

IRA



INCOME FUND ❖ VALUE FUND

INSTRUCTIONS FOR OPENING YOUR CROFT FUNDS IRA

I. Included in this packet is:

- a. An IRA Application (mail to Croft Funds).
- b. The IRA Disclosure and Plan Agreement.
- c. A Transfer or Direct Rollover Request form. You may use this form to request your current custodian, trustee, or employer to directly transfer your plan assets to your Croft Funds IRA.

II. To Open Your Croft Value Fund or Income Fund IRA

- Step 1** Complete the IRA Application. See Designation of Beneficiary explanation below.
- Step 2** If you are requesting a transfer or direct rollover of current plan assets (held elsewhere) to your Croft Funds IRA, complete the Transfer or Direct Rollover Request form. You should complete this form **in addition** to the IRA Application.
- Step 3** Return the forms to the address below.
- Step 4** Include a check for the amount of your IRA contribution made payable to the Mutual Fund(s) in which you are investing.
- Step 5** Retain the IRA Plan Agreement and Disclosure.

III. Designation of Beneficiary

You may designate a beneficiary to receive the IRA funds upon your death. The space provided is to name primary and contingent beneficiaries. If more space is needed, you may attach a supplementary sheet. If you wish a more complicated type of designation of beneficiary, you should consult an attorney. Some state's laws require married individuals to name their spouse as beneficiary. Married individuals should consult with their tax advisers prior to designating someone other than their spouse. You may change your beneficiary at any time by writing to the Custodian. If any of your beneficiaries die before you, the deceased beneficiary's share will be reallocated among the surviving beneficiaries on a pro rata basis. If none of your beneficiaries survive you, or if the Custodian cannot locate your beneficiary after a reasonable search, any balance in the IRA will be paid to your estate.

FEE INFORMATION

Annual Account Maintenance Fee: \$8 per account

REVOCATION INFORMATION

You have the right to revoke this Individual Retirement Account (IRA) within seven days of receiving your disclosure statement. You must mail or deliver written notice. Written notice must be sent by first-class mail at the address listed above and will be accepted as of the date your notice is postmarked. To revoke your IRA account, simply notify:

Mutual Shareholder Services, LLC
Attn: Croft Funds
8000 Town Centre Drive, Suite 400
Broadview Heights, OH 44147



Send completed forms to: Mutual Shareholder Services, LLC Attn: Croft Funds 8000 Town Centre Drive, Suite 400 Broadview Heights, OH 44147

IRA Application

Please print or type

1 IRA OWNER INFORMATION

Name _____ Date of Birth _____ Soc. Sec. No. _____
 Street Address _____ City _____ State _____ ZIP _____
 State of Residence _____ Citizen and permanent resident of USA? Yes No (Open to US residents only)
 Daytime Phone _____ Evening Phone _____ Employer's Name _____

2 CONTRIBUTION INFORMATION

Amount to be invested in: Croft Value Fund \$ _____ ACCOUNT TYPE
 Croft Income Fund \$ _____ Regular/Spousal Conduit (see Note)
 SEP IRA
 Rollover
 Transfer

INITIAL CONTRIBUTION TYPE

Type:	Amount:	Tax Year (if applicable):
<input type="checkbox"/> Regular/Spousal IRA	\$ _____	_____
<input type="checkbox"/> SEP IRA	\$ _____	_____
<input type="checkbox"/> Rollover from IRA	\$ _____	_____
<input type="checkbox"/> Transfer from IRA	\$ _____	_____
<input type="checkbox"/> Rollover from SIMPLE IRA (SRA)*	\$ _____	_____
<input type="checkbox"/> Transfer from SIMPLE IRA (SRA)*	\$ _____	_____
<input type="checkbox"/> Coverdell Education Savings Acct.	\$ _____	_____
<input type="checkbox"/> Rollover from QP or TSA	\$ _____	_____
<input type="checkbox"/> Direct Rollover from QP or TSA	\$ _____	_____

Date _____

Note: If you are moving assets from a qualified plan or TSA and do not want to commingle these assets with regular IRA contributions, select this option.

* SIMPLE IRA (SRA) funds cannot be combined with regular IRA funds during the first two years of the initial participation in the SIMPLE IRA (SRA)

3 DESIGNATION OF BENEFICIARY

In the event of my death, pay my IRA balance to the following primary beneficiary(ies): (See the Instructions for additional conditions.)

