CAPITAL GROUP® | AMERICAN FUNDS®

SEP IRA
Employee Guide

To establish your account:

1. **Review the following documents:** the *Traditional or Roth IRA Custodial Agreement* and *Disclosure Statement*, which explain eligibility requirements and plan provisions; fund prospectuses; and this guide.
2. **Determine which American Funds you want to invest in.** Consult your plan's financial professional for assistance.
3. **Complete the *SEP IRA Application*.** You'll need to list the American Funds you want to invest in and what percentage of your contributions you'd like to invest in each ($25 minimum per fund). Make a copy of the application for your files.
4. **Return all completed paperwork to your employer.**

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3 | **SEP IRA Application**
To enroll in the SEP IRA plan offered by your employer, complete the application on pages 3–8. The application must be signed in Section 7.

9 | **Traditional or Roth IRA Custodial Agreement**
This document should be read prior to opening the account. It defines the provisions of the American Funds IRA.

16 | **Traditional or Roth IRA Disclosure Statement**
This document explains the financial and tax consequences of contributions to and distributions from the IRA.

Fund Information
For a quick guide to fund names, numbers, minimums and share class restrictions, go to **www.capitalgroup.com/fundguide**.

Important account information

Eligibility

Generally, all of the employees at an organization are eligible. However, there are some employees who may be excluded from participating:

- Those with annual earnings below $750
- Union members covered by a collective bargaining agreement
- Nonresident aliens with no U.S. source of income
- Those under 21 years of age
- Those who have worked for the company for less than three of the immediately preceding five plan years

Your contributions

Your employer makes all of the contributions to the SEP on your behalf. However, you can make regular Traditional IRA contributions to this same account. You should speak with a qualified tax consultant if you have any questions regarding the maximum contribution you can make and the extent to which your Traditional IRA contributions may be tax deductible.

Your employer's contributions

Your employer may contribute up to 25% of your pay. For maximum contribution limits, go to **www.irs.gov**. The tax-deductible contribution can vary according to your company's profitability, cash flow or other factors. The contribution is allocated to your account based on your compensation.

Vesting

The money that your employer contributes to the plan is vested immediately. In other words, it's yours to keep.

Your investment options

You're in control: You select the American Funds you believe are most appropriate for your financial needs and goals. When choosing your investments, it's a good idea to consult your financial professional.

Monitoring your account

You can monitor your investment results with:

- Your quarterly statement
- **www.capitalgroup.com**
- Our phone number at (800) 421-4225

Making changes to your account

You'll receive a welcome package including your new account number. Once you receive it, we encourage you to visit **www.capitalgroup.com/getstarted** to set up online account access.

This will enable you to:

- Sell and exchange shares online
- View current and past account balances as well as dividend and capital gain information
- Manage your account information
- Sign up for paperless delivery of tax forms, annual and semiannual reports, quarterly statements and prospectuses

Withdrawals

Any money you take out of your SEP IRA is subject to ordinary income tax and, if you withdraw the money before you reach 59½, a 10% federal tax penalty may apply.

Have questions?

To learn more about your SEP IRA plan, please contact your employer or your plan's financial professional.

Clear and reset form

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SEP IRA Application

To be completed by employer

Name of company | Employer contact | ( ) Ext. Daytime phone

Company address | City | State | ZIP

Check A or B.

A. ☐ **New plan** (must be accompanied by a copy of the employer's completed and signed *SEP Adoption Agreement* located in the *SEP IRA Plan Sponsor Guide*.)

B. ☐ **Existing plan** (provide Plan ID) _____

To be completed by employee

1 Information about you

Important: *This section must be completed, and the application must be signed in Section 7 before an account can be established.*

☐☐☐–☐☐–☐☐☐☐ SSN of SEP IRA owner | ☐☐–☐☐–☐☐☐☐ Date of birth (mm/dd/yyyy) | Country of citizenship

First name of SEP IRA owner | MI | Last

Residence address (physical address required — **no P.O. boxes**) | City | State | ZIP

Mailing address (if different from residence address) | City | State | ZIP

Email address* | ( ) Daytime phone

* Your privacy is important to us. For information on our privacy policies, visit **www.capitalgroup.com**.

2 Investment instructions

I elect to invest my contributions in Class A shares of the American Funds Target Date Retirement Series® fund with the year closest to my 65th birthday unless I elect otherwise below.

A. ☐ Invest 100% of my contributions in Class A shares of the American Funds Target Date Retirement Series fund with the year closest to my 65th birthday. New funds for future retirement dates may be added to the series as needed.

Target Date Fund 2065 (designed for those born 1998 or later)
Target Date Fund 2060 (designed for those born 1993–1997)
Target Date Fund 2055 (designed for those born 1988–1992)
Target Date Fund 2050 (designed for those born 1983–1987)
Target Date Fund 2045 (designed for those born 1978–1982)
Target Date Fund 2040 (designed for those born 1973–1977)
Target Date Fund 2035 (designed for those born 1968–1972)
Target Date Fund 2030 (designed for those born 1963–1967)
Target Date Fund 2025 (designed for those born 1958–1962)
Target Date Fund 2020 (designed for those born 1953–1957)
Target Date Fund 2015 (designed for those born 1948–1952)
Target Date Fund 2010 (designed for those born 1947 or earlier)

OR

B. ☐ Invest my contribution as instructed below. For a quick guide to fund names, numbers, minimums and share class restrictions, go to **www.capitalgroup.com/fundguide**. If a share class is not specified, investments will be placed in Class A shares. (The percentage you elect must equal the minimum of $25 per fund. You may customize your investment strategy by selecting a combination of funds.)

Select a share class: ☐ Class A **OR** ☐ Class C

Fund name or number	Percentage (whole percentages only)
_____	_____%
_____	_____%
_____	_____%
_____	_____%
_____	_____%
_____	_____%
_____	_____%
_____	_____%
_____	_____%
_____	_____%
Total	**_____%**

Notes:
- To make changes to your fund selections and/or percentage allocations in the future, please notify your employer.
- To rebalance funds or set up an automatic exchange plan, visit our website at **www.capitalgroup.com**.
- To add bank information for future redemption requests, include a completed *Add/Update Bank Information* form.
- The $10 setup fee will be deducted from your account.

3 Beneficiary designation

We encourage you to consult a professional regarding the tax-law and estate planning implications of your beneficiary designation. All stated percentages must be whole percentages (e.g., 33%, not 33.3%). If the percentages do not add up to 100%, each beneficiary's share will be based proportionately on the stated percentages. When percentages are not indicated, the beneficiaries' shares will be divided equally.

