Roth IRA. The resignation will be effective sixty (60) days after the date on which the Custodian mails written notice of resignation. In the event of resignation, the Individual must appoint a new trustee or custodian. No further contributions will be accepted once the resignation becomes effective. The Custodian will transfer the balance held in the Individual's Roth IRA directly to the

successor trustee or custodian on the effective date of the resignation or as soon thereafter as practical. If no new trustee or custodian is appointed by the end of the sixty (60) day notification period, the Individual's account will be deemed to have closed under paragraph 4.8 hereof and the Individual shall be deemed to have instructed the Custodian to make distribution of the account in cash for purposes of a rollover to another Traditional or Regular IRA or Roth IRA. If the Individual's account cannot be reduced to cash because the assets held are not readily marketable or if the sale of assets would result in substantial loss in value, the Custodian will distribute such assets in kind.

7.4 *The Individual's Right To Terminate* The Individual has the right to terminate the Individual's IRA at any time upon written notice to the Sponsor.

7.5 *Substitution Of Non-Bank Custodian* A non-bank Custodian shall substitute another custodian or trustee if the non-bank Custodian receives notice from the Commissioner of Internal Revenue that such substitution is required because it has failed to comply with the requirements of Regulations §1.408-2(e).

Article VIII Governing Law

The Roth IRA will be administered in accordance with this document and Roth IRA Application Form. The general rules and regulations governing Roth IRAs are contained in the Internal Revenue Code. Where there are no applicable Federal statutes, the laws of the State in which the principal office of the Custodian is located shall govern.

Approved by IRS 4/03

Roth Individual Retirement Account Custodial Arrangement Disclosure Statement

1. What is a Roth Individual Retirement Account?

A Roth IRA is a personal retirement plan. Contributions are made on a nondeductible basis and earnings are distributed from the plan tax-free when certain criteria are met.

2. Who qualifies for a Roth IRA?

You may establish a Roth IRA if you have Compensation or earned income from personal services. Roth IRAs may be established by Individuals over age 70-1/2. If you are married, and both you and your Spouse work, you can each set up a Roth IRA. If your Spouse does not work or earns less than you, a Spousal Roth IRA can be established.

3. How much can be contributed to a Roth IRA?

You may contribute to a Roth IRA any amount up to the lesser of \$3,000 or 100% of your Compensation to a Roth IRA. If you are married and file a joint income tax return, a contribution of up to \$3,000 can be made for each Spouse (including a Spouse who is not employed) to separate Roth IRAs. The combined Compensation of you and your Spouse must be at least equal to the amount you and your Spouse are contributing to the Roth IRAs. This represents your Maximum Allowable Contributions.

You may contribute to all of your IRAs and, if you are eligible, Roth IRAs, any amount you choose up to the lesser of 100% of your Compensation or the Maximum Annual Dollar Amount for each year listed below:

<u>Years</u>	<u>Maximum Annual Contribution Amount</u>
2001	\$2,000
2002 through 2004	\$3,000
2005 through 2007	\$4,000
2008 and thereafter	\$5,000

For years after 2008, the \$5,000 limit is subject to cost-of-living adjustments (“COLAs”) determined by the U.S. Treasury. COLAs, if any, will be made in \$500 increments.

Catch-Up Contributions. If, by December 31 of any taxable year, you are age fifty (50) or over, you may make an additional contribution (a “Catch-Up Contribution”) to all of your IRAs and, if you are eligible, Roth IRAs up to the amounts listed below for each year:

<u>Years</u>	<u>Catch-Up Contribution</u>
2002 through 2005	\$500
2006 and thereafter	\$1,000

If you are eligible, any annual contribution you make that exceeds your Maximum Annual Contribution will be treated as a Catch-Up Contribution (up to the limits described above) unless you elect to treat such amounts as an Excess Contribution. If you and your spouse file a joint income tax return and your spouse has little or no income, you can contribute a total of \$4,000 to separate IRAs established for you and your spouse. This is your maximum allowable contribution.