Name	SSN or TIN	Relationship	Date of Birth	Address (optional)	%*
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

If all of the primary beneficiaries die before me, pay my IRA balance to the following contingent beneficiaries: _____ Total: _____

_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

*If no percentage rate is indicated, the beneficiaries will share equally. Total: _____

4 SIGNATURES AND CERTIFICATIONS

I certify under the penalty of perjury that my social security number stated above is correct, that I am of legal age in my state of residence and I agree that the designation of the tax year for my contribution and my election to treat a contribution as a rollover (if applicable) are irrevocable. By signing this application, I hereby authorize and appoint US Bank N.A. to act as Custodian of my account. I indemnify US Bank N.A. when making distributions in accordance with my beneficiary designation on file or in accordance with the Custodial Account Agreement absent any such designation. I acknowledge that I have received the IRA Disclosure Statement and the IRA Custodial Account Agreement at least seven days prior to the date I signed this application. I have read both, which are incorporated in this application by reference, and I accept and agree to be bound by the terms and conditions contained in the IRA Custodial Account Agreement. I also certify that I have received and read the current Prospectus and understand that mutual fund shares are not obligations of or guaranteed by a bank, nor are they insured by the FDIC.

 IRA Owner's Signature Date

 US Bank N.A. Date

Complete only if required by state law.

Spousal Consent: I am the spouse of the IRA Owner and I approve and consent to the naming of a beneficiary other than myself. I transmute (transfer) any community property interest I have in this IRA into the separate property of my spouse.

 Spouse's Signature Date

US Bank N.A. accepts this application and agrees to act as Custodian of the account. A confirmation will be sent to you regarding the above transaction(s) and will serve as notification of the Custodian's acceptance.



Send completed forms to: Mutual Shareholder Services, LLC Attn: Croft Funds 8000 Town Centre Drive, Suite 400 Broadview Heights, OH 44147

IRA Transfer or Direct Rollover Request Form

Please print or type

1 GENERAL INFORMATION Name Date of Birth Soc. Sec. No. Street Address City State ZIP Daytime Phone Evening Phone Account Number

2 TRANSFER/DIRECT ROLLOVER REQUEST I have established an IRA with Croft Funds Corp. of which US Bank N.A. serves as custodian. I request that my retirement funds be: (check one) [] Transferred from another IRA. [] Directly rolled over from my employer-sponsored retirement plan. [] Transferred from a SIMPLE IRA (SRA)*. Transfer assets to: [] Croft Income Fund \$ [] Croft Value Fund \$ I authorize my present Custodian/Trustee of my IRA, or the administrator of my current retirement plan, to directly send the assets indicated in Section 3 below to my IRA with Croft Funds Corp. Name of present Custodian, Trustee, or Employer Plan Administrator Account # Please include a copy of your latest IRA statement. Street Address City State Zip *SIMPLE IRA (SRA) funds cannot be combined with regular IRA funds during the first two years of the initial participation in the SIMPLE IRA (SRA) If you choose to wire-transfer your funds, contact your financial organization for information regarding any incoming or outgoing wire-transfer fees that may apply.

3 PAYMENT INFORMATION Payment Schedule. I authorize and direct you to send my assets as follows: (1) [] Immediately liquidate all assets and send the cash proceeds (2) [] Send cash proceeds of all investments at maturity (3) [] Send the assets at maturity for the investments listed below (4) [] Other Investment Maturity Date (if applicable) Conduit IRA - Do you want these funds kept in a separate IRA? [] Yes [] No Source of funds [] IRA [] SIMPLE IRA (SRA) [] QP/TSA

4 AGE 70 1/2 INFORMATION Check one of the following [] I am under age 70 1/2 and do not turn age 70 1/2 at any time during the calendar year. [] I am age 70 1/2 or older and understand that no part of my required distribution is eligible for transfer or rollover. I further understand that there may be significant tax penalties resulting if I do transfer or roll over any part of my required distribution.

5 SIGNATURES AND CERTIFICATIONS I certify that I have established an IRA with the Croft Funds Corp., of which US Bank N.A. is the Custodian. I agree to contact my present Custodian that I am transferring from to determine if specific documentation or signature guarantee is required. I understand that I am responsible for determining my eligibility for all transfers or direct rollovers. I agree to hold the Custodian harmless against any and all situations arising from an ineligible transfer or direct rollover. I acknowledge that the Custodian cannot provide legal advice and I agree to consult my own tax professional for advice. Signature of Individual Date Signature of Custodian Date (You may wish to retain a copy of this form for your records)

TO BE COMPLETED BY A US BANK N.A. REPRESENTATIVE (For office use only) US Bank N.A. hereby confirms that it has accepted its appointment as Custodian of the Croft Funds IRA. Make checks payable to: Croft Funds Corp., FBO

Signature Title Date



Send completed forms to: Mutual Shareholder Services, LLC Attn: Croft Funds 8000 Town Centre Drive, Suite 400 Broadview Heights, OH 44147

Fund Automatic Investment (ACH) Form

1. Account Information

Account Holder Name(s): _____

Account Number: _____ (Leave blank if form accompanies new application)

2. Transfers (\$50 Minimum)

Transfer the amount of \$_____ TO the account listed above on the frequency selected below.

