



This Disclosure Statement is provided in accordance with the tax laws applicable to your Roth individual retirement account (Roth IRA). It provides only a summary of the rules that apply to your Roth IRA. Additional information can be obtained by contacting your District Office of the Internal Revenue Service (IRS) or from IRS Publications 590-A and 590-B, which are available at the IRS website at [www.irs.gov](http://www.irs.gov).

## A. IN GENERAL

Contributions to a Roth IRA are made with already-taxed amounts. Earnings on them generally accrue tax-free. Distributions from a Roth IRA are not subject to federal income tax if certain conditions are met, as discussed below.

The state income tax treatment of your Roth IRA may differ. Information regarding state income tax rules that apply to your Roth IRA should be available from your state taxing authority or a tax professional.

## B. RIGHT OF REVOCATION

You have the right to revoke your Madison Trust Company Inc. (MTC) Roth IRA within seven days of the date you receive this Disclosure Statement. If you revoke, the entire contribution you have made to your Roth IRA, plus any establishment fees you paid, without adjustment for such items as sales commissions, administrative expenses or fluctuations in market value, will be returned to you. You may make your revocation by either delivering your written notice of revocation personally to MTC at Madison Administration Company, One Paragon Drive Suite 275, Montvale, NJ 07645 or by mailing, with postage prepaid, the written notice of revocation to MTC at that address. If the written notice is mailed by regular first-class mail, it will be deemed mailed on the date of postmark.

## C. STATUTORY REQUIREMENTS FOR A ROTH IRA

The statutory requirements for a Roth IRA, which are described in sections 408(a) and 408A of the Internal Revenue Code (Code), are as follows:

1. Except in the case of a rollover contribution from another IRA (other than a Roth IRA) or an eligible rollover from a tax-qualified plan, governmental "eligible deferred compensation plan" under Code section 457(b) or annuity described in Code section 403(a) or 403(b), or a recharacterized contribution from a traditional (non-Roth) IRA, no contribution will be accepted unless it is in cash.
2. Contributions on behalf of any individual will not be accepted for the taxable year in excess of the limits discussed below.
3. No part of the Roth IRA may be invested in life insurance or be commingled with other property, except in a common trust fund or common investment fund.
4. The entire Roth IRA balance must be nonforfeitable (vested).
5. No part of the Roth IRA may be invested in any collectible, which is defined in Code section 408(m) to include any work of art, rug, antique, metal, gem, stamp, coin, alcoholic beverage, or any other tangible property specified by the IRS. However, investment in certain coins and bullion specified in Code section 408(m) is permissible.
6. You are not required to take distributions from the Roth IRA during your lifetime. However, if any portion of your Roth IRA is undistributed when you die, the balance of your Roth IRA must be distributed to your death beneficiary(ies) in compliance with the tax laws.

## D. ROTH IRA CONTRIBUTIONS

### 1. Types of Contributions

You may make contributions to a Roth IRA by either personal cash contributions, rollover contributions, transfers from another Roth IRA or rollover or conversion contributions from a traditional IRA or employer plan. In some circumstances, you also may make the special contributions discussed below.

### 2. Maximum Personal Contribution Amount

The maximum amount you may contribute to a Roth IRA as a personal contribution is the lesser of 100% of your compensation for the tax year or \$6,000 (\$7,000 if you will be at least age 50 during the year). These dollar limits apply to the 2020 tax year and may be adjusted by the IRS in future years to reflect changes in the cost-of-living. "Compensation" for this purpose includes wages, salary, commissions, self-employment income, alimony, separate maintenance payments and combat pay. The maximum amount is reduced by any personal cash contributions you make to another Roth IRA or a traditional IRA (an IRA that is not a Roth IRA) for the same taxable year and is subject to the additional limits explained below. If you are married and file a joint federal income return with your spouse for the year, personal contributions may be made to Roth IRAs for each of you, even if one of you has little or no compensation for the year. The maximum personal contribution that may be made to the IRA of the spouse with the greater amount of compensation for the year is as described above. The maximum personal contribution that may be made for the spouse with the lesser amount of compensation for the year is the lesser of (1) the dollar limit for that year or (2) the total compensation of both spouses for that year, reduced by the contributions the other spouse has made to traditional or Roth IRAs for that year and is subject to the additional limits explained below.

