



This Disclosure Statement is provided in accordance with the tax laws applicable to your individual retirement account (IRA). It provides only a summary of the rules that apply to your 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 traditional IRA (an IRA that is not a Roth IRA) and earnings on them generally are not subject to federal income tax until you or your beneficiary actually begin to receive distributions from it.

The state income tax treatment of your traditional IRA may differ. Information regarding state income tax rules that apply to your traditional 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) IRA within seven days of the date you receive this Disclosure Statement. If you revoke, the entire contribution you have made to your 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 TRADITIONAL IRA

The statutory requirements for a traditional IRA, which are described in section 408(a) 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 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 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 IRA balance must be nonforfeitable (vested).
5. No part of the 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 must begin to take distributions from the IRA in at least minimum amounts specified in the tax laws by April 1 of the year following the year you reach age 70½, or, if you had not attained age 70½ before 2020, April 1 of the year following the year you reach age 72. If any amount remains in your IRA when you die, the balance of your IRA must be distributed to your death beneficiary(ies) in compliance with the tax laws. Different required distribution rules may apply if you established the IRA through a rollover of an amount you received as the nonspouse death beneficiary under a retirement plan.

## D. TRADITIONAL IRA CONTRIBUTIONS AND DEDUCTIONS

### 1. Types of Contributions

You may make contributions to a traditional IRA by either personal cash contributions, rollover contributions, transfers from another traditional IRA or recharacterized contributions from a Roth IRA. If your traditional IRA is established under a simplified employee pension (SEP) adopted by your employer, your employer may contribute amounts in cash on your behalf. 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 traditional IRA (other than one established under a SEP) 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 taxable 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 traditional IRA or a Roth IRA for the same taxable year.

If you are married and file a joint federal income return with your spouse for the year, personal contributions may be made to 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.



For taxable years before 2020, you may not make personal contributions to a traditional IRA for the taxable year in which you will attain age 70½ or in any later year. This restriction does not apply for 2020 and following taxable years. However, for taxable years before 2020, you still may make a personal contribution to your spouse's IRA up to the lesser of your compensation or the dollar limit for the taxable year if your spouse will not be age 70½ or older and you file a joint income tax return for that year.

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

### 3. Limits on SEP Contributions

If your IRA is established under a SEP, the maximum amount your employer may contribute to it on your behalf is the lesser of 25% of your compensation for that year or \$7,000 for 2020. The maximum amount of annual compensation which may be taken into account for this purpose is \$285,000 for 2020. These dollar limits may be adjusted by the IRS in future years to reflect changes in the cost-of-living.

The deadline for employer contributions to an IRA established under a SEP is the deadline (including extensions) for filing the employer's federal income tax return for that year. For example, if you are a calendar year, self-employed sole proprietor taxpayer, and you obtain an extension for filing your 2020 federal tax return until October 15, 2021, you may make a SEP-IRA contribution for 2020 by October 15, 2021.

### 4. Deduction Limitations

If neither you nor your spouse is an "active participant" in a retirement plan during the year, you may deduct the full amount of your personal IRA contributions for the year. If you or your spouse are an active participant, you still may be able to deduct all or a portion of your contribution, depending on your (and your spouse's) federal modified adjusted gross income (MAGI) for the year.

If for 2020 you are an active participant, are single, or do not live with your spouse throughout the year and do not file a joint federal income tax return, and your MAGI for the year is \$65,000 or less, the full amount of your personal IRA contribution is deductible for 2020. If instead your MAGI is at least \$75,000, no portion of your contribution for 2020 is deductible. If your MAGI for 2020 is between \$65,000 and \$75,000, the maximum deductible amount is determined by multiplying (1) (\$10,000, less the amount of your MAGI in excess of \$65,000) divided by \$10,000, times (2) the maximum personal contribution amount for that year. For example, if for 2020 you are a single active participant with MAGI of \$69,000 and are age 45, your maximum deductible amount for 2020 will be  $(\$10,000 - \$4,000) / \$10,000$  times \$6,000, or \$3,600.

If for 2020 you are an active participant, married, file a joint federal income tax return and live with your spouse at any time during the year, and your and your spouse's combined MAGI for the year is \$104,000 or less, the full amount of your personal IRA contribution is deductible for 2020. If instead your combined MAGI is at least \$124,000, no portion of your contribution for 2020 is deductible. If your combined MAGI for 2020 is between \$104,000 and \$124,000, the maximum deductible amount is determined by multiplying (1) (\$20,000, less the amount of your combined MAGI in excess of \$104,000) divided by \$20,000, times (2) the maximum personal contribution amount for that year. For example, if for 2020 you are a married active participant with combined MAGI of \$118,000, are age 45, live with your spouse for at least part of the year and file a joint federal income tax return, your maximum deductible amount for 2020 will be  $(\$20,000 - \$14,000) / \$20,000$  times \$6,000, or \$1,800.