Please select one option

- Monthly beginning on the 10th of _____ (insert month)
Quarterly beginning on the 10th of _____ (insert month)
Annually beginning on the 10th of _____ (insert month)

Please select which fund:

Croft Value Fund: \$_____ (or %)

Croft Income Fund: \$_____ (or %)

3. Bank Information – Please complete with your bank information

Bank Name: _____

Bank Address: _____

Account Number: _____

ABA Transit Routing Number (Bank): _____

Checking or Savings: _____

Please attach a copy of a voided check (for checking account) or a pre-printed deposit slip (for savings account) from the bank to enable transfer of funds.

I hereby authorize Mutual Shareholders Services, upon receiving instructions from me in accordance with the instructions provided to make investments into my mutual fund account. I acknowledge that this authorization may only be revoked by providing written notice to Mutual Shareholder Services, in such time and manner as to afford Mutual Shareholder Services and the bank a reasonable opportunity to act upon it.

Signature of Primary Account Holder

Date

Signature of Additional Account Holder

Date

For Joint Account Registrations:

If the name(s) on your bank account in Section 1 are not identical to mutual fund account names, all bank account owners who are not owners of the mutual fund account must sign below.

Bank Account Owner's Name

Bank Account Owner's Signature

Date

DISCLOSURE STATEMENT

The Disclosure Statement provides a general description of the features of an Individual Retirement Account (the "Account" or the "IRA") for which US Bank will act as Custodian.

A. Right of Revocation By Participant

1. Each individual who signs the Adoption Agreement (the "Participant") shall have the right to revoke the Agreement for a period of seven days from the date it is signed by mailing or personally delivering a written notice of revocation to the address on the application. The notice of revocation shall be 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 United States mail in an envelope, or other appropriate wrapper, first class postage prepaid, properly addressed. If such notice is not received within seven days after the deemed date of mailing, the notice of revocation shall not be valid.
2. If a change is made in the Disclosure Statement or the IRA when the Participant still has the right to revoke the Adoption Agreement, the Custodian will inform the Participant of the change, and the Participant shall be permitted to revoke the Agreement for a period of seven days from the date he or she receives notice of the change in the manner described in paragraph (1) above.
3. If the adoption agreement is revoked, the Custodian will return to the Participant his or her entire contribution to the IRA without penalty, service charge, administrative expenses, or any other reduction. The contribution to an IRA that is revoked, and the distribution from an IRA that is revoked, must be reported to the Internal Revenue Service.

B. Requirements of an IRA

1. Your contribution must be in cash, unless it is a rollover contribution.
2. The total amount you may contribute to an IRA in any taxable year cannot exceed \$3,000 for tax years 2002 through 2004 (\$4,000 for tax years 2005 through 2007 and \$5,000 for 2008 and beyond, beginning 2009 the contribution limit may be increased to reflect cost of living adjustments) or 100% of your compensation (not including rollover, transfer or Simplified Employee Pension Plan contributions.)
3. Your interest in your IRA is non-forfeitable.
4. The Custodian of your IRA must be a bank, savings and loan association, credit union or a person approved by the Secretary of the Treasury, such as Star Bank.
5. The assets of your IRA cannot be commingled with other property except in a common trust fund or common investment fund.
6. No portion of your IRA may be invested in life insurance contracts.
7. You may not invest the assets of your IRA in collectibles (within the meaning of Internal Revenue Code (IRC) Section 408(m)). A collectible is defined as any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or any other tangible personal property specified by the Internal Revenue Service. Effective for investments made after December 31, 1982, specially minted United States gold and silver bullion coins are permissible IRA investments.
8. You are required to take minimum distributions from your IRA at certain times in accordance with proposed Treasury Regulations Section 1.408-8. Below is a summary of the IRA distribution rules.

a. You are required to take a minimum distribution from your IRA by your required beginning date, April 1 of the year following the year you attain age 70 1/2 and by the end of each year thereafter. The minimum distribution for any taxable year is equal to the amount obtained by dividing the account balance at the end of the prior year (less any required distribution taken between January 1 and April 1 of the year following the year you attain age 70 1/2) by the joint life expectancy of you and your designated Beneficiary. If you have not designated a Beneficiary for your IRA by your required beginning date, your single life expectancy will be used.

b. Your single or joint life expectancy is determined by using the IRS unisex life expectancy tables. You can find these tables in Treasury Regulation Section 1.72-9. Unless you elect not to have your life expectancy recalculated, your life expectancy (and the life expectancy of your spouse, if applicable) will be recalculated annually using your attained age as of your birthday in the year for which the minimum annual payment is being determined. The life expectancy of the designated Beneficiary (other than your spouse) will not be recalculated.

c. If you die,
(i) on or after your required beginning date, distributions must be made to your Beneficiary or Beneficiaries at least as rapidly as they were being made to you.
(ii) before your required beginning date, the entire amount remaining in your account will, at the election of your Beneficiary or Beneficiaries, either

(1.) be distributed by the December 31, of the year containing the fifth anniversary of your death, or

(2.) be distributed in equal or substantially equal payments over the life or life expectancy of your designated Beneficiary or Beneficiaries.