If for 2020 you are single, are married but do not live with your spouse at any time during the year, or are a head of household taxpayer, and your modified adjusted gross income (MAGI) for the year is \$124,000 or less, there is no additional limit on your personal Roth IRA contribution for that year. If instead your MAGI is at least \$139,000, you may not make a personal contribution to your Roth IRA for that year. If your MAGI for 2020 is between \$124,000 and \$139,000, your maximum Roth IRA contribution is determined by multiplying (1) (\$15,000, less the amount of your MAGI in excess of \$124,000) divided by \$15,000, times (2) the maximum personal contribution amount for that year. For example, if for 2020 you are single with MAGI of \$136,000 and are age 45, your maximum Roth IRA personal contribution amount for 2020 will be  $((\$15,000 - \$12,000) / \$15,000) \times \$6,000$ , or \$1,200.



If for 2020 you are married, file a joint federal income tax return and live with your spouse at any time during the year, and you and your spouse's combined MAGI for the year is \$196,000 or less, there is no additional limit on your personal Roth IRA contribution for that year. If instead your combined MAGI is at least \$206,000, you may not make a personal contribution to your Roth IRA for that year. If your combined MAGI for 2020 is between \$196,000 and \$206,000, your maximum Roth IRA contribution is determined by multiplying (1) (\$10,000, less the amount of your combined MAGI in excess of \$196,000) divided by \$10,000, times (2) the maximum personal contribution amount for that year. For example, if for 2020 you are a married participant with combined MAGI of \$198,000, are age 45, live with your spouse for at least part of the year and file a joint federal income tax return, your maximum Roth IRA personal contribution for 2020 will be  $((\$10,000 - \$2,000) / \$10,000) \times \$6,000$ , or \$4,800.

If for any year you are married and file a separate federal income tax return, you may not make a personal contribution to your Roth IRA if your MAGI for that year is at least \$10,000. If it is less than \$10,000, you may make a personal Roth IRA contribution equal to the dollar limit for that year, multiplied by the ratio of the amount of your MAGI subtracted from \$10,000 over \$10,000.

These MAGI amounts (other than the \$10,000 MAGI amount for a married individual filing a separate federal income tax return) may be adjusted by the IRS for years after 2020 to reflect changes in the cost-of-living.

You may make personal contributions to a Roth IRA even for the taxable year in which you will attain age 70½ or in any later year.

The deadline for making a personal contribution to a Roth IRA for any taxable year is the deadline (not including extensions) for filing your federal income tax return for that year.

### 3. Tax Credits for Personal Contributions

You may be eligible for a tax credit of a percentage of your Roth IRA contribution, up to a maximum credit of \$1,000, if you will be at least age 18 during the year, are not claimed as a dependent on anyone else's federal tax return and are not a full-time student. The credit percentage will vary from 0% to 50% depending on your filing status and adjusted gross income for the year. The amount to which the credit is applied is reduced by any distributions you have taken in the period beginning two years before, and ending with the date you file your federal income tax return for, the year for which the credit is to be applied.

### 4. Rollover and Conversion Contributions; Transfers

#### a. Roth IRA to Roth IRA Rollover.

Amounts distributed from one Roth IRA may be contributed to another Roth IRA as a tax-free rollover. The contribution to the Roth IRA must be made within 60 days of distribution. (The IRS may, but is not required to, waive this 60-day requirement in limited situations, such as where a casualty or disaster prevented you from making the contribution within the 60-day period.) To the extent the distribution consists of non-cash property, property rolled over must be the same as the property distributed. If you make a rollover from one Roth IRA to another, you may not make another tax-free rollover from any IRA during the twelve months following the distribution. Distributions from a Roth IRA may not be rolled over to a another type of IRA or employer plan. There is no maximum dollar amount for rollover contributions.