If you are single with modified adjusted gross income between \$95,000 and \$110,000, the amount you may contribute to a Roth IRA will be reduced by \$133.33 for every \$1,000 of Compensation earned between \$95,000 and \$110,000. If you have income at or above \$110,000, you cannot contribute any amount to a Roth IRA. If married filing jointly with modified adjusted gross income between \$150,000 and \$160,000, your maximum contribution will be reduced by \$200 for every \$1,000 of Compensation earned between \$150,000 and \$160,000. If you have income at or above \$160,000, you may not contribute to a Roth IRA. If you are married filing separately, your maximum contribution will be reduced by \$200 for every \$1,000 of Compensation between \$0 and \$10,000. Such Individual with Compensation exceeding \$10,000 cannot make a Roth IRA contribution.

4. When can contributions be made?

You may make contributions at any time during the year, or up to your tax filing deadline for the year, without extension.

5. What if I find out that my income exceeds the limits for making a Roth IRA conversion?

You can have your Roth IRA contributions (including conversions) rolled back into your Traditional or Regular IRA without penalty.

The reversal must occur by the due date (with extensions) of your tax return for the year in which the conversion is made. This will mean that you will be able to know what your adjusted gross income for the year is and whether you are eligible to convert. For example, if after the end of the year you discover your adjusted gross income is above \$100,000, then the amount converted into the Roth IRA and any earnings on that amount could be rolled back into your Traditional or Regular IRA.

6. When can contributions be withdrawn?

You may withdraw a Roth IRA contribution made for a year any time before April 15th of the following year. If you do so, you must also withdraw the earnings attributable to that portion and report the earnings as income for the year for which the contribution was made.

7. What is the difference between a conversion and a rollover?

The conversion of a Traditional or Regular IRA to a Roth IRA is treated as a rollover distribution from the Traditional or Regular IRA to the Roth IRA. Thus, for purposes of these rules, conversions and rollovers are treated the same and the terms are often used interchangeably.

A conversion may be distinguished from a rollover in that the Individual does not actually take a distribution. For instance, an Individual may make a conversion by simply notifying the IRA Custodian. Or, a conversion may be made via a custodian-to-custodian transfer.

8. What if contributions exceed the limits?

If you contribute too much, a six percent (6%) nondeductible excise tax will be imposed on the excess contribution each year until removed from your Roth IRA.

9. Are rollovers from a qualified pension plan allowed to this Roth IRA?

No. Any distribution whether full or partial made from your Qualified Retirement Plan may not be rolled over to a Roth IRA. However, a qualified rollover made from a conduit or rollover IRA is permitted.

10. Can you rollover your Roth IRA account to another qualified plan?

No, because a Roth IRA is funded by after-tax contributions which may not be rolled over to a qualified plan.

11. Can you rollover amounts from a Traditional or Regular IRA or Roth IRA?

A qualified rollover contribution must meet the following rules:

(a) the rollover must be paid into the Roth IRA no later than the 60th day after the day on which the Individual receives the distribution from the Traditional or Regular IRA.

(b) part of a distribution may be rolled over.

(c) you may not rollover any amount you receive from an “inherited IRA” except if you are a surviving Spouse.

(d) a distribution that is required under the minimum distribution rules cannot be rolled over. An Individual who has attained age 70-1/2 and is required to take a minimum distribution from a Traditional or Regular IRA cannot roll that distribution into a Roth IRA. If a minimum distribution is required for a year, the first dollars distributed during that year are treated as consisting of the required minimum distribution until an amount equal to the required minimum distribution for that year has been distributed.

A tax-free rollover from one IRA to another may be made only once during any one (1) year period. However, rollovers from Traditional or Regular IRAs to Roth IRAs are disregarded for purposes of this rule. This means that only one rollover per year is allowed from one (1) Roth IRA to another Roth IRA, but that a rollover from a Regular IRA to a Roth does not count toward the once-a-year rule.

Custodian-to-Custodian transfers are not subject to the once-a-year rule, so they may be done on an unlimited basis.

Eligibility to roll over or convert amounts from a Traditional or Regular IRA to a Roth IRA depends on the Individual’s adjusted gross income (as modified).

In order to be eligible to make a conversion or rollover:

(e) the Individual's Adjusted Gross Income for the tax year must not exceed \$100,000, and

(f) the Individual must not be married filing separately.

In the case of a married couple filing jointly, Adjusted Gross Income is the *combined* Adjusted Gross Income of the couple.