Notes: • Your spouse may need to sign in Section 6. If you wish to name more than one trust or entity, customize your designation or need more space, attach a separate page. Include the name, address, relationship, date of birth or trust, SSN/TIN and percentage for each beneficiary.

• If you name a trust as beneficiary, provide the full legal name of the trust. Example: "The Davis Family Trust."

A. Primary Beneficiary(ies): If any designated Primary Beneficiary(ies) dies before I do, that beneficiary's share will be divided proportionately among the surviving Primary Beneficiaries unless otherwise indicated. If no Primary Beneficiaries survive me, assets will be paid to the named Contingent Beneficiaries, if any.

1. First name (print) _____ MI _____ Last name _____ Suffix _____

OR Name of trust or other entity (print) _____

Address _____ City _____ State _____ ZIP _____

☐ Spouse* ☐ Child of owner ☐ Other person ☐ Trust ☐ Other entity Date of birth or trust (mm/dd/yyyy) _____ SSN/TIN _____ Whole % only _____%

2. First name (print) _____ MI _____ Last name _____ Suffix _____

Address _____ City _____ State _____ ZIP _____

☐ Spouse* ☐ Child of owner ☐ Other person Date of birth (mm/dd/yyyy) _____ SSN _____ Whole % only _____%

3. First name (print) _____ MI _____ Last name _____ Suffix _____

Address _____ City _____ State _____ ZIP _____

☐ Spouse* ☐ Child of owner ☐ Other person Date of birth (mm/dd/yyyy) _____ SSN _____ Whole % only _____%

4. First name (print) _____ MI _____ Last name _____ Suffix _____

Address _____ City _____ State _____ ZIP _____

☐ Spouse* ☐ Child of owner ☐ Other person Date of birth (mm/dd/yyyy) _____ SSN _____ Whole % only _____%

* By naming my spouse as a beneficiary, I elect to treat such spouse as a beneficiary while we are married. Effective immediately upon the divorce, annulment or other lawful dissolution of my marriage, the designation shall be null and void, unless after the dissolution of my marriage I affirmatively elect to name my former spouse as my non-spouse beneficiary.

Continued on next page

3 Beneficiary designation

(continued)

Important: Section 3-A must be completed prior to completing Section 3-B.

B. Contingent Beneficiary(ies): If no Primary Beneficiary survives me, pay my benefits to the following Contingent Beneficiary(ies). If any designated Contingent Beneficiary(ies) dies before I do, that beneficiary's share will be divided proportionately among the surviving Contingent Beneficiaries unless otherwise indicated. If no Contingent Beneficiaries survive me, assets will be paid according to the Custodial Agreement default designation.

1. First name (print) _____ MI _____ Last name _____ Suffix _____

OR Name of trust or other entity (print) _____

Address _____ City _____ State _____ ZIP _____

☐ Spouse* ☐ Child of owner ☐ Other person ☐ Trust ☐ Other entity Date of birth or trust (mm/dd/yyyy) _____ SSN/TIN _____ Whole % only _____%

2. First name (print) _____ MI _____ Last name _____ Suffix _____

Address _____ City _____ State _____ ZIP _____

☐ Spouse* ☐ Child of owner ☐ Other person Date of birth (mm/dd/yyyy) _____ SSN _____ Whole % only _____%

3. First name (print) _____ MI _____ Last name _____ Suffix _____

Address _____ City _____ State _____ ZIP _____

☐ Spouse* ☐ Child of owner ☐ Other person Date of birth (mm/dd/yyyy) _____ SSN _____ Whole % only _____%

4. First name (print) _____ MI _____ Last name _____ Suffix _____

Address _____ City _____ State _____ ZIP _____

☐ Spouse* ☐ Child of owner ☐ Other person Date of birth (mm/dd/yyyy) _____ SSN _____ Whole % only _____%

5. First name (print) _____ MI _____ Last name _____ Suffix _____

Address _____ City _____ State _____ ZIP _____

☐ Spouse* ☐ Child of owner ☐ Other person Date of birth (mm/dd/yyyy) _____ SSN _____ Whole % only _____%

* By naming my spouse as a beneficiary, I elect to treat such spouse as a beneficiary while we are married. Effective immediately upon the divorce, annulment or other lawful dissolution of my marriage, the designation shall be null and void, unless after the dissolution of my marriage I affirmatively elect to name my former spouse as my non-spouse beneficiary.

4 Decline telephone and website exchange and/or redemption privileges — optional

Telephone and website exchange and redemption privileges will automatically be enabled on your account unless you decline below. To decline these privileges, read the individual statements and check the applicable box(es).

Note: If either option is declined, no one associated with this account, including your financial professional, will be able to request exchanges or redemptions by telephone or via the website. Requests would need to be submitted in writing.

Exchanges: I **DO NOT** want the option of using the telephone and website exchange privilege. ☐

Redemptions: I **DO NOT** want the option of using the telephone and website redemption privilege. ☐

5 Financial professional

*This section **must** be filled out completely by the financial professional(s).*

We authorize American Funds Service Company (AFS) to act as our agent for this account and agree to notify AFS of purchases made under a Statement of Intention or Rights of Accumulation. If applicable, we have provided a copy of our SEC Form CRS to the investor named on this application.

Name(s) of professional(s) | Professional/team ID # | Branch number | ( ) Ext. Daytime phone

Branch address | City | State | ZIP

Name of broker-dealer firm (as it appears on the Selling Group Agreement) | X Signature of person authorized to sign for the broker-dealer — **required**

6 Spousal consent to beneficiary designation — if required

If you are married to the IRA owner and he or she designated a Primary Beneficiary(ies) other than you, please consult your financial professional about the state-law and tax-law implications of this beneficiary designation, including the need for your consent.

I am the spouse of the IRA owner named in Section 1, and I expressly consent to the beneficiary(ies) in Section 3 or attached.

Name of spouse of IRA owner (print) | X Signature of spouse of IRA owner | Date (mm/dd/yyyy)

This document may not be signed using Adobe Acrobat Reader's "fill and sign" feature.

7 Your signature

Employees: *Retain a copy for your records and return the original to your employer. You must sign below in order to open your account.*

I hereby establish an American Funds Traditional IRA, appoint Capital Bank and Trust Company℠ (CB&T) as Custodian and acknowledge that I have received, read and agree to the terms set forth in the American Funds Custodial Agreement. I acknowledge that I have read the current prospectus(es) of the funds selected in the investment instructions section.