#### b. Rollovers from Traditional IRA or Employer Plans; Conversions.

You may roll over any distribution you receive from a traditional, SEP, or SIMPLE IRA or an employer retirement plan in which you or your spouse participated into a Roth IRA. You also may convert all or part of a traditional IRA that is not a Roth IRA to a Roth IRA. The deadline for making a conversion for any tax year is the last day of that year. (If the conversion is made by way of actual distribution in one year followed by a timely rollover in the following year, the conversion will be treated as made in the year of the distribution.)

If you are a non-spouse death beneficiary of a participant in an employer-sponsored retirement plan, you may be eligible to roll over your death benefits under that plan to a Roth IRA. The rollover may be made only directly from the plan to the Roth IRA. Special distribution requirements apply to these rollovers, as explained below. No other rollovers by non-spouse beneficiaries are permitted from an employer retirement plan.

The amount of the rollover from a traditional IRA or employer plan or conversion will be treated as a distribution for income tax purposes, except that the additional tax on distributions before age 59½ will not apply to converted amounts, unless distributions from the Roth IRA are made within the five-year period beginning with the year of the conversion and no exceptions to that additional tax apply.

#### c. Roth IRA to Roth IRA Transfer.

A transfer is a tax-free movement of assets from one Roth IRA directly to another for the same person. There is no restriction on the time, number or frequency of transfers. Acceptance of rollovers or transfers to your MTC Roth IRA is subject to the acceptance of MTC.

### 5. Recharacterized Contributions

If you made a personal contribution to a an IRA for any year, you later may elect to "recharacterize" it as having been made to a Roth IRA instead, as long as you were eligible to have contributed the amount to the Roth IRA originally. Your recharacterization election will apply to earnings on the recharacterized amount. The deadline for recharacterizing a contribution is generally the due date, including extensions, for filing your income tax return for the year to which the contributions relate, although you may have additional time to recharacterize if certain conditions are met.

You must report a recharacterized contribution on your federal income tax return in accordance with the instructions to IRS Form 8606. You may not recharacterize Roth IRA contributions as contributions to a SEP or SIMPLE IRA.

### 6. Special Contributions

In some situations, you may make the following special contributions to your Roth IRA.

If you received a "coronavirus-related distribution" from an IRA or an employer plan during 2020, check with your tax advisor on whether you may repay all or a portion of that distribution to your Roth IRA within three years of the distribution. A "coronavirus-related distribution" is one you received when either (a) you,



your spouse or a dependent was diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention, or (b) due to SARS-CoV-2 or COVID-19 you experienced adverse financial consequences as a result of being quarantined, being furloughed or laid off, having work hours reduced, being unable to work due to lack of child care or as a result of closing or reducing hours of a business you own or operate. The total amount of "coronavirus-related distributions you may receive from all plans and IRAs is \$100,000.

If you have taken a distribution from an IRA or an employer plan within one year of a birth or adoption of a child, check with your tax advisor on whether you may repay up to \$5,000 of that distribution to an IRA. The adopted child may not be over age 18, unless he or she was physically or mentally incapable of self-support, or your spouse's child.

If you received a "qualified reservist distribution" from an IRA or a retirement plan, you may re contribute some or all of the distribution amount to your Roth IRA. A "qualified reservist distribution" is a distribution made to an individual who is ordered or called to active armed service duty after September 11, 2001 for at least 180 days or indefinitely. The re contribution deadline is two years after your return to active duty.

If you received "qualified settlement income" from Exxon Valdez litigation, you may roll over all or part of that income, up to \$100,000, to a traditional IRA. The \$100,000 maximum is reduced by the amount of "qualified settlement income" contributed to a Roth IRA, traditional IRA or retirement plan in prior tax years. "Qualified settlement income" is taxable income attributable to punitive damages and interest paid in connection with that litigation. Contributions for the year can be made up until the due date for filing your federal income tax return, not including extensions, for the year you received the income.

If you received a military death gratuity or a payment from the Servicemembers' Group Life Insurance payment due to a death from injury that occurred after October 6, 2001, you may contribute all or part of the amount received to your Roth IRA as a qualified rollover contribution. The amount you may roll over to your Roth IRA cannot exceed the total amount that you received reduced by any part of that amount that was contributed to a Coverdell Education Savings Account or another Roth IRA. The contribution must be made within one year after the date you received the payment and is treated as made with already-taxed amounts.