You may use the balance in an IRA account or Roth IRA account as a rollover contribution to another, provided that you rollover the entire amount received within sixty (60) days from the date you receive it. You may not make a rollover from one Roth IRA to another Roth IRA if you have already completed one such rollover in the preceding twelve (12) months. If you meet these conditions, the rollover will be penalty-free. However, taxes must be paid on the distribution from any IRA that is not a Roth IRA to the extent the amounts had not been previously taxed.

12. What are the investment options in a Roth IRA?

The investment alternatives offered may include stocks, bonds, money market instruments, savings accounts, certificates of deposit, mutual funds (including funds for which the Custodian, or any of the Custodian's affiliates serve as investment advisor), obligations issued or guaranteed by the United States, or in any other investment alternatives available for acquisition through the Custodian in its regular course of business and approved by the Custodian for investment in the IRA.

No part of your IRA may be invested in life insurance contracts or collectibles such as works of art, rugs, antiques, precious metals, stamps, coins and any other property considered a collectible by the IRS.

13. Are earnings on investments taxable?

No. Federal income tax is not payable on investment earnings as long as you follow the rules established by the Internal Revenue Service. Earnings from contributions made to your Roth IRA are only taxable if a nonqualified distribution is taken.

14. When can you receive a distribution both tax- and penalty-free?

Qualified distributions from a Roth IRA are not included in the Individual's gross income and are not subject to the additional ten percent (10%) early withdrawal tax. To be a qualified distribution the distribution must satisfy a five (5) year holding period and must be one of the four (4) qualifying types of distributions. Both requirements must be met. A distribution that meets the five (5) year rule, but is not of the proper type is not qualified. A distribution that is one of the proper types but has not been held for five (5) years is not qualified.

15. When does the five (5) year holding period begin?

The five (5) year holding period begins with the first tax year for which the Individual (or the Individual's Spouse) made a contribution to the Roth IRA. Each Roth IRA account holder has one five (5) year holding period that begins with the

year for which a contribution is first made to a Roth IRA. A subsequent conversion will not start the running of a new five (5) year period. Because of the requirement of a five (5) year holding period, no qualified distributions can occur before the tax years beginning in 2003.

The law provides “ordering rules” for determining what amounts are withdrawn in the event a Roth IRA contains both conversion amounts (possibly from different years) and other contributions. Under these rules, regular Roth IRA contributions will be deemed to be withdrawn first, then converted amounts (starting with the amounts first converted). Withdrawals of converted amounts will be treated as coming first from converted amounts that were includible in income. Earnings are treated as withdrawn after contributions.

In addition to satisfying the five (5) year holding period, a qualified distribution must be:

- (a) made on or after the date on which an account holder attains age 59-1/2, or
- (b) made to a Beneficiary (or the Individual’s estate) on or after the account holder’s death;
- (c) attributable to the account holder being disabled; or
- (d) a distribution to pay for “qualified first-time homebuyer expenses”.

16. Is there a minimum distribution required by law?

No. Minimum distribution rules are not applicable to Roth IRA accounts. However, minimum distribution rules will apply to beneficiaries inheriting Roth IRA accounts.

17. Can you pledge your IRA as collateral for a loan?

No. If all or a part of your IRA is used as collateral for a loan, the portion pledged is treated as a distribution to you and may be included in your taxable income in the year so treated. The additional penalty discussed at Q-19 below applies.

18. Can your IRA be disqualified?

If you or your Beneficiary engage in certain prohibited transactions, as described in Code §4975(c), your Roth IRA will lose its tax-exemption, and amounts not previously taxed must be included in your or your Beneficiary’s gross income in the year of the prohibited transaction. The additional penalty discussed at Q-19 below applies.

19. What happens if you take a premature distribution?

If you withdraw amounts from your Roth IRA before reaching age 59-1/2, a ten percent (10%) nondeductible excise tax may be due on the amount of the withdrawal that is taxable. This ten percent (10%) excise tax is in addition to any regular income tax which would be payable on the withdrawal. The ten percent (10%) excise tax is also imposed on the taxable amount, if prior to reaching age 59-1/2, you borrow from your account, pledge your account as security for a loan or engage in

any other prohibited transaction as defined in Code §4975(c). If you borrow or engage in a prohibited transaction, the entire taxable amount of your account will be subject to the ten percent (10%) tax. If you pledge your account as security for a loan, only the taxable portion of the amount pledged will be subject to the ten percent (10%) tax.