I understand that I and all shareholders at my address will receive one copy of fund documents (such as annual reports and proxy statements) unless I opt out by calling **(800) 421-4225**. I consent to the $10 setup fee and the annual custodial fee (currently $10). I agree to the conditions of the website exchange and telephone exchange/redemption authorization unless I have checked the boxes in Section 4.

I agree to hold harmless and indemnify CB&T; any of its affiliates or mutual funds managed by such affiliates; and each of their respective directors; officers; employees; and agents from any loss, expense or cost arising from such instructions once the telephone and website exchange privileges have been established.

I certify under penalty of perjury that my Social Security number provided on this application is correct, that I have designated the beneficiary(ies) listed in this application and that, if I am married and have not named my spouse as Primary Beneficiary, I have consulted my financial professional about the need for spousal consent. If no beneficiary is named, the Custodial Agreement default will apply.

I authorize the financial professional assigned to my account to have access to my account and act on my behalf with respect to my account. If applicable, I acknowledge that I have received and read a copy of my financial professional's SEC Form CRS. I understand that to comply with federal regulations, information provided on this application will be used to verify my identity. For example, my identity may be verified through the use of a database maintained by a third party. If CB&T is unable to verify my identity, I understand it may need to take action, possibly including closing my account and redeeming the shares at the current market price, and that such action may have tax consequences, including a tax penalty.

If this document is signed electronically, I consent to be legally bound by this document and subsequent terms governing it. The electronic copy of this document should be considered equivalent to a printed form in that it is the true, complete, valid, authentic and enforceable record of the document, admissible in judicial or administrative proceedings. I agree not to contest the admissibility or enforceability of the electronically stored copy of this document. A copy of this document will be made available to me as required.

X _____ / / _____

Signature of SEP IRA owner | Date (mm/dd/yyyy)

This document may not be signed using Adobe Acrobat Reader's "fill and sign" feature.

If mailing, choose the service center for your state. Mail the form to the Indiana Service Center if you live outside the U.S.



American Funds Service Company
P.O. Box 6164
Indianapolis, IN 46206-6164

Overnight mail address
12711 N. Meridian St.
Carmel, IN 46032-9181



American Funds Service Company
P.O. Box 2560
Norfolk, VA 23501-2560

Overnight mail address
5300 Robin Hood Rd.
Norfolk, VA 23513-2430

Financial professional upload www.capitalgroup.com/upload | **Fax** (888) 421-4371

For more information, contact your financial professional, visit www.capitalgroup.com or call us at (800) 421-4225.

Please retain for your records.

Internal Revenue Service Letter Serial No. K180055c

Section 1 — Definitions

As used in this Custodial Agreement ("Agreement") and the related Application, the following terms shall have the meaning set forth below unless a different meaning is plainly required by the context:

(a) "Account" means the Traditional IRA and/or Roth IRA established under this Agreement. "Roth IRA" means the Account established in accordance with Code §408A that is designated as a Roth IRA upon establishment and that shall at all times be nonforfeitable. "Traditional IRA" means the Account established in accordance with Code §408 that is designated as a Traditional IRA upon establishment and that shall at all times be nonforfeitable.

(b) "Application" means the accompanying instrument executed by the Owner (or in the case of a minor, by the parent or legal guardian of the Owner) under which the Owner establishes the Account as either a Traditional IRA and/or Roth IRA.

(c) "Beneficiary" or **"Beneficiaries,"** unless preceded by the words "Primary," "Contingent," "Designated," "Original" or "Subsequent," means the person or entity (including a trust or estate) designated on the form described in Section 8(a), or otherwise entitled to receive the Account after the death of the Owner. "Primary Beneficiary" means the beneficiary designated by the Owner to receive the Account after the death of the Owner. "Contingent Beneficiary" means the beneficiary designated by the Owner to receive the Account after the death of the Owner provided that no Primary Beneficiary survives the Owner. "Designated Beneficiary" means a person whose life expectancy is used for the measuring period for required minimum distributions under Section 8 of this Agreement. "Original Beneficiary" and "Subsequent Beneficiary" are defined in Section 8(m) of this Agreement.

(d) "Child" or **"Children"** shall mean the descendants in any degree of the designated person and include legally adopted children who are adopted during their minority only and descendants of such legally adopted children.

(e) "Code" means the Internal Revenue Code of 1986, as amended.

(f) "Compensation" means wages, salaries, professional fees and other amounts derived from or received for personal service actually rendered (including, but not limited to, commissions paid to salespersons, compensation for services based on a percentage of profits, commissions on insurance premiums, tips and bonuses) and includes earned income, as defined in Code §401(c)(2). For purposes of this definition, Code §401(c)(2) shall be applied as if the term "trade" or "business" for purposes of Code §1402 included service described in subsection (c)(6). Compensation also includes any amount includable in gross income under Code §71 with respect to a divorce or separation instrument described in subparagraph (A) of Code §71(b)(2). Compensation does not include amounts derived from or received as earnings or profits from property (including, but not limited to, interest and dividends), any amounts not includable in gross income (determined without regard to §112), or any amount received as a pension, annuity or as deferred compensation. The term "compensation" also includes any differential wage payments as defined in §3401(h)(2). In the case of a married individual filing a joint return, the spouse's Compensation (less any amount the spouse used for making a contribution to either a Roth IRA or Traditional IRA) is treated as the individual's Compensation, to the extent it is greater than the individual's Compensation.

(g) "Conversion Contribution" means a qualified rollover contribution made to a Roth IRA that is all or any portion of a distribution from an individual retirement account established under Code §§408(a), 408(k), 408(p) or an individual retirement annuity established under Code §408(b) (but not from another Roth individual retirement account established under Code §408A) during any taxable year if:

- **(i)** the Owner's adjusted gross income or combined adjusted gross income, if married filing a joint return, for such taxable year does not exceed $100,000 (or such other amount as may be specified in §408A(c)(3)(B)(i)), and
- **(ii)** the Owner is not a married individual filing a separate return; and
- **(iii)** the rollover contribution meets the requirements of Code §408(d)(3).

For taxable years beginning after 2007, a Conversion Contribution includes a rollover from an eligible retirement plan described in §402(c)(8)(B). For taxable years beginning after 2009, the limits in this paragraph (g) do not apply to Conversion Contributions.

(h) "Custodian" means Capital Bank and Trust Company or any successor thereto.