Acceptance of any special contribution to your MTC Roth IRA is subject to the approval of MTC.

## E. DISTRIBUTION REQUIREMENTS

You are not required to take distributions from your Roth IRA while you are alive. Any amount remaining in your Roth IRA following your death must be distributed to your beneficiary in full by the end of the year which contains the ten-year anniversary of your death, except that payments may be made in annual payments over the life expectancy of your beneficiary, beginning in the year following the year of your death, for a beneficiary who is either (1) your surviving spouse, (2) a disabled or chronically ill individual (or certain trusts for the same), (3) a beneficiary no more than ten years younger than you or (4) your minor child (generally until the child reaches the age of majority). If distribution is made over your beneficiary's life expectancy, each year's distribution amount must be at least a minimum amount, based on the amount in your Roth IRA and the beneficiary's life expectancy, as detailed in tax regulations.

However, if your surviving spouse is your beneficiary, he or she may delay distributions until the later of December 31 of the year following the year of your death or December 31 of the year you would have attained age 72 (age 70½ if you attained age 70½ before 2020). Also, your surviving spouse may roll over the funds to his or her own Roth IRA or treat your Roth IRA as his or her own.

If your Roth IRA consists of amounts you rolled over from an employer retirement plan under which you were a non-spouse death beneficiary, the distribution rules applicable to you under that plan will carry over to your Roth IRA. If you had not begun to take distributions from the plan, the distribution rules explained above for non-spouse death beneficiaries apply to you.

## F. TAX CONSEQUENCES

### 1. Contributions Not Deductible

No income tax deduction is allowable for any type of Roth IRA contribution.

### 2. Tax-Deferred Earnings

The investment earnings of your Roth IRA are not subject to federal income tax as they accumulate in your Roth IRA, except to the extent the earnings are "unrelated business taxable income," explained below.

### 3. Income Tax Consequences of a Roth IRA Distribution

The tax consequences of a Roth IRA distribution depend on whether the distribution is a "qualified distribution."

**Qualified distributions** - Qualified distributions from your Roth IRA are not included in gross income. A qualified distribution is a distribution that is both made after the end of the applicable five-year period and after one of the following events:

- Your attainment of age 59½;
- Your disability. You have a disability for this purpose only if you are medically determined to be unable to engage in substantial gainful activity due to an impairment that is expected to result in death or continue indefinitely;
- Your purchase of a principal residence (up to a \$10,000 lifetime limit), if you did not own a principal residence in the previous two years; or
- Your death.

The applicable five-year period begins on the first day of the first year for which you first made a Roth IRA contribution of any type. For example, if your first contribution to a Roth IRA is a contribution made for 2020 (even if it is a personal contribution made in early 2019), the applicable five-year period will begin January 1, 2020 and end December 31, 2024. You will have the same applicable five-year period for all your Roth IRAs.



Distributions that are not qualified distributions. If a distribution from your Roth IRA is not a qualified distribution, then distributions are first treated as recovery of your contributions to all your Roth IRAs that will not be subject to federal income tax. The instructions to IRS Form 8606 explain the order in which different types of contributions are recovered for this purpose. Distributions in excess of your total contributions will be taxable as ordinary income, and if you are under age 59½, may be subject to the additional early distribution tax, explained below. Special rules may apply to the distribution of conversion amounts.

If you received a “coronavirus-related distribution,” explained above, that is taxable to you in whole or in part, the taxable amount of the distribution will be included in your gross income ratably over three years, beginning with the year of the distribution, unless you elect to include the entire distribution amount in your gross income for the year of distribution.

Taxable distributions from your Roth IRA are not subject to federal income tax withholding. The state tax treatment of Roth IRA distributions varies from state to state.

#### Qualified Health Savings Account Distribution.

If you are eligible to contribute to a health savings account (HSA), you may make a one-time, tax-free distribution from your Roth IRA to an HSA. (You may not make this distribution from a SEP IRA or SIMPLE IRA for a year for which your employer made a SEP IRA or SIMPLE IRA contribution for you.) The distribution must not be more than your maximum annual HSA contribution, reduced by other HSA contributions made for the year, and must be made directly from your Roth IRA to the HSA. You must make the distribution by the end of the year (the special rule allowing contributions to your HSA for the previous year if made by your tax return filing deadline does not apply) and must be reported to the IRS on Form 8889.