Your Beneficiary or Beneficiaries must elect either option (i) or (ii) by December 31 of the year following the year of your death. If no election is made, distribution will be made in accordance with 60 if the Beneficiary is your surviving spouse, and in accordance with (i) if your Beneficiary or Beneficiaries are or include anyone other than your surviving spouse. In the case of distributions under (ii), distributions must commence by the December 31 of the year following the year of your death. If your spouse is the Beneficiary, distributions need not commence until the December 31 of the year you would have attained age 70 1/2, if later.

C. Income Tax Consequences of Establishing an IRA

1. IRA Deductibility The Tax Reform Act of 1986, (TRA.86) provides new IRA deduction rules for 1987 and subsequent year IRA contributions. Under TRM-86, the amount you can deduct for contributions you make to your IRA will depend on whether or not you are an active Participant in a retirement plan maintained by your employer. If you (and your spouse if you are married) are not an active Participant in an employer-maintained retirement plan, you can continue to contribute to your IRA each year and deduct up to the lesser of 100% of your Compensation or your contribution limit. Compensation generally means the income you receive for providing personal services. If you are self-employed, your Compensation is your net earnings from self-employment as reduced by any amount you are allowed as a deduction for contributions made on your behalf to a Qualified Retirement Plan for self-employed individuals (Keogh Plan). Alimony is also considered Compensation, which can be contributed to an IRA.

If you (or your spouse) are an active Participant in an employer-maintained retirement plan, you can still contribute to your IRA each year up to your contribution limit, which is the lesser of 100% of your Compensation or your contribution limit. However, whether and to what extent you can take a tax deduction for your IRA contribution will depend on your adjusted gross income for the tax year for which the contribution was made. Adjusted gross income (AGI) is determined

on your tax return (disregarding any deductible IRA contribution).

Single Individual-If you are single, you will be allowed a full IRA deduction your contribution limit if your AGI is \$25,000 or less. If your AGI is more than \$25,000 but less than \$35,000, the maximum IRA contribution which you can deduct is your contribution limit less an amount equal to your AGI in excess of \$25,000 multiplied by your contribution limit and divided by 10,000 (but never less than \$200). If your AGI is \$35,000 or more, you will not be able to deduct your IRA contribution.

Married Filing Jointly-If you are a married individual and file a joint tax return with your spouse, you will be allowed a full IRA deduction if your combined AGI is \$40,000 or less. If your combined AGI is more than \$40,000 but less than \$50,000, the maximum IRA contribution which you can deduct is your contribution limit less an amount equal to your AGI in excess of \$40,000 multiplied by your contribution limit and divided by 10,000 (but never less than \$200). If your combined AGI is \$50,000 or more, you will not be able to deduct your IRA contribution.

Married Filing Separately-If you are married and file a separate tax return and your AGI is \$10,000 or more you will not be able to deduct your IRA contribution. If your AGI is less than \$10,000, the maximum IRA contribution which you can deduct is your contribution limit less an amount equal to your AGI multiplied by your contribution limit and divided by 10,000 (but never less than \$200).

Deduction Limit Rounding-If your AGI falls within the phase-out range (that is, \$25,000 or \$35,000 for single individuals, \$40,000 to \$50,000 for married couples filing jointly and \$0 to \$10,000 for married individuals filing separately), your deduction limit is rounded to the next highest \$10 in the case of a deduction limit that is not a multiple of 10.

Definition of Active Participant-Generally, you will be an active Participant if you are covered by one or more of the following employer-maintained retirement Plans:

- a. A qualified pension, profit sharing, or stock bonus plan,
- b. A qualified annuity plan of an employer,
- c. A Simplified Employee Pension (SEP) Plan,
- d. A retirement plan established by the Federal government, a State, or political subdivision (except certain unfunded deferred Compensation plans under IRC Section 457),
- e. A tax sheltered annuity for employees of certain tax-exempt organizations or public schools, and
- f. A qualified plan for self-employed individuals (HR 10 or Keogh Plan).
- g. A SIMPLE IRA plan or a SIMPLE 401(k) plan.

If you do not know whether your employer maintains one of these plans or whether you are an active Participant in it, check with your employer and your tax advisor. Also, the Form W-2 (Wage and Tax Statement) that you receive at the end of the year from your employer will indicate whether you are an active Participant.

NOTE: The TRA-'86 changes described above do not affect IRA contribution rules. The IRA contribution limit remains the lesser of 100% of Compensation or your contribution limit. The TRA-86 changes only affect whether, and to what extent, an IRA contribution can be deducted. If you make an IRA contribution and it cannot be deducted, it is treated as a non-deductible IRA contribution. No deduction is allowed for a contribution made to your IRA if you attain age 70-1/2 before the close of the taxable year.

2. The investment earnings of your IRA are generally not subject to Federal income tax until distributions are made (or in certain instances when distributions are deemed to be made.)