(i) "Disabled" means disabled as defined in Code §72(m)(7).

(j) "Fund" means one or more of the investment companies for which an affiliate of the Custodian serves as investment advisor.

(k) "Issue" of a person means all of his or her lineal descendants of all generations.

(l) "Owner" means the individual for whom the Account is established or transferred, in the case of a transfer incident to divorce or legal separation.

(m) "Recharacterization" means the procedure by which a contribution to a Roth IRA is treated as if it had been made to a Traditional IRA, and the procedure by which a contribution to a Traditional IRA is treated as if it had been made to a Roth IRA, pursuant to the rules in §1.408A-5 of the Federal Income Tax Regulations and the limits described in Section 3 of this Agreement.

(n) "Required Beginning Date" means, in the case of a Traditional IRA, April 1 following the calendar year in which the Owner reaches age 70½.

(o) "Rollover Contribution" means an amount contributed to the Account that:

- **(i)** in the case of a Roth IRA, is not a Conversion Contribution and is derived from all or any portion of a distribution from another Roth individual retirement account established under Code §408A. A Rollover Contribution includes a rollover from a §401(a) qualified retirement plan, §403(b) plan, §457(b) government plan, or an account described in Code §402A, and
- **(ii)** in the case of a Traditional IRA, is derived from:
  - **a.** all or any portion of an eligible rollover distribution as defined in Code §§402(c)(4), 403(b)(8)(A)(i), and 457(d) and the regulations thereunder that may be rolled over directly to the Account;
  - **b.** all or any portion of a distribution from another individual retirement account established under Code §408(a) or an individual retirement annuity established under Code §408(b) (but not from a Roth individual retirement account established under Code §408A); or
  - **c.** redemptions of retirement bonds (under former Code §§405(d)(3) or 409(b)(3)(c) of the Internal Revenue Code of 1954), but only to the extent the proceeds from the redemption, including total accumulated interest, exceed the basis of the bond.

Such Rollover Contributions must be paid into the Account not later than the 60th day following the receipt of such distribution by the Owner. If property other than money is distributed from a plan or account described above, the Rollover Contribution may consist of the property distributed, subject to the consent of the Custodian. Alternatively, the property may be sold and its proceeds rolled over. The Owner can make only one rollover from an IRA to another (or the same) IRA in any 12-month period, regardless of the number of IRAs owned. This limit will apply by aggregating all of an Owner's IRAs, including SEP and SIMPLE IRAs as well as Traditional and Roth IRAs, effectively treating them as one IRA for purposes of the limit. A rollover from a Traditional IRA to a Roth IRA (a "conversion") is not subject to the one rollover per 12-month period limitation, and such a rollover is disregarded in applying the limitation to other rollovers.

(p) "§219 Maximum Contribution Limit" means:

- **(i)** If the individual is under age 50, the applicable amount is $3,000 for any taxable year beginning in 2002 through 2004, $4,000 for any taxable year beginning in 2005 through 2007 and $5,000 for any taxable year beginning in 2008 and years thereafter. After 2008, the $5,000 amount will be adjusted by the Secretary of the Treasury for cost-of-living increases under Code §219(b)(5)(D). Such adjustments will be in multiples of $500.
- **(ii)** If the individual is 50 or older, the applicable amount under paragraph (i) above is increased by $500 for any taxable year beginning in 2002 through 2005 and by $1,000 for any taxable year beginning in 2006 and years thereafter.
- **(iii)** If the individual was a participant in a §401(k) plan of a certain employer in bankruptcy described in Code §219(b)(5)(C), then the applicable amount under paragraph (i) above is increased by $3,000 for taxable years beginning after 2006 and before 2010 only. An individual who makes contributions under this paragraph (iii) may not also make contributions under paragraph (ii).

Section 2 — Establishment of Account

By executing the Application, the Owner thereby establishes the Account that shall hold all assets deposited with the Custodian for the exclusive benefit of the Owner and the Owner's Beneficiaries. A parent or legal guardian may execute the Application on behalf of an Owner who is a minor. In the event an IRA is established for a minor, the parent or legal guardian is authorized, on behalf of such minor, to take whatever actions are afforded the Owner of the IRA under the terms of this Agreement. The parent or legal guardian, by establishing an Account on behalf of a minor, agrees to indemnify and hold harmless the Custodian and its affiliates from any losses including court costs and reasonable attorney fees incurred by the Custodian or its affiliates as a result of establishing the Account in the name of the minor.

Section 3 — Contributions and Transfers

(a) Contribution Limits — Maximum Permissible Amount. The Custodian shall not accept contributions to the Account for any taxable year in excess of the lesser of the §219 Maximum Contribution Limit, or 100% of Compensation, except for contributions:

- **(i)** that the Owner has notified the Custodian in writing to be Rollover Contributions; or
- **(ii)** in the case of a Roth IRA, that the Owner notified the Custodian in writing to be Conversion Contributions; or
- **(iii)** in the case of a Traditional IRA, that are made in accordance with the terms of a Simplified Employee Pension Plan (SEP).
- **(iv)** In addition to the amounts described above, an individual may make additional contributions specifically authorized by statute — such as repayments of qualified reservist distributions, repayments of certain plan distributions made on account of a federally declared disaster and certain amounts received in connection with the Exxon Valdez litigation.
- **(v)** In addition to the amounts described above, an individual who was a participant in a §401(k) plan of a certain employer in bankruptcy described in Code §219(b)(5)(C) may contribute up to $3,000 for taxable years beginning after 2006 and before 2010 only. An individual who makes contributions under this paragraph may not also make catch-up contributions described in Code §219(b)(5)(C).
- **(vi)** If this is an inherited IRA within the meaning of §408(d)(3)(C), no contributions will be accepted.