#### **4. Transfer Incident to Divorce**

If all or part of your Roth IRA is awarded to your spouse or former spouse by a court order or judgment (or court approval of a marital settlement agreement) in a divorce or legal separation proceeding, the awarded amount may be transferred to a Roth IRA for the benefit of your spouse or former spouse. The transfer will not be taxable to you, and only your spouse or former spouse will be taxed on the taxable amount of distributions from the Roth IRA that received the transfer.

#### **5. Charitable Distributions**

You may have distributions from your Roth IRA contributed to certain charities at any time that you are at least age 70½ without paying tax on the distributed amount. The total amount of distributions you may so make for any year is \$100,000.

#### **6. Penalty Tax for Excess Contributions**

Contributions to your Roth IRA in excess of the limits discussed above will be subject to a 6% nondeductible penalty tax. The tax applies each year the excess remains in the Roth IRA. However, this penalty tax will not apply if the excess amount and all its income are returned to you before the due date (including extensions) for filing your income tax return for the year for which the excess contribution was made. The income earned on the excess contribution still will be taxable in the year the excess contribution was made.

If the excess amount and earnings are not returned to you by that due date, you may avoid or reduce the amount of the penalty tax for future years by either withdrawing the excess contribution before the end of the future tax year or treating the excess as a Roth IRA contribution for that future year.

The excess amount returned to you will not be subject to income tax or the 10% additional early distribution tax explained below as long as no deduction was taken for the excess contribution.

You are required to file IRS Form 5329 for any year for which an excess contribution penalty tax is due.

#### **7. Additional Tax for Early Distribution**

If you receive a distribution from your Roth IRA before you reach age 59½, an additional federal tax of 10% will apply to the taxable portion of the distribution, unless one of the following exceptions applies:

- The distribution is made to your death beneficiary following your death;
- The distribution is made after you became disabled. You are considered disabled for this purpose only if you are medically determined to be unable to engage in substantial gainful activity due to an impairment that is expected to result in death or continue indefinitely;
- The distribution is within one year of a birth or your child, or your adoption of a child, other than a child who either has attained age 18, unless he or she was physically or mentally incapable of self-support, or is your spouse's child;
- The distribution is a “coronavirus-related distribution,” explained above;
- The distribution is part of a series of substantially equal periodic payments (made at least annually) over your life expectancy or the joint life expectancies of you and your beneficiary. This exception will be lost retroactively if the payments do not continue for at least 5 years and until you are at least age 59½;
- You use the distribution to pay medical expenses which exceed 10% percent (7.5% if your spouse was born before January 2, 1949) of your adjusted gross income;
- You use the distribution to pay “qualified higher education expenses” of yourself, your spouse or your or your spouse's children or grandchildren;
- You use the distribution to buy or build a principal residence and did not own a principal residence in the previous two years. The maximum lifetime amount to which you can apply this exception is \$10,000;
- You use the distribution to pay for health insurance if you are unemployed and have received federal or state unemployment compensation for at least 12 consecutive weeks;
- The distribution is made on account of an IRS tax levy on your Roth IRA; or
- The distribution is a “qualified reservist distribution.” In general, a “qualified reservist distribution” is a distribution made to an individual who is ordered or called to active armed service duty after September 11, 2001 for at least 180 days or indefinitely.



You are required to file IRS Form 5329 for any year for which this additional tax is due. Your state also may impose a penalty for early distributions.

#### **8. Penalty Tax for Failure to Take Required Minimum Distributions**

Your beneficiary will be subject to a 50% penalty tax on the amount of any required distribution (explained above) that was not taken timely. The IRS may waive this tax if the distribution shortfall was due to a reasonable error and steps are being taken to remedy it.

You are required to file IRS Form 5329 for any tax year for which this penalty tax is due.