20. Are there any exceptions for making premature distributions without incurring an excise tax?

The ten percent (10%) excise tax will not be imposed on a premature distribution if the distribution is due to your Disability or death. The excise tax is also waived if the payment is received in order to pay medical expenses in excess of seven-and-one-half percent (7-1/2%) of your Adjusted Gross Income.

The excise tax will be waived if during the year you left your employment, received unemployment compensation and paid for health insurance for you and your family. The amount of the distribution cannot exceed the health insurance premiums paid. The following conditions also apply:

- (a) You must have received unemployment compensation for at least twelve (12) consecutive weeks under Federal or state law and the distribution be made during a tax year in which the unemployment compensation is paid or during the next year.
- (b) The exception does not apply to distributions you receive after your reemployment, provided you have been employed for at least sixty (60) days after your initial separation from service.
- (c) If you are self-employed, you will be treated as meeting the requirements for unemployment compensation if you would have received unemployment compensation except for the fact that you are self-employed.

The ten percent (10%) excise tax also does not apply if the payment is part of a series of substantially equal periodic payments (not less frequently than annually) made over your life expectancy or the joint lives (or life expectancies) of you and your Beneficiary and the amount of such periodic payments is not thereafter modified (other than by reason of death or Disability) before the later of:

- (d) the end of the five (5) year period that begins with the date of the first payment, or
- (e) your attainment of age 59-1/2.

21. When are Federal income taxes payable on your account?

Federal income taxes may be due if you either receive a nonqualified distribution or engage in a prohibited transaction.

22. What is the four (4) year spread rule?

If a rollover from a Traditional or Regular IRA to a Roth IRA is made before January 1, 1999, the amount that would have been included in gross income if the Individual had taken a distribution may be included in gross income “ratably” over a four (4)

Taxable Year period beginning with the tax year in which the payment or distribution is made. This is known as the “four (4) year spread rule”.

Example: In 1998, David rolls over \$40,000 from his deductible IRA to a Roth IRA. The amount of \$10,000 may be includible in David’s gross income in each of the tax years 1998, 1999, 2000 and 2001.

An Individual can elect not to use the four (4) year income spread. While most taxpayers will find it attractive to spread out the income, there are some who would prefer to recognize all the income in the year of the conversion. See your tax or legal advisor regarding this situation.

23. How are distributions taxed which are from rollovers or conversions?

Where amounts are converted in 1998, and may be subject to the four (4) year income spread, income inclusion is accelerated for any amounts withdrawn before 2001, the fourth year of the spread. The effect of this provision is to prevent Individuals from receiving premature distributions from converted amounts while retaining the benefits of the four (4) year income spread.

Under this rule, an Individual who withdraws converted amounts prior to the last year of the four (4) year spread will be required to include in income the amount otherwise includible under the four (4) year rule, plus the lesser of:

- (a) the amount of the withdrawal, or
- (b) the remaining taxable amount of the conversion (i.e., the taxable amount of the conversion not included in income under the four (4) year rule in the current or a prior Taxable Year).

In subsequent years (assuming no further withdrawals), the amount includible in income will be the lesser of:

- (c) the amount otherwise required under the four-year rule (determined without regard to the withdrawal) or
- (d) the remaining taxable amount of the conversion.

24. What happens if an account holder dies during the four (4) year spread period?

If an Individual who converted a Regular IRA to a Roth IRA in 1998 using the four (4) year spread dies before the end of the spread period, any amounts remaining to be included in income as a result of a 1998 conversion will be includible in income on the final income tax return of the decedent.

However, if the surviving Spouse is the sole Beneficiary of the Roth IRA, the Spouse may elect to continue the deferral by including the remaining amounts in his or her income over the remainder of the four (4) year period. Where the Spouse makes such an election, the amount includible under the four (4) year spread for the tax year that includes the date of the decedent’s death remains includible in the decedent’s gross income and is reported on the decedent’s final Federal income tax return. According

to IRS rules, the election is made either on Form 8606 or 1040, in accordance with instructions to the applicable form, for the tax year that includes the decedent's date of death. The election may not be made or changed after the due date for the Spouse's tax year which includes the date of death.