If for 2020 you are not an active participant, but your spouse is, and you file a joint federal income tax return and live with your spouse at any time during the year, and your and your spouse's combined MAGI for the year is \$196,000 or less, the full amount of your personal IRA contribution is deductible for 2020. If instead your combined MAGI is at least \$206,000, no portion of your contribution for 2020 is deductible. If your combined MAGI for 2020 is between \$196,000 and \$206,000, the maximum deductible amount 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 active 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 deductible amount for 2020 will be  $(\$10,000 - \$2,000) / \$10,000$  times \$6,000, or \$4,800.

If for any year you are an active participant, married and file a separate federal income tax return, no portion of your contribution is deductible if your MAGI is at least \$10,000. If it is less than \$10,000, a portion of the contribution is deductible based on 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.

Your state's IRA deduction rules may differ from those described above.

### 5. Nondeductible Personal Contributions

For any year that you may not fully deduct your IRA contribution, you still may make a nondeductible personal contribution to your traditional IRA. You also may choose to make a nondeductible contribution for an amount that may be deducted. The sum of your nondeductible and deductible contributions, plus any contributions you make to a Roth IRA, for any year may not exceed the maximum personal contribution amount explained above.

You are required to report the nondeductible contribution to the IRS by filing IRS Form 8606 with your federal income tax return. Failure to do so will subject you to a \$50 penalty per failure, and overstating your nondeductible contribution can result in a \$100 penalty. These penalties may be excused upon a showing of reasonable cause.



## 6. Tax Credits for Personal Contributions

You may be eligible for a tax credit of a percentage of your traditional 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.

## 7. Rollover Contributions and Transfers

A traditional IRA also may be funded with rollover contributions or transfers. A rollover contribution is a tax-free contribution of amounts distributed to you in an "eligible rollover distribution" from "an eligible retirement plan." The contribution to the IRA must be made within 60 days of the eligible rollover distribution. (The IRS may, but it 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.) An "eligible rollover distribution" generally is any distribution, other than a required minimum distribution, hardship distribution, or distribution that is one of a series of substantially equal periodic payments made at least annually over your lifetime (or life expectancy) or over the joint lifetimes (or life expectancies) of you and your beneficiary, or over a specified period of 10 years or more. An "eligible retirement plan" is generally any tax-qualified plan, qualified annuity plan, tax-sheltered annuity, governmental eligible deferred compensation plan, deceased spouse's IRA (other than a Roth IRA) or another IRA (other than a Roth IRA) of yours. The rollover contribution may be in the form of the cash that was distributed, the property that was distributed, or, if the distribution was from other than another IRA, cash proceeds from the sale of the distributed property. A "direct rollover" is an eligible rollover distribution that is paid directly from the eligible retirement plan to the receiving IRA. Direct rollovers can avoid income tax withholding that otherwise may apply.

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 an IRA. The rollover may be made only directly from the plan to the IRA. No other rollovers by non-spouse beneficiaries are permitted from an employer retirement plan.

If you make a rollover from one IRA to another, you may not make another tax-free rollover from any IRA for at least twelve months after you received the amount you rolled over. There is no maximum dollar amount or age restriction for rollover contributions.

A transfer is a tax-free movement of assets from one traditional 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 IRA is subject to the acceptance of MTC.

## 8. Recharacterizations

If you have made a personal contribution to a Roth IRA for any year, you later may elect to "recharacterize" it as having been made to a traditional IRA instead. 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 are required to report recharacterized contributions to the IRS by filing IRS Form 8606 with your federal income tax return. Failure to do so will subject you to a \$50 penalty per failure, which may be excused upon a showing of reasonable cause.

## 9. Special Contributions

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

If you received a "coronavirus-related distribution" from an IRA or an employer plan during 2020, you may repay all or a portion of that distribution to your 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, you may repay up to \$5,000 of that distribution to your 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 recontribute some or all of the distribution amount to your 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 recontribution 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 traditional IRA, Roth 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.

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



## E. DISTRIBUTION REQUIREMENTS

The tax rules require that beginning no later than your “required beginning date,” which is April 1 following the close of the calendar year in which you attain age 70½ if you attained that age before 2020 and April 1 of the calendar year following the close of the calendar year in which you attained age 72 if you had not attained age 70½ before 2020, and by each December 31 thereafter, you take a distribution from your traditional IRA of at least the required minimum amount. (However, under a special rule, the requirement that you receive a minimum distribution has been waived for 2020.) In general, the required minimum amount for any year is your IRA account balance as of the December 31 of the preceding year divided by the applicable divisor set out in IRS life expectancy tables. The applicable divisor under the table is the joint life expectancy of you and a beneficiary presumed to be 10 years younger than you. However, if the sole designated beneficiary is your spouse, and he or she is more than 10 years younger than you, the applicable divisor will be the joint life expectancies, under IRS tables, of you and your spouse based on your actual ages. If you have more than one traditional IRA, your required minimum distribution must be calculated separately for each, but you may take the aggregate of the required minimum distributions from any one or combination of your traditional IRAs as you choose.