#### **9. Unrelated Business Taxable Income**

If your Roth IRA conducts an active trade or business, or invests in a partnership or limited liability company (LLC) taxed as a partnership that conducts an active trade or business, or if the Roth IRA (or a partnership or LLC taxed as a partnership in which the Roth IRA invests) realizes investment gains through debt-financing, the Roth IRA may have "unrelated business taxable income." Unrelated business taxable income, net of any allowable deductions, in excess of \$1,000 in any year may be taxable to your Roth IRA. Additional information can be obtained from IRS Publication 598, which is available at the IRS website at [www.irs.gov](http://www.irs.gov). Applicable taxes are an expense of your Roth IRA and must be paid with Roth IRA funds. For any year that your Roth IRA has unrelated business taxable income, before deductions, of more than \$1,000, (1) you must have obtained a tax identification number from the IRS for your Roth IRA, (2) you must prepare on behalf of the Roth IRA and submit to MTC fully completed federal, state and other tax return forms, including requests for filing extensions, and any other documents required to be filed with the Internal Revenue Service or other agency in connection with those forms, at least 5 business days before the filing deadline for each such form and (3) at the time the forms are submitted to MTC, you must authorize and direct MTC in writing (or in another manner acceptable to MTC) to sign those forms on behalf of the Roth IRA and to pay to the appropriate taxing authority all amounts that are due.

#### **10. Prohibited Transactions**

A Roth IRA can lose its exemption from federal income tax if the individual establishing the Roth IRA or a beneficiary engages in a "prohibited transaction" with the Roth IRA. If any other "disqualified person" engages in a prohibited transaction with a Roth IRA, he or she will be subject to an excise tax equal to 15% of the amount involved each year until the transaction is corrected. Prohibited transactions generally include any direct or indirect:

- Sale, exchange or lease of any property between the Roth IRA and a disqualified person;
- Lending of money or any other extension of credit between the Roth IRA and a disqualified person;
- Furnishing of goods, services or facilities between the Roth IRA and a disqualified person;
- Transfer to or use for the benefit of a disqualified person of the income or assets of the Roth IRA;
- Act by a disqualified person who is a fiduciary whereby he or she deals with the income or assets of the Roth IRA in his or her own interest or for his or her own account; or
- Receipt of any consideration for the personal account of any disqualified person who is a fiduciary dealing with the Roth IRA in connection with a transaction involving the income or assets of the Roth IRA.

In general, a "disqualified person" includes the individual establishing the Roth IRA, certain members of his or her family, any person who is a fiduciary or who provides services to the Roth IRA, and certain related partnerships (and certain of their partners and employees), corporations (and certain of their shareholders, officers, directors and employees), and trusts and estates (and certain of their beneficiaries). If the Roth IRA loses its tax exemption because you (or your beneficiary) engaged in a prohibited transaction, the fair market value of the Roth IRA assets (net of any contributions remaining in the Roth IRA) as of the first day of the year of the transaction must be included in your gross income for the taxable year in which the loss of exemption occurs. If this occurs before you have attained age 59½, you also will be subject to the additional early distribution tax explained above on the amount included in gross income unless an exception applies.

If you pledge any part of your Roth IRA as security for a loan, the part pledged will be treated as a distribution in the taxable year in which the pledging occurs and will be taxed accordingly.

#### **11. Federal Estate Tax and Gift Tax**

All funds held within a Roth IRA will be included in your gross estate for estate tax purposes, regardless of the named beneficiary or manner of distribution. However, an estate tax deduction may apply for amounts distributed to a beneficiary that is your spouse, a marital trust which meets certain conditions or a charity. Contributions to a Roth IRA for a spouse who has no compensation will not be subject to gift tax.

#### **12. Special tax treatment related to Designated Disasters**

If you are affected by an IRS-designated disaster, you may be eligible for special tax treatment for your Roth IRA funds. You may obtain information on specific disasters by visiting the IRS website at [www.irs.gov](http://www.irs.gov).

## **G. ADDITIONAL INFORMATION**

### **1. Use of IRS Model Language**

Articles I through VIII of the MTC Roth Individual Retirement Account Custodial Agreement use the language of the corresponding articles of the IRS Roth IRA Model Custodial Agreement (Form 5305-RA). For that reason, your MTC Roth Individual Retirement Account Custodial Agreement is treated as satisfying all applicable IRS requirements as to form. It is not an approval or endorsement of any investment or transaction.