3. Non-Deductible Contributions For taxable years beginning after December 31, 1986, you will be able to make designated non-deductible contributions to your IRA to the extent that deductible contributions are not allowed. The sum of your deductible and non-deductible IRA contributions cannot exceed your contribution limit. You may elect to treat deductible IRA contributions as nondeductible contributions.

In addition to the amount of deductible contributions for a particular tax year, you must provide the following information on your Federal income tax return:

- a. the amount of designated non-deductible contributions for the tax year.
- b. the aggregate amount of all designated non-deductible contributions for all preceding years which have not been withdrawn
- c. the aggregate balance of all IRAs as of the last day of the tax year, and
- d. the amount of distributions from all IRAs during the year.

If you overstate the amount of designated non-deductible contributions for any taxable year, you are subject to a \$100 penalty unless reasonable cause for the overstatement can be shown. Failure to file any form required by the IRS to report non-deductible contributions will result in a \$50 per failure penalty.

4. Taxation of Distributions

The taxation of IRA distributions received after December 31, 1986, depends on whether or not you have ever made non-deductible IRA contributions. If you have only made deductible contributions, any IRA distribution will be fully included in income.

If you have ever made non-deductible contributions to any IRA, the following formula must be used to determine the amount of any IRA distribution excluded from income:

(Aggregate Non-Deductible Contributions) x (Amount Withdrawn) Amount Excluded From Income Aggregate IRA Balance

NOTE: Aggregate non-deductible contributions include all nondeductible contributions made by you through the end of the year of the distribution (which have not previously been withdrawn and excluded from income). Also note that aggregate IRA balance includes the total balance of all of your IRAs as of the end of the year of distribution and any distributions occurring during the year.

5. Your IRA may be rolled over to an IRA of yours, or may receive rollover contributions provided that all of the applicable rollover rules are followed. Rollover is a term used to describe a tax-free movement of cash or other property to your IRA from any of your IRAs, or your employer's Qualified Retirement Plan or Tax Sheltered Annuity. The rollover rules are generally summarized below. These transactions are often complex. If you have any questions regarding a rollover, please see a competent tax advisor.

a. IRA to IRA Rollovers-Funds distributed from your IRA may be rolled over to an IRA of yours if the requirements of IRC Section 408(d)(3) are met. A proper IRA to IRA rollover is completed if all or part of the distribution is rolled over not later than 60 days after the distribution is received. You may not have completed another IRA to IRA rollover from the distributing IRA during the 12 months preceding the date you receive the distribution. Further, you may roll the same dollars or assets only once every 12 months.

b. Qualified Plan (or Tax-Sheltered Annuity) to IRA Rollovers Effective for qualified plan distributions received after January 1, 1993, you may rollover, directly or indirectly, any

eligible rollover distribution. An eligible rollover distribution is defined generally as any distribution from a qualified plan (other than distributions to non-spouse beneficiaries) unless it is part of certain series of substantially equal periodic payments, after-tax dollars or a required minimum distribution. To qualify as a rollover, your eligible rollover distribution must be rolled over to your IRA not later than 60 days after you receive it. If you elect to receive your rollover distribution prior to placing it in an IRA, thereby conducting an indirect rollover, your plan administrator will generally be required to withhold 20% of your distribution as a prepayment of income taxes. When completing the rollover, you may make up the amount withheld, out of pocket, and roll over the full amount distributed from your qualified plan balance, if you so choose. Alternatively, you may claim the withheld amount as income and pay the applicable income tax and, if you are under age 59 1/2, the 10 percent early distribution penalty (unless an exception to the penalty applies).

As an alternative to the indirect rollover, your employer generally must give you the option of directly rolling your qualified plan balance over to an IRA. If you elect the direct rollover option, your eligible rollover distribution will be paid directly to the IRA (or other qualified plan) that you designate. The 20 percent withholding requirements do not apply to direct rollovers.

If you place your rollover contribution in a separate (i.e., conduit) IRA plan which holds just those dollars, you preserve the right to later roll the money originating from the qualified plan into another qualified plan.

c. **SIMPLE IRA to REGULAR IRA Rollovers**—Funds may be distributed from your SIMPLE IRA and rolled to your regular IRA without penalty provided two years have passed since you first participated in a SIMPLE IRA plan sponsored by your employer. The requirements of Section 408(d)(3) must be met. A proper SIMPLE IRA to regular IRA rollover is completed if all or part of the distribution is rolled over not later than 60 days after the distribution is received. You may not have completed another SIMPLE IRA to regular IRA or SIMPLE IRA to SIMPLE IRA rollover from the distributing SIMPLE IRA during the 12 months preceding the date you receive the distribution. Further, you may roll the same dollars or assets only once every 12 months.