(b) Roth Contribution Eligibility — Regular Contribution Limit. In the case of a Roth IRA, to be eligible to make contributions other than Rollover or Conversion Contributions, the Owner must meet the modified adjusted gross income (MAGI) limits for a taxable year described in Code §408A(c)(3)(C)(i) and does not include any amount included in adjusted gross income as a result of making a Conversion Contribution for that taxable year. The maximum permissible amount is phased out ratably for certain adjusted gross income limits as described in Code §408A(c)(3)(C)(ii), as such limits may be adjusted from time to time. An Owner who files as single or head of household, with MAGI that does not exceed $95,000, or who files a joint return or as a qualifying widow or widower, with MAGI that does not exceed $150,000, is eligible to make a full §219 Maximum Contribution Limit contribution to a Roth IRA. Owners who have income above these levels may contribute to a Roth IRA on a reduced basis, so that no contribution is allowed for an Owner who files as single or head of household, with MAGI exceeding $110,000 or who files a joint return or as a qualifying widow or widower, with MAGI exceeding $160,000. For an Owner who is married, filing separately, the phase-out range is from $0 to $10,000 of modified MAGI. If the Owner's MAGI for a taxable year is in the phase-out range, the maximum regular contribution for the taxable year is rounded up to the next multiple of $10. If this calculation results in a contribution amount of more than zero but less than $200, an Owner is still permitted to contribute $200. If the Owner makes regular contributions to both a Roth IRA and a Traditional IRA for a taxable year, the maximum regular contribution that can be made to all Roth IRAs of the Owner for that taxable year is reduced by the regular contributions made to the Owner's Traditional IRAs for the taxable year.

(c) Rollover and Conversion Contributions in Cash or Shares. Rollover and Conversion Contributions must be received by the Custodian in the form of cash, Fund shares or any combination thereof. The Custodian may require that each Rollover and Conversion Contribution be accompanied by a properly completed transmittal form provided by the Custodian.

(d) SIMPLE IRA Contributions. No contribution will be accepted under a SIMPLE IRA plan established by any employer pursuant to Code §408(p). No transfer or rollover of funds attributable to contributions made by an employer under its SIMPLE IRA plan will be accepted from a SIMPLE IRA to this Account prior to the expiration of the two-year period beginning on the date the Owner first participated in that employer's SIMPLE IRA plan.

(e) Age Restrictions. No contribution (other than Rollover Contributions or employer contributions under a SEP, if applicable) may be made to a Traditional IRA beginning with the calendar year in which the Owner reaches age 70½. Contributions may be made to a Roth IRA regardless of the age of the Owner.

(f) Transfers. The Owner may transfer assets in any amount to this Account in the case of a Traditional IRA, from another Code §408(a) or (b) individual retirement plan, §403(a) annuity, or (former) §405 bond; in the case of a Roth IRA, from another Code §408A Roth individual retirement account. The Owner may also transfer assets in any amount to the Account pursuant to the Recharacterization rules of §1.408A-5 of the Federal Income Tax Regulations and Section 7(e) of this Agreement. If the Owner adopts another individual retirement plan established under Code §§408 or 408A, at the request of the Owner, the Custodian shall deliver to such transferee the cash proceeds or designated Fund shares of the Account. The Custodian may require satisfactory evidence of the qualified status of any transferee trustee or custodian.

(g) Repayment of a Qualified Reservist Distribution. Notwithstanding the dollar limits on contributions, an individual may make a repayment of a qualified reservist distribution described in Code §72(t)(2)(G) during the 2-year period beginning on the day after the end of the active duty period or by August 17, 2008, if later. If the August 17, 2008 deadline is extended by law or otherwise, this provision incorporates such extension.

Section 4 — Investment of Account

(a) Investment Instructions. Pursuant to the Owner's written instructions, or the written instructions of the employer on behalf of the Owner under a payroll deduction plan, each cash contribution to the Account shall be applied to the purchase of shares of the Fund or Funds designated by the Owner at the applicable offering price in accordance with the terms of such Fund's prospectus and/or to the purchase of the designated annuity contract or any other investment permitted under Code §408 or 408A, that is acceptable to the Custodian. If this Agreement is used to fund an IRA under a Simplified Employee Pension (SEP) Plan or a Salary Reduction Simplified Employee Pension (SARSEP) Plan and the Owner fails to provide investment instructions, the contribution will be invested based on the investment instructions provided by the employer of the Owner. For a Traditional or Roth IRA contribution:

- **(i) no investment instructions and contribution more than $10,000:**

  If no fund is designated and the amount of the contribution, regular or rollover, is over $10,000, such contribution will be held uninvested (without liability to the Custodian for loss of income or appreciation pending receipt of proper instructions) until investment instructions are received, but for no more than three (3) business days. If investment instructions are not received, the contribution will be invested in American Funds U.S. Government Money Market Fund℠ on the third business day after receipt of the contribution.

- **(ii) no investment instructions and contribution $10,000 or less:**

  If no fund is designated and the amount of the contribution, regular or rollover, is $10,000 or less, the amount of the contribution will be invested in the same proportion and in the same Fund or Funds in which the last contribution, regular or rollover, was invested provided such contribution was made within the last sixteen (16) months. If no contribution was made within the last sixteen (16) months, the contribution received without investment instructions will be held uninvested (without liability to the Custodian for loss of income or appreciation pending receipt of proper instructions) until investment instructions are received, but for no more than three (3) business days. If investment instructions are not received, the contribution will be invested in American Funds U.S. Government Money Market Fund on the third business day after receipt of the contribution.

If a Fund is designated but there is no share class indicated, the default will be A shares. The Owner, or if the Owner is deceased, the Beneficiary, may from time to time change the designation of the investments of Account assets hereunder and may instruct the Custodian to exercise any exchange privilege set forth in the Fund's prospectus.

(b) Reinvestment of Dividends and Capital Gain Distributions. All dividends and capital gain distributions shall be reinvested. Once the Owner has reached age 59½ and, in the case of a Roth IRA, the applicable five-taxable-year period described in Code §408A(d)(2)(B) has been met, the Owner may request that dividends and capital gains distributions be distributed from the Account. Dividends received from any annuity contract shall be applied to the purchase of paid-up additions to such policy's cash value.

(c) Life Insurance and Annuity Contracts. No part of an Account shall be invested in life insurance contracts. No annuity contract acquired by the Custodian shall have a fixed premium. Any refund of premiums (other than those attributable to excess contributions) will be applied, before the close of the calendar year following the year of the refund, toward the payment of future premiums or the purchase of additional benefits. No annuity contract shall be transferable by the Owner.

(d) Account Assets. The assets of the Account will not be commingled with other Custodian property and the purchase of Fund shares shall not be considered commingling.

Section 5 — The Custodian

(a) Share Accumulation Accounts and Systematic Withdrawals. The Custodian, or its designated agent ("Agent"), is authorized to establish share accumulation accounts and systematic withdrawal plans (as described in the prospectus of the Fund, and as customarily entered into with other shareholders of the Fund) for the purpose of receiving and investing the contributions made hereunder and reinvesting income dividends and capital gain distributions. The Custodian is not liable for any act or failure to act of such Agent.