### **2. Custodial Amendments**

MTC may amend the Custodial Agreement at any time. MTC will furnish any amendment to you within 30 days of the date it becomes effective or is adopted. You may notify Madison Trust within 30 days of the mailing that you do not consent to the amendment. If you do not consent, MTC may elect to terminate the Custodial Agreement.



### 3. Future Value

The value of your Roth IRA at any time will depend on the amount of contributions to it, the performance of its investments, and the time and amount of charges to and distributions from it. Therefore, no projection of the value of your Roth IRA at any future time can be predicted or guaranteed.

### 4. Minimum Cash Balance and Uninvested Cash

Your Roth IRA must maintain a minimum balance of \$500 uninvested cash. MTC may disregard any investment direction to the extent necessary for that minimum balance to be maintained, and may terminate your Custodial Agreement if the required minimum balance is not maintained. In addition, MTC may elect to resign as custodian of your Roth IRA in the event that its cash balance is less than \$300 for a continuous period of more than 30 calendar days.

All cash for which investment directions are not provided are deposited into one or more of the following, as determined by MTC: checking, savings and money market accounts; certificates of deposits; short-term government and agency obligations (collectively, "entities"). MTC may retain all or a portion of the income generated by such deposits as part of its compensation for all services it performs for you. MTC may enter into agreements with the entities under which it will maintain all records pertaining to your Roth IRA's interest in the entities, and may make withdrawals from such entities for purposes of Roth IRA distributions, investments, fees and other disbursements that you or your authorized representative agree to.

### 5. No Advice From MTC

MTC does not provide tax, legal, investment or other advice and no communication or other act by MTC or any of its employees or agents serves as or may be relied upon as any such advice. Because the tax laws affecting Roth IRAs are complex and may change through legislation, regulatory developments or judicial interpretations, and the suitability of an investment or transaction can vary from individual to individual, you should consult a knowledgeable attorney, accountant or other advisor to assess whether any investment or transaction of your Roth IRA may result in adverse consequences and is suitable for you.

### 6. Service Fees

MTC charges service fees for the administration of your Roth IRA. The complete schedule of fees applicable to your MTC Roth IRA is being given to you along with this Disclosure Statement and is a part of your Custodial Agreement. If different or additional fees are charged in the future, MTC will furnish you with a written notice, stating the nature and amount of the different or additional fees, at least 30 days before they take effect.

Fees are automatically deducted from your Roth IRA (or charged to your credit card if you have authorized MTC to charge fees to a credit card). If MTC does not have a valid credit card on file for you and your Roth IRA does not have sufficient funds to pay fees that are due, you will be invoiced for the fees due. Failure to timely pay the invoice may result in termination of the Custodial Agreement and distribution of your Roth IRA assets to you.

MTC also receives additional fees for administrative services from the financial organizations with whom uninvested cash is deposited. These fees are not paid by you or your Roth IRA.

Additionally, at the option of MTC, MTC is authorized to liquidate assets of your Custodial Account for any unpaid fee balance and can sell the assets or use the uninvested cash to pay the fee balance. The choice of the selling broker and assets to be sold shall be at MTC's sole discretion.

Should fees or expenses not be collected, MTC shall have the option to cease performing any functions, including, but not limited to, processing investment transactions until such time as all fees and expenses charged against the account are fully paid. If fees are not paid within thirty (30) days after MTC has mailed you the past due notice and invoice, MTC will begin the process of closing your Custodial Account. Any asset distributed directly to you as part of closing the Custodial Account will be reported to the IRS on Form 1099-R and may subject you to possible taxes and penalties. Accounts with past due fees, unfunded accounts, and accounts with zero value will continue to incur administration fees until such time as you notify MTC in writing on a form as required by MTC of your intent to close the account or until MTC resigns and closes the Custodial Account as stated above.

### 7. Telephone Authorization

MTC is authorized, at its option, to honor telephone transaction requests placed by you or your authorized representative with respect to your Roth IRA. These requests may include purchases, sales and exchanges of assets whose sponsors accept telephone authorizations from MTC on your behalf.