Written Election—At the time you make a proper rollover to an IRA, you must designate to the Custodian, in writing, your election to treat that contribution as a rollover. Once made, the rollover election is irrevocable.

d. You cannot rollover to your IRA required minimum distributions which you receive from your IRA or your employer's QRP or TSA. Required minimum distributions are those which you must start taking for the year you attain age 70 1/2 or older.

6. A contribution is deemed to have been made on the last day of the preceding taxable year if you make a contribution by the deadline for filing your income tax return (not including extensions), and you designate that contribution as a contribution for the preceding taxable year. For example, if you are a calendar year taxpayer and you make your IRA contribution on or before April 15, your contribution is considered to have been made for the previous tax year if you designate it as such.

D. Limitations and Restrictions

1. Under a Simplified Employee Pension (SEP) Plan that meets the requirements of IRC Section 408(k), your employer may make contributions to your IRA. The basic rules for a SEP-IRA are:

- Each year your employer may make payments to your IRA of up to 15% of your Compensation or \$30,000, whichever is less.
- In addition, you may contribute up to the lesser of your maximum contribution or 100% of your Compensation.
 - Your employer deducts SEP contributions made to your IRA while you deduct your own IRA contribution if you are allowed to (see IRA Deductibility above).
 - The yearly limit on contributions to an IRA established pursuant to a SEP is \$32,000 (your maximum contribution amount for you and \$30,000 for your employer).
 - Your employer is required to provide you with information that describes the terms of your employees SEP Plan.

2. If you are married and have Compensation for a particular year, you may make payments to an IRA established for the benefit of your spouse. Your spouse must not have attained age 70 1/2 in that year, even if you are age 70 1/2 or older. You must file a joint tax return for the year that the contribution is made.

The amount you may contribute to your IRA and your spouse's IRA is the lesser of your maximum contribution or 100% of your Compensation. However, you may not contribute more than your maximum contribution amount to any one IRA.

3. A deduction is not allowed for rollover or transfer contributions.

4. The \$ 100,000 Federal estate tax exclusion previously available has been repealed for decedents dying after 12/31/84. No exclusion will be allowed for decedents dying after that date. Transfer of your IRA assets to a named Beneficiary made during your life and at your request or because of your failure to instruct otherwise, maybe subject to Federal gift tax under IRC Section 2501 if made after October 22, 1986.

5. Capital gains treatment and favorable ten-year forward averaging tax authorized by IRC Section 402 do not apply to IRA distributions.

6. Any withdrawal from your IRA, except a direct transfer, is subject to Federal income tax withholding. You may, however, elect not to have withholding apply to your IRA withdrawal. If withholding is applied to your withdrawal not less than 10% of the amount withdrawn must be withheld.

7. If you or your Beneficiary engage in a prohibited transaction with your IRA, as described in IRC Section 4975, it will lose its tax exemption and you must include the value of your account in your gross income for that taxable year.

8. If you pledge any portion of your IRA as collateral for a loan, the amount so pledged will be treated as a distribution and will be included in your gross income for that year.

E. Federal Tax Penalties

1. If you are under age 59 1/2 and receive an IRA distribution, an additional tax of 10% will apply, unless made on account of death; disability; a qualifying rollover; a direct transfer; the timely withdrawal of an excess contribution or if the distribution is part of a series of substantially equal periodic payments (at least annual payments) made over your life expectancy or joint life expectancy of you and your Beneficiary. This additional tax will apply only to the portion of a distribution that is includible in your income. Beginning January 1, 1997, payments made to pay medical expenses which exceed 7.5 percent of your adjusted gross income and distributions to pay for insurance by an individual who has separated from employment and who has received

unemployment compensation under a federal or state program for at least 12 weeks is also exempt from the 10 percent tax. This additional tax will apply only to the portion of a distribution that is includible in your income.

2. An excise tax of 6% is imposed upon any excess contribution you make to your IRA. This tax will apply to each year an excess remains in your IRA. An excess contribution is any contribution, which exceeds your contribution limit, excluding rollover and direct transfer amounts. Your contribution limit is the lesser of your maximum contribution amount or 100% of your Compensation for the taxable year.

3. One of the requirements listed above is that you are required to take a minimum distribution by April 1 of the year following the year you attain age 70 1/2 and the end of each year thereafter and that your designated Beneficiary(ies) is required to take certain minimum distributions after your death. An additional tax of 50% is imposed upon any excess of the minimum required to be distributed over the amount actually distributed. This tax is referred to as an excess accumulation penalty tax.

4. You will be taxed an additional 15% of any amount received and included in income during a calendar year from QRPs, TSAs and IRAs which exceeds \$112,500 (or the current excess distribution limit of IRC Section 4980A). Certain exceptions may apply. If you receive an excess distribution as described above, you should see your tax advisor to determine if these exceptions apply to you. This tax is referred to as an excess distribution penalty tax. However, this penalty is suspended for payments received during 1997, 1998 and 1999 as a result of the Small Business Job Protection Act of 1996.