(b) Safekeeping of Assets. The Custodian is authorized to deposit certificates for shares with itself or the Agent for the purpose of safekeeping or otherwise or to permit shares to be credited to the Custodian. The Custodian shall not be obligated to secure certificates for such shares and in its discretion may permit such certificates to remain unissued. Fund shares, annuity contracts and other assets acquired by the Custodian shall be owned by and registered in the name of the Custodian or its registered nominee.

(c) Authority to Sell. The Custodian is authorized to sell or redeem shares and to surrender annuity contracts at the direction of the Owner, the Beneficiary or the legal representative of the Owner or Beneficiary.

(d) Statements of Account. Periodically the Custodian shall furnish to the Owner, or the Beneficiary of a deceased Owner, a statement of the Account, showing amounts invested or redeemed and the number and price of such shares. The Custodian shall furnish an annual calendar-year statement to the Owner or Beneficiary setting forth receipts, investments, disbursements, and other transactions. Upon expiration of 45 days after forwarding such statement, the Custodian shall be forever released and discharged from all liability and accountability to anyone with respect to its acts, transactions, duties, obligations, or responsibilities as shown in or reflected by such statement, except with respect to any such acts or transactions as to which the Owner or Beneficiary shall have filed written objections with the Custodian within such 45-day period.

(e) Notices and Proxies. The Custodian shall furnish to the Owner, either directly or indirectly, notices, prospectuses, financial statements, proxies, and proxy-soliciting materials relating to all assets credited to the Account. Any notification to the Owner provided for under this Agreement shall be effective if sent by first class mail to the Owner's last address of record. The Custodian shall not vote any shares held in the Account except in accordance with prior written instructions of the Owner. If the Custodian receives no such written instructions from the Owner, the Custodian may vote the shares of each fund held in the Account in the same proportion as the votes of the other shareholders of the fund(s) held in the Account.

(f) Government Reports. The Custodian shall file such reports relating to the Account with the appropriate government agency as the Custodian is required to file by law. The Owner shall furnish to the Custodian the information necessary to complete such reports.

(g) No Liability for Investments. The Custodian shall not be liable to the Owner or Beneficiaries for any depreciation or similar loss of assets or for the failure of the Account to produce any or larger net earnings. The Custodian shall not be liable for any act or failure to act of itself, its agents, employees or attorneys, so long as it exercises good faith, is not guilty of negligence or willful misconduct, and has selected such agents, employees and attorneys with reasonable diligence. The Custodian shall have no responsibility for the determination or verification of the premium rates for any annuity contract or the offering or redemption prices or net asset values of Fund shares, and shall be entitled to rely for such rates, prices and net asset values upon statements issued by or on behalf of the respective insurance company or Fund.

The Custodian shall have no duty to inquire into the investment practices of the Fund; the Fund shall have the exclusive right to control the investment of its assets in accordance with its stated policies; and the investments shall not be restricted to securities of the character now or hereafter authorized for trustees by law or rules of court. The Custodian shall not be liable or responsible for any omissions, mistakes, acts or failures to act of the Fund, the insurance company issuing any annuity contract provided for herein, or their successors, assigns or agents.

(h) No Liability for Contributions and Distributions. The Custodian shall not be responsible in any way for the purpose or propriety of any distribution made pursuant to instructions satisfactory to the Custodian, the collection of contributions provided for hereunder, or any action or nonaction taken pursuant to the request of the Owner, Beneficiary or legal representative of the Owner. The Custodian shall have no duty to determine whether contributions or Conversion Contributions made to the Roth IRA satisfy the applicable limits referenced in Sections 1(f) and 3 of this Agreement.

The Custodian shall have no obligation to give advice to anyone on the deductibility of any contributions or the tax due, if any, on payments made hereunder or to determine the amount of any excess contribution and the net income attributable thereto. If the Owner has authorized telephone exchanges under the Application or other form provided by the Custodian, the Custodian may make investment exchanges for this Account or any other account with the same registration in accordance with the instructions received from any person by telephone, telecopier or other electronic means and shall have no obligation to question any instructions so received or liability for the transactions it performs pursuant to such instructions.

The Custodian will provide to the Owner information concerning required minimum distributions as prescribed by the Commissioner of Internal Revenue.

Section 6 — Fees and Expenses

The Custodian shall receive fees for its services hereunder in such amount as it shall establish from time to time, including, but not limited to, services rendered for the processing of distribution requests and Beneficiary claims. In addition, the Custodian shall receive reasonable fees for any unusual or special services rendered. The compensation of the Custodian, any transfer taxes incurred in connection with the investment and reinvestment of the assets of the Account, and all administrative expenses incurred by the Custodian in the performance of its duties, including fees for legal services rendered to the Custodian, shall either be reduced from contributions and charged to the Account, or shall be paid by redeeming or surrendering the necessary assets credited to the Account, unless otherwise paid by the Owner, but until paid shall constitute a lien upon the assets of the Account.

Section 7 — Withdrawal of Account Assets

(a) Taxation of Withdrawals From Traditional IRAs. Any withdrawals made from the Account or any other IRA of the Owner are includable in the Owner's gross income, to the extent such withdrawals do not include any nondeductible contributions.

(b) Taxation of Withdrawals From Roth IRAs. A distribution of all or part of the Account may be made to the Owner upon the Owner's request and will not be includable in the Owner's gross income for any year if such distribution is a "Qualified Distribution."

(i) A "Qualified Distribution" means any payment made:

a. on or after the date on which the Owner attains age 59½;

b. on account of the death of the Owner;

c. to an Owner who is Disabled; or

d. as a Qualified Special Purchase Distribution. A "Qualified Special Purchase" means any distribution for expenses associated with a first-time home purchase in accordance with subparagraph (F) of Code §72(t)(2).

(ii) A payment or distribution will not be treated as a Qualified Distribution if it is made within the five-taxable-year period beginning with the first taxable year for which the Owner made a contribution to a Roth Account.

(iii) Any distribution from the Roth IRA that is not a Qualified Distribution shall be treated as made:

a. first from contributions to the Roth IRA;

b. then from Conversion Contributions, starting with amounts first converted, (withdrawals of Conversion Contributions shall be treated as coming first from amounts that were included in income);

c. then from earnings.

(iv) To the extent a distribution is attributable to Conversion Contribution amounts that were includable in income, such distribution will be treated as a premature distribution if made within the five-taxable-year period after the date of the applicable conversion, unless the distribution meets one of the exceptions to the early distribution penalty set forth in Section (c) below.