25. How do you convert periodic payments from a Regular or Traditional IRA?

An Individual is permitted to convert a Regular IRA to a Roth IRA even if he or she is receiving substantially equal periodic payments from the Regular IRA. According to IRS rules, the conversion amount is not subject to the ten percent (10%) early withdrawal penalty, and it is not treated as a distribution for purposes of determining whether a modification in the payments has occurred. However, if the original series of payments does not continue to be distributed as substantially equal periodic payments after the conversion, the series of payments will be considered to have been modified. If this modification occurs within five (5) years of the first payment or before the Individual's becoming disabled or attaining age 59-1/2, the Individual will be subject to the early withdrawal penalty discussed at Q-19.

26. How are nonqualified distributions from a Roth IRA taxed?

Because contributions to a Roth IRA are made using income that has already been taxed, the portion of the Roth IRA distribution representing contributions will not be taxed again when it is received. Under the rules, distributions are treated as first coming from contributions. No portion of a distribution is treated as attributable to earnings, or includible in gross income, until the total of all distributions from the Roth IRA exceeds the amount of contributions. Roth IRAs and Regular IRAs are treated separately under the taxation of distribution rules.

The ten percent (10%) tax under Code §72(t) will apply to any nonqualified distribution from a Roth IRA that is includible in gross income.

The ten percent (10%) tax also applies to the extent it is allocable to a conversion contribution where the distribution is made within the five Taxable Year period beginning with the first day of the Individual's Taxable Year in which the conversion contribution was made. The five Taxable Year period ends on the last day of the Individual's fifth consecutive Taxable Year beginning with the Taxable Year in which the conversion contribution was made. For purposes of applying the tax, only the amount of the conversion contribution includible in gross income as a result of the conversion is taken into account. The exceptions described in Q-20 under Code §72(t) also apply to such a distribution.

The five Taxable Year period for purposes of determining whether Code §72(t) applies to a distribution allocable to a conversion contribution is determined separately for each conversion contribution, and it need not be the same as the five Taxable Year period used for purposes of determining whether a distribution is qualified. For example, if a calendar year taxpayer who received a distribution from a Traditional IRA on December 31, 1998, makes a conversion contribution by

contributing the distributed amount to a Roth IRA on February 25, 1999 in a qualifying rollover contribution and makes a regular contribution for 1998 on the same date, the five Taxable Year period for purposes of the ten percent (10%) penalty tax begins on January 1, 1999, while the five Taxable Year period for the regular contribution to the Roth IRA begins on the first day of the Individual's Taxable Year in which the contribution is made or January 1, 1998.

27. What about Federal estate and gift taxes?

Upon your death, the amount in your Roth IRA will generally be included in your estate for Federal estate tax purposes. However, if your Spouse is the Beneficiary of your Roth IRA, the amount is excluded from your estate. A transfer to your named Beneficiary after your death is not subject to Federal gift tax. State estate and gift-tax consequences may vary. See your tax or legal advisor regarding your situation.

28. What information will I receive about my account?

We will send you a copy of any Plan amendment and an explanation of how it affects you within thirty (30) days of any such change. At least once every year you will also receive a statement which shows your contributions to, and earnings, distributions and total value of your Roth IRA.

29. Do you have to file any forms with the Internal Revenue Service?

You must file Form 5329 (Additional Taxes Attributable to Qualified Retirement Plans (including IRAs)) with the Internal Revenue Service, if you owe taxes on an excess contribution, premature distribution, or deficient distribution.

30. Can you terminate your Roth IRA or transfer it to another Custodian or Trustee?

You have the right to terminate your Roth IRA at any time. However, you should be aware that a substantial tax penalty will be incurred if you take distributions earlier than age 59-1/2 (except in the cases mentioned in Q-20) and be required to pay tax on earnings on your contributions held within a Roth IRA account for less than five (5) Taxable Years. You may also transfer your Roth IRA to another Trustee or Custodian at any time, subject to limits discussed in the earlier questions. You may revoke your Roth IRA without penalty, administrative expense or market fluctuation, if you do so within seven (7) days of the date on which the Custodian accepts the Roth IRA.

If the Disclosure Statement is not received at least seven (7) days prior to the establishment of the Account, the Individual may terminate their IRA Account within seven (7) days of the date on which the IRA Account was established, and the Sponsor will return any contributions the Individual has made without adjustment for fees, sales commissions, administrative expenses or any fluctuations in market value.