5. Your estate will have to pay additional Federal estate tax if you die with an excess retirement accumulation. The increased estate tax will be equal to 15% of the excess retirement accumulation. An excess retirement accumulation exists if, at the time of your death, the value of all of your interests in QRPs, TSAs and IRAs exceeds the present value of an annuity with annual payments of \$112,500 (or the current excess distribution limitation of IRC Section 4980A) payable over your life expectancy immediately before your death. This tax is referred to as an excess retirement accumulation tax.

6. You must file Form 5329 with the Internal Revenue Service when any additional or excise taxes are due.

F. Recent Modifications to Disclosure

1. See contributions section b (2)

2. If you meet certain eligibility requirements for regular/annual Roth IRA contributions and are 50 years of age or older by the end of the contribution year, you may deposit catch-up contributions (in addition to regular/annual contributions). Catch-up contributions are limited to \$500 per year through tax year 2005 and \$ 1,000 per year for tax years 2006 and beyond.

3. Required minimum distribution (RMD) calculations have been changed to reflect

- New life expectancy tables with larger factors to enable your beneficiary to pay less income tax.
- Designated beneficiary status will now be determined as of Sept. 30, instead of December 31 of the year following the IRA holder's death. The purpose is to allow sufficient time for calculation and distribution of RMDs to beneficiaries before the Dec. 31st deadline.
- The rules governing separate elected accounting have been loosened to make individualizing beneficiary RMD's easier.
- Previous Dec. 31st year-end balances will no longer be adjusted to reflect contributions and distributions made after that date. Adjustments for outstanding rollovers, transfers, and recharacterization are still required.

4. Income tax credits are available to individuals, over the age of 18, who contribute to a Roth IRA or Traditional IRA and are not full time students, dependents, and have a limited adjusted gross income. The tax credit applies for tax years through 2006.

5. Distributions from eligible retirement plans (defined by IRS Code sections 402(e)(8)(B) may be rolled over to traditional IRAs. IRA assets may also be rolled over into eligible retirement plans if the receiving plan accepts rollover contributions. Common plans include profit sharing, 401 (k), money purchase, tax sheltered annuities, and 457(b) plans. Although statements in the disclosure statement regarding direct and indirect rollovers apply to 457(b) plans they must be accounted for separately.

G. Other

1. The Agreement used to establish this IRA has been approved by the Internal Revenue Service. The Internal Revenue Service approval is a determination only as to form. It is not an endorsement of the plan in operation or of the investments offered.

2. You may obtain further information on IRAs from your District Office of the Internal Revenue Service. In particular, you may wish to obtain IRS Publication 590 (Individual Retirement Arrangements).

H. Additional Financial Information

1. Custodial Fees If not accompanied by this Disclosure Statement and Individual Retirement Custodial Account Plan, a schedule of fees is available from the Custodian or from the financial institution which has introduced your account to the Custodian. The Custodian will notify all IRA Participants prior to changing the fee schedule. The Participant may receive an invoice for the custodial maintenance and other related fees that are due and payable upon receipt. Unless timely paid by the Participant, fees will be automatically charged against the Account, or as directed in writing by the Participant, charged against another account over which the Participant has investment authority.

2. Brokerage Commissions shall be as charged by the financial institution which has introduced your Account to the Custodian.

3. Other Expense Any taxes of any kind which may be imposed with respect to the IRA and any reasonable expenses incurred by the Custodian in the management of a Participant's Account under the IRA together with any fees referred to above, shall be paid by the Participant, or if not timely paid, will be charged against his or her Account, or as directed in writing by the Participant, charged against another account over which the Participant has investment authority.

4. Earnings The earnings of each separate Account shall be allocated only to that Account.

5. Growth in Value Growth in value of a Participant's Account will depend entirely on the investment decisions made by the Participant and is neither guaranteed nor projected.

Secretary of the Treasury, such as Star Bank.

The assets of your IRA cannot be commingled with other property except in a common trust fund or common investment fund.

Traditional Individual Retirement Custodial Account

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

Do not file
with the Internal
Revenue Service

Name of depositor	Date of birth of depositor	Identifying number (see instructions)
Address of depositor		Check if amendment <input type="checkbox"/>
Name of custodian	Address or principal place of business of custodian	

The depositor named above is establishing a traditional individual retirement account under section 408(a) to provide for his or her retirement and for the support of his or her beneficiaries after death.

The custodian named above has given the depositor the disclosure statement required by Regulations section 1.408-6.

The depositor has assigned the custodial account dollars (\$) in cash.

The depositor and the custodian make the following agreement:

Article I

Except in the case of a rollover contribution described in section 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or 457(e)(16), an employer contribution to a simplified employee pension plan as described in section 408(k), or a recharacterized contribution described in section 408A(d)(6), the custodian will accept only cash contributions up to \$3,000 per year for tax years 2002 through 2004. That contribution limit is increased to \$4,000 for tax years 2005 through 2007 and \$5,000 for 2008 and thereafter. For individuals who have reached the age of 50 before the close of the tax year, the contribution limit is increased to \$3,500 per year for tax years 2002 through 2004, \$4,500 for 2005, \$5,000 for 2006 and 2007, and \$6,000 for 2008 and thereafter. For tax years after 2008, the above limits will be increased to reflect a cost-of-living adjustment, if any.