If you die on or after your required beginning date, any balance remaining in your traditional IRA generally must be distributed to your beneficiary as rapidly as under the method of distribution applicable during your lifetime. If you die before your required beginning date, any balance remaining in the IRA 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 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 your required beginning date. Also, your surviving spouse may roll over the funds to his or her own traditional IRA or treat your IRA as his or her own.

If your 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 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. Tax-Exempt Status of IRA

Earnings in your traditional IRA are not taxed until they are distributed to you, except to the extent the earnings are “unrelated business taxable income,” explained below.

### 2. Income Taxes on Distributions

Except for the return of excess contributions discussed below, and except for amounts rolled over to another traditional IRA or retirement plan that accepts tax-free rollovers, distributions from a traditional IRA generally are fully taxable as ordinary income. Any amount that you roll over to another traditional IRA or plan will not be taxable at that time.

If you have made nondeductible contributions to your IRA, a portion of your distributions are not taxable. The nontaxable portion equals: ((Total nondeductible contributions made to all traditional IRAs, minus previous nontaxable distributions) divided by total year-end balances of all traditional IRA) times total traditional IRA distributions for the year.

If you received a “coronavirus-related distribution,” explained above, the 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 traditional IRA are subject to federal income tax withholding, unless you choose not to have withholding apply. If withholding is applied, at least 10% of the amount distributed must be withheld.

The state tax treatment of traditional IRA distributions varies from state to state.

### 3. 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 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 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 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 an 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 taxable on distributions from the IRA that received the transfer.



#### 5. Charitable Distributions

You may have distributions from your IRA contributed to certain charities at any time that you are at least age 70½ without paying tax on the distributed amount. You may not make this distribution from a SEP IRA or SIMPLE IRA. The total amount of distributions you may so make for any year is \$100,000, reduced by any deductible IRA contributions you made after age 70½.

#### 6. Penalty Tax for Excess Contributions

Contributions to your traditional 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 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 traditional 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 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 equally 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 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

You or 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 (or your beneficiary) 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 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 IRA (or a partnership or LLC taxed as a partnership in which the IRA invests) realizes investment gains through debt financing, the 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 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 IRA and must be paid with IRA funds. For any year that your 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 IRA, (2) you must prepare on behalf of the 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 IRA and to pay to the appropriate taxing authority all amounts that are due.



#### 10. Prohibited Transactions

An IRA can lose its exemption from federal income tax if the individual establishing the IRA or a beneficiary engages in a "prohibited transaction" with the IRA. If any other "disqualified person" engages in a prohibited transaction with an 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 IRA and a disqualified person;
- Lending of money or any other extension of credit between the IRA and a disqualified person;
- Furnishing of goods, services or facilities between the IRA and a disqualified person;
- Transfer to or use for the benefit of a disqualified person of the income or assets of the IRA;
- Act by a disqualified person who is a fiduciary whereby he or she deals with the income or assets of the 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 IRA in connection with a transaction involving the income or assets of the IRA.

In general, a "disqualified person" includes the individual establishing the IRA, certain members of his or her family, any person who is a fiduciary or who provides services to the 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 IRA loses its tax exemption because you (or you beneficiary) engaged in a prohibited transaction, the fair market value of the IRA assets (net of any nondeductible contributions remaining in the 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 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 an 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 an 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 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 VII of the MTC Individual Retirement Account Custodial Agreement use the language of the corresponding articles of the IRS IRA Model Custodial Agreement (Form 5305-A). For that reason, your MTC 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 Agreement Amendments

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 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 IRA at any future time can be predicted or guaranteed.

#### 4. Minimum Cash Balance and Uninvested Cash

Your 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 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 IRA's interest in the entities, and may make withdrawals from such entities for purposes of 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 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 IRA may result in adverse consequences and is suitable for you.

#### 6. Service fees

MTC charges service fees for the administration of your IRA. The complete schedule of fees applicable to your MTC 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 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 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 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 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 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 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 a caller is authorized other than verifying that such caller is using the proper identification number for the account. You agree that MTC is not responsible for unauthorized transactions in your 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 IRA, distributions from the IRA and the total value of the 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 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 IRA at any time upon written notice. The notice must identify your MTC IRA account number, give instructions on the disposition of your 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 IRA will terminate upon the earliest of:

The date the IRA assets have been disposed of in accordance with your instructions if you terminate MTC as custodian; The date all the IRA's assets have been distributed; The date the IRA ceases to meet the requirements of Code section 408; or  
The date the 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 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 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 or investment.



## 12. Investments in Limited Liability Companies

Your MTC 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 IRA. In order for your MTC 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 IRA will be a member of the LLC
- The IRA selects the manager, who shall not be compensated and shall not provide any services to the LLC that may be considered noncash contributions to the 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 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