In order to revoke the Individual Retirement Account, it must be done in writing and the revocation must be mailed or delivered to the address listed in this

Agreement. If the revocation is mailed, the date of the postmark (or the date of certification or registration if sent by certified or registered mail) will be considered the revocation date. If the Individual Retirement Account is revoked during the seven (7) day period, the entire amount of the Account without any adjustments for items such as administrative expenses, fees or fluctuation in market value will be returned to the Individual.

The Individual will have the right to terminate his or her Roth IRA at any time upon written notice to the Custodian.

31. Are you required to get approval of your Roth IRA from the Internal Revenue Service?

No. This Plan will be submitted to the Internal Revenue Service for approval, so you are not required to obtain Individual approval. IRS approval is to form only and does not represent a determination on the merits of this program. Further, you must follow the rules covered here or the IRS can impose substantial tax penalties for failure to comply.

32. Where can you have questions answered?

If you have any questions or special problems, call your local IRS office or us. Additional information is also available from the IRS in Publication 590, Tax Information on Individual Retirement Arrangements.

33. Is there a charge or fee for the Roth IRA?

We have the right to charge a fee for any services provided under the Plan or for the termination or transfer of any Plan to another trustee or custodian. Such fees, if any, will be outlined in a separate fee agreement.

To comply with the Department of Labor's Field Assistance Bulletin 2002-03, the Individual who establishes an Individual Retirement Account under this Agreement will receive the following information in connection with any "float" arrangement:

- (a) The specific circumstances under which any float will be earned and retained.
- (b) In the case of any float on contributions pending investment direction, the disclosure and adherence to specific time frames within which cash pending investment direction will be invested following the direction from the Individual as well as any exceptions that may apply.
- (c) In the case of any float on distributions when the float period commences and ends as well as the time frames for mailing any distribution and any other administrative practices which might affect the duration of the float period.
- (d) Disclosure of the rate of the float or the specific manner in which such rate shall be determined.



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Plan Name: Roth IRA Custodial Account 002
FFN: 50170511900-002 Case: 200301733 EIN: 74-1598370
Letter Serial No: K102252b

U S GLOBAL INVESTORS INC
7900 CALLAGHAN ROAD
SAN ANTONIO, TX 78229

Contact Person:
Ms. Arrington 50-00197
Telephone Number:
(202) 283-8811
In Reference To:
T:EP:RA:T
Date: 04/30/2003

Dear Applicant:

In our opinion, the amendment to the form of the prototype trust, custodial account or annuity contract identified above does not adversely affect its acceptability under section 408 of the Internal Revenue Code, as amended through the Job Creation and Workers Assistance Act of 2002.

Each individual who adopts this approved prototype will be considered to have an IRA that satisfies the requirements of Code section 408, provided the individual follows the terms of the approved prototype, does not engage in certain transactions specified in Code section 408(e), and, if the arrangement is a trust or custodial account, the trustee or custodian is a bank within the meaning of Code section 408(n) or has been approved by the Internal Revenue Service pursuant to Code section 408(a)(2).

Code section 408(i) and related regulations require that the trustee, custodian or issuer of a contract provide a disclosure statement to each participant in this program as specified in the regulations. Publication 590, Individual Retirement Arrangements (IRAs), gives information about the items to be disclosed. The trustee, custodian or issuer of a contract is also required to provide each adopting individual with annual reports of all transactions related to the IRA.

The Internal Revenue Service has not evaluated the merits of this IRA and does not guarantee contributions or investments made under the IRA. Furthermore, this letter does not express any opinion as to the applicability of Code section 4975, regarding prohibited transactions.

This prototype IRA may have to be amended to include or revise provisions in order to comply with future changes in the law or regulations.

If you have any questions concerning IRS processing of this case, call us at the above telephone number. Please refer to the File Folder Number (FFN) shown in the heading of this letter. Please provide those adopting this prototype with your telephone number, and advise them to contact your office if they have any questions about the operation of their IRA. Please provide a copy of this letter to each adopting individual.

You should keep this letter as a permanent record. Please notify us if you terminate sponsorship of this prototype IRA.

Sincerely yours

Director,
Employee Plans Rulings & Agreements



U.S. Global Investors Funds
P.O. Box 781234
San Antonio, TX 78278-1234