Article II

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

Article III

1. No part of the custodial account funds may be invested in life insurance contracts, nor may the assets of the custodial account be commingled with other property except in a common trust fund or common investment fund (within the meaning of section 408(a)(5)).

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

Article IV

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

2. The depositor's entire interest in the custodial account must be, or begin to be, distributed not later than the depositor's required beginning date, April 1 following the calendar year in which the depositor reaches age 70½. By that date, the depositor may elect, in a manner acceptable to the custodian, to have the balance in the custodial account distributed in:

(a) A single sum or

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

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

(a) If the depositor dies on or after the required beginning date and:

(i) the designated beneficiary is the depositor's surviving spouse, the remaining interest will be distributed over the surviving spouse's life expectancy as determined each year until such spouse's death, or over the period in paragraph (a)(iii) below if longer. Any interest remaining after the spouse's death will be distributed over such spouse's remaining life expectancy as determined in the year of the spouse's death and reduced by 1 for each subsequent year, or, if distributions are being made over the period in paragraph (a)(iii) below, over such period.

(ii) the designated beneficiary is not the depositor's surviving spouse, the remaining interest will be distributed over the beneficiary's remaining life expectancy as determined in the year following the death of the depositor and reduced by 1 for each subsequent year, or over the period in paragraph (a)(iii) below if longer.

(iii) there is no designated beneficiary, the remaining interest will be distributed over the remaining life expectancy of the depositor as determined in the year of the depositor's death and reduced by 1 for each subsequent year.

(b) If the depositor dies before the required beginning date, the remaining interest will be distributed in accordance with (i) below or, if elected or there is no designated beneficiary, in accordance with (ii) below:

(i) The remaining interest will be distributed in accordance with paragraphs (a)(i) and (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), starting by the end of the calendar year following the year of the depositor's death. If, however, the designated beneficiary is the depositor's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the depositor would have reached age 70½. But, in such case, if the depositor's surviving spouse dies before distributions are required to begin, then the remaining interest will be distributed in accordance with (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), over such spouse's designated beneficiary's life expectancy, or in accordance with (ii) below if there is no such designated beneficiary.

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

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

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

(a) The required minimum distribution under paragraph 2(b) for any year, beginning with the year the depositor reaches age 70½, is the depositor's account value at the close of business on December 31 of the preceding year divided by the distribution period in the uniform lifetime table in Regulations section 1.401(a)(9)-9. However, if the depositor's designated beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the depositor's account value at the close of business on December 31 of the preceding year divided by the number in the joint and last survivor table in Regulations section 1.401(a)(9)-9. The required minimum distribution for a year under this paragraph (a) is determined using the depositor's (or, if applicable, the depositor and spouse's) attained age (or ages) in the year.

(b) The required minimum distribution under paragraphs 3(a) and 3(b)(i) for a year, beginning with the year following the year of the depositor's death (or the year the depositor would have reached age 70½, if applicable under paragraph 3(b)(i)) is the account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table in Regulations section 1.401(a)(9)-9) of the individual specified in such paragraphs 3(a) and 3(b)(i).

(c) The required minimum distribution for the year the depositor reaches age 70½ can be made as late as April 1 of the following year. The required minimum distribution for any other year must be made by the end of such year.

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

Article V

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

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

Article VI

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

Article VII

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

Article VIII

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

Depositor's signature Date

Custodian's signature Date

Witness' signature

(Use only if signature of the depositor or the custodian is required to be witnessed.)

General Instructions

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

Purpose of Form

Form 5305-A is a model custodial account agreement that meets the requirements of section 408(a) and has been pre-approved by the IRS. A traditional individual retirement account (traditional IRA) is established after the form is fully executed by both the individual (depositor) and the custodian and must be completed no later than the due date of the individual's income tax return for the tax year (excluding extensions). This account must be created in the United States for the exclusive benefit of the depositor and his or her beneficiaries.

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

For more information on IRAs, including the required disclosures the custodian must give the depositor, see **Pub. 590**, Individual Retirement Arrangements (IRAs).

Definitions

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

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

Identifying Number

The depositor's social security number will serve as the identification number of his or her IRA. An employer identification number (EIN) is required only for an IRA for which a return is filed to report unrelated business taxable income. An EIN is required for a common fund created for IRAs.

Traditional IRA for Nonworking Spouse

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

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

Specific Instructions

Article IV. Distributions made under this article may be made in a single sum, periodic payment, or a combination of both. The distribution option should be reviewed in the year the depositor reaches age 70½ to ensure that the requirements of section 408(a)(6) have been met.

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