MTC may require you to complete and provide a Telephone Authorization Form. MTC may require the use of a special identification number and Social Security number for each transaction. MTC is not responsible for determining whether or not a caller is authorized other than verifying that such caller is using the proper identification number for your Roth IRA. You agree that MTC is not responsible for unauthorized transactions in your Roth IRA by callers who provide the proper identification number for your account.

### 8. Statements

Each year MTC will furnish you a statement of account which will state the amount of the contributions to your Roth IRA, distributions from the Roth IRA and the total value of the Roth IRA as of the end of the year. Information relating to contributions and withdrawals must be reported annually to the IRS by you or, in the case of a spousal Roth IRA, by your spouse. Statements will reflect information provided to MTC by you and/or your representative. MTC assumes no responsibility for the accuracy of information provided.

### 9. Account Termination

You may terminate your MTC Roth IRA at any time upon written notice. The notice must identify your MTC Roth IRA account number, give instructions on the disposition of your Roth IRA's assets and be sent to:

Madison Trust Company Inc. 401 East 8th Street Suite 200 Sioux Falls, SD 57103; or

Madison Administration Company One Paragon Drive Suite 275 Montvale, NJ 07645



Your MTC Roth IRA will terminate upon the earliest of:

- The date the Roth IRA assets have been disposed of in accordance with your instructions if you terminate MTC as custodian;
- The date all the Roth IRA's assets have been distributed;
- The date the Roth IRA ceases to meet the requirements of Code section 408; or
- The date the Roth IRA assets have been transferred to and accepted by a successor custodian or trustee as a result of the resignation of MTC and selection of a successor custodian or trustee.

**10. Availability of Funds Available After Deposit**

Funds deposited through bank or other financial institution checks will be available after 5 business days. Funds deposited through other checks will be available after 7 business days. Funds deposited through wire transfers are available the next business day.

**11. Affiliated Business Disclosure and Conflict of Interest Waiver**

MTC, Broad Financial LLC and Madison Administration Company are companies affiliated by their common ownership and management. Because these entities are under common ownership and management, the retention of MTC as Custodian of your Roth IRA may result in an indirect financial benefit to the owners of Broad Financial LLC and/or Madison Administration Company. You are under no obligation to retain MTC as custodian of your Roth IRA and are free to retain another to serve as the custodian. In retaining MTC, you will be waiving any conflict of interest that may result from such common ownership.

**12. Investments in Limited Liability Companies**

Your MTC Roth IRA may invest in a limited liability company (LLC), provided that it does so without engaging in a prohibited transaction or otherwise violates any Code requirement, and complies with MTC's requirements for an investment in an LLC by your Roth IRA. In order for your MTC Roth IRA to invest in an LLC, the following documents must be furnished to MTC:

- A file-stamped copy of the Articles or Organization (or similar document) filed with the state in which the LLC is formed;
- A copy of the LLC's operating agreement (or similar agreement) which must clearly provide, among other things, that:
  - The LLC is to be manager-managed
  - The Roth IRA will be a member of the LLC
  - The Roth IRA selects the manager, who shall not be compensated and shall not provide any services to the LLC that may be considered non-cash contributions to the Roth IRA
  - The manager will not hire any "disqualified persons" to perform services to the LLC
  - The LLC will not invest in any "collectibles" or life insurance, engage in any prohibited transactions, or violate any requirement of Code Section 408
  - No "disqualified person" may use that person's own assets as security for, or otherwise guarantee, any loan of the LLC
  - The LLC will annually provide the member a statement of good standing (or similar document), and a valuation, and all other information necessary for MTC to complete required tax forms or other forms concerning the LLC
  - The LLC will be responsible for any tax reporting, tax accounting, and valuations requested or required by the member or required under state or federal law, and will take all actions necessary to keep the LLC in good standing in its state of formation
- A copy of the LLC's federal employer identification number
- Written instructions directing MTC to invest some or all of the Roth IRA's funds into the LLC in exchange for its membership interest and directions regarding the account into which such funds are to be transferred or deposited