(c) Exceptions to Premature Distribution Penalties. A distribution of all or part of the Account may be made to the Owner upon the Owner's request; however, tax penalties apply to amounts included in income or to distributions attributable to Conversion Contributions that are treated as premature distributions, other than:

(i) payments that are part of a series of substantially equal periodic payments that may be based on, but not limited to, the following three methods: life expectancy, amortization (using a rate between 80% and 120% of the long-term applicable federal rate) or annuitization (using an acceptable mortality table including but not limited to UP'84, '83 IAM or Annuity 2000);

(ii) the return of excess contributions;

(iii) payments for certain catastrophic medical expenses;

(iv) payments made after an extended period of unemployment to cover health insurance premiums;

(v) payments made to an Owner who has reached age 59½ or is Disabled;

(vi) payments made on account of the death of the Owner;

(vii) payments for expenses associated with a first-time home purchase in accordance with subparagraph (F) of Code §72(t)(2);

(viii) payments for post-secondary education costs of the immediate family members and grandchildren of the Owner; or

(ix) a levy under Code §6331.

If the Owner should become Disabled, the Account may be distributed to the Owner commencing as of the date of determination of such disability.

(d) Excess Contributions to Account. Excess contributions exist if, in any calendar year, the Owner contributes to the Account:

(i) in the case of a Traditional IRA, an amount that exceeds 100% of Compensation or the §219 Maximum Contribution Limit, whichever is smaller;

(ii) in the case of a Roth IRA, an amount in excess of the amount allowable under Code §§408A(c)(2) and (3); and

(iii) in the case of contributions to both a Traditional IRA and Roth IRA, an amount that exceeds 100% of Compensation or the §219 Maximum Contribution Limit, whichever is smaller.

The Owner may withdraw such excess contributions together with any earnings thereon. Such excess contributions may be withdrawn at any time prior to the day prescribed by law (including extensions) for filing the Owner's federal tax return for such year and shall not be subject to tax penalties. Any earnings on the excess contribution must also be withdrawn and are includable in income in the tax year in which the excess contribution was made. In addition, the withdrawn earnings may be subject to a penalty tax as a premature distribution.

Such excess amounts shall, at the Owner's request, be distributed to the Owner or redesignated as the Owner's contribution for the succeeding taxable year. The Owner shall notify the Custodian in writing of the full amount of the required withdrawal, including earnings thereon, or the number of shares equivalent thereto to be withdrawn and the method of distribution. Failure to withdraw such amounts will result in an annual tax penalty to the Owner.

(e) Corrections of Erroneous Contributions or Conversion Contributions. In the event the Owner determines that:

(i) a Conversion Contribution was made erroneously;

(ii) a contribution was mistakenly made to a Roth IRA; or

(iii) a contribution was mistakenly made to a Traditional IRA,

the Owner may Recharacterize such amount by instructing the Custodian prior to the Owner's tax-filing deadline (including extensions) to move the erroneous or mistaken contribution into the proper IRA by effecting a trustee-to-trustee transfer. Such transferred amounts will include any income allocable to such amounts and will be treated as if originally contributed to the transferee IRA, under the Recharacterization rules of §1.408A-5 of the Federal Income Tax Regulations.

Section 8 — Distributions to Owner and Owner's Beneficiaries

(a) Beneficiary Designations.

(i) Owner's Right to Designate or Change Beneficiary. The Owner shall have the right to designate or change a Beneficiary to receive any benefit from the Account to which such Owner may be entitled in the event of the Owner's death prior to complete distribution of the Account. If no such designation is in effect at the time of the Owner's death, the Owner's Beneficiary shall be the Owner's spouse or, if none, the Owner's children, equally. If any child does not survive the Owner, then the deceased child's share will be distributed to his or her children (the Owner's grandchildren), equally or, if none, the surviving children equally. If none of the foregoing survives the Owner, the Beneficiary will be the Owner's estate

(ii) Required Form of Beneficiary Designation. The Owner may designate or change a Beneficiary only by signed written notice to, and in a form acceptable to, the Custodian, but the Custodian shall have no responsibility to determine the validity of such beneficiary designation. The designation or change will take effect as of the date the written notice was executed, provided that the designation or change is delivered to the Custodian prior to the Owner's death. Notwithstanding the foregoing, no such designation or change shall take effect with respect to any annuity contract held in the Account until accepted by the insurance company issuing such annuity contract. Moreover, the beneficiary designation form shall be used solely for the purpose of designating a Beneficiary or Beneficiaries.

(iii) Good Faith Payment by Custodian. The Custodian shall be relieved of any liability for making any payment in good faith to any person or entity that claims to be a Beneficiary. The Custodian shall be entitled to rely without liability on written notice from the Owner's personal representative or any Beneficiary as to the identity of the Beneficiaries of the Owner at the time of the Owner's death.

(b) Distributions Before Required Beginning Date. Before the Required Beginning Date, but only in a form acceptable to the Custodian, the Owner may elect to have the balance in the Account distributed in one of the following forms:

(i) a single sum payment;

(ii) payments over the life of the Owner;

(iii) payments over the lives of the Owner and his or her Beneficiary; or

(iv) payments over a specified period.

(c) Required Distributions During Traditional IRA Owner's Lifetime.

(i) Timing of Distributions for Traditional IRA. The first payment of a required distribution is not due until the Owner's Required Beginning Date. If the Owner takes the first required distribution in the year of his or her Required Beginning Date, another distribution is required by December 31 of the year containing the Required Beginning Date. In this event, the Owner may receive two required distributions in the first year distributions begin. If the Owner takes the first required distribution in the year in which he or she reaches 70½, the Owner need only take one distribution in the year in which his or her Required Beginning Date occurs. For each succeeding year, a distribution must be made on or before December 31. Distributions under this section are considered to have begun if the distributions are made on account of the Owner reaching his or her Required Beginning Date. If the Owner dies prior to the Required Beginning

Date, distributions will not be considered to have begun even if the Owner receives distributions before the Owner's death.

In the case of a Roth IRA, no distributions are required to be made prior to the Owner's death.

(ii) Method of Calculating Lifetime Minimum Distributions for Traditional IRA. The minimum amount to be distributed each year (commencing with the Required Beginning Date and each year thereafter up to and including the year of the Owner's death) shall not be less than (and may be more if requested in writing by the Owner) an amount equal to the quotient obtained by dividing the prior year-end value (including the amount of any outstanding rollover, transfer and recharacterization under Q&As-7 and -8 of §1.408-8 of the Federal Income Tax Regulations) by the applicable factor (using the Owner's age as of his or her birthday in the year) in the Uniform Lifetime Table in Q&A-2 of §1.401(a)(9)-9 of the Federal Income Tax Regulations. However, if the Owner's sole Designated Beneficiary is the Owner's spouse and the spouse is more than 10 years younger than the Owner, then the distribution period is determined under the Joint Life and Last Survivor Expectancy Table in Q&A-3 of §1.401(a)(9)-9 of the Federal Income Tax Regulations, using ages as of the Owner's and spouse's birthday in the year.

(d) Required Distributions After Owner's Death.

(i) Minimum Distributions to Beneficiaries From Roth IRA; and Minimum Distributions to Beneficiaries From Traditional IRA if Owner Dies Before the Required Beginning Date. Upon the death of an Owner of a Roth IRA, or upon the death of the Owner of a Traditional IRA before his or her Required Beginning Date, the Beneficiary or Beneficiaries may elect to receive minimum distributions from the Account as follows:

a. *Nonspouse Beneficiary Is Designated Beneficiary; or Spouse Beneficiary Is Not Sole Designated Beneficiary* — If the Designated Beneficiary is not the spouse of the Owner, or if the spouse of the Owner is a Beneficiary but not the sole Designated Beneficiary, then the Beneficiary may elect to receive minimum distributions over the life expectancy of the Designated Beneficiary commencing no later than December 31 of the year following the year of the Owner's death.

b. *Spouse Beneficiary Is Sole Designated Beneficiary* — If the sole Designated Beneficiary is the spouse of the Owner, then such spouse may elect:

1. To receive minimum distributions over the spouse's life expectancy commencing no later than December 31 of the year following the year of the Owner's death, or December 31 of the year in which the Owner would have reached age 70½. If the surviving spouse dies before distributions are required to begin, the remaining interest will be distributed to the spouse's Beneficiary or Beneficiaries in accordance with subparagraph a. of this Section 8d(i), as if the spouse were the Owner. If the surviving spouse dies after distributions are required to begin, any remaining interest in the Account will be distributed over the spouse's remaining life expectancy determined using the spouse's age as of his or her birthday in the year of the spouse's death;

2. To receive minimum distributions in accordance with subparagraph c. of this Section 8(d)(i); or

3. To treat the Account as his or her own. This election is deemed to be made if such spouse makes a contribution to the Account or fails to take required minimum distributions as the Beneficiary in any year following the year of the Owner's death.

c. *No Designated Beneficiary* — If the Owner does not have a Designated Beneficiary, the entire interest will be distributed by December 31 of the year containing the fifth anniversary of the Owner's death (or surviving spouse's death if the surviving spouse dies before distributions are required to begin).

d. *Inherited IRA, Nonspouse Beneficiary* — If this is an inherited IRA within the meaning of Code §408(d)(3)(C) established for the benefit of a nonspouse designated beneficiary by a direct trustee-to-trustee transfer from a retirement plan of a deceased individual under §402(c)(11), then, notwithstanding any election made by the deceased individual, the nonspouse designated beneficiary may elect to have distributions made under section (a) above if the transfer is made no later than the end of the year following the year of death.

(ii) Minimum Distributions to Beneficiaries From Traditional IRA if Owner Dies on or After the Required Beginning Date. If the Owner dies on or after the Required Beginning Date, the Beneficiary or Beneficiaries may elect to receive minimum distributions from the Account as follows:

a. *Nonspouse Beneficiary Is Designated Beneficiary; or Spouse Beneficiary Is Not Sole Designated Beneficiary* — If the Designated Beneficiary is not the spouse of the Owner, or if the spouse of the Owner is a Beneficiary, but not the sole Designated Beneficiary, then the Beneficiary may elect to receive minimum distributions over the longer of the life expectancy of the Designated Beneficiary or the remaining life expectancy of the Owner, commencing no later than December 31 of the year following the year of the Owner's death.

b. *Spouse Beneficiary Is Sole Designated Beneficiary* — If the sole Designated Beneficiary is the spouse of the Owner, then such spouse may elect:

1. To receive minimum distributions over the spouse's life expectancy or over the remaining life expectancy of the Owner, if such period is longer, commencing no later than December 31 of the year following the year of the Owner's death. Any remaining interest after the spouse's death will be distributed over such spouse's remaining life expectancy, or over the remaining life expectancy of the Owner if such period is longer.

2. To treat the Account as his or her own. This election is deemed to be made if such surviving spouse makes a contribution to the Account or fails to take required minimum distributions as the Beneficiary in any year following the year of the Owner's death.

c. *No Designated Beneficiary* — If the Owner does not have a Designated Beneficiary, then the Beneficiary may elect to receive minimum distributions over the remaining life expectancy of the Owner.

(iii) Determination of Life Expectancy and Calculation of Minimum Distributions After the Owner's Death. The minimum amounts required to be distributed each year under Sections (i) and (ii) above is the quotient obtained by dividing the value of the Account as of the end of the preceding year by the applicable factor. The applicable life expectancy factor for the surviving spouse who is the sole Designated Beneficiary is the Single Life Table factor in Q&A-1 of §1.401(a)(9)-9 of the Federal Income Tax Regulations for the spouse's age each year. The applicable factor in all other cases is the Single Life Table factor in Q&A-1 of §1.401(a)(9)-9 of the Federal Income Tax Regulations corresponding to the Beneficiary's age (or Owner's age, if applicable) as of his or her birthday in the year distributions begin reduced by one in each succeeding year. The value of the Account includes the amount of any outstanding rollover, transfer and recharacterization under Q&As-7 and -8 of §1.408-8 of the Federal Income Tax Regulations.

(e) Requesting Distributions. The Custodian has no duty to advise the Owner or Beneficiary of the taxability of distributions. Moreover, the Custodian has no duty to commence distributions to the Owner or Beneficiary until receipt of instructions, in a form acceptable to the Custodian, from the Owner or Beneficiary, as the case may be. The Custodian shall give no force and effect to any election made by the Owner or Beneficiary as to the distribution options allowable to the Owner or Beneficiary(ies), unless such election is made in a form acceptable to the Custodian.

(f) Satisfying Minimum Distributions From Two or More IRAs. An individual may satisfy the minimum distribution requirements under §§408(a)(6) and 408(b)(3) of the Code by receiving a distribution from one Traditional IRA that is equal to the amount required to satisfy the minimum distribution requirements for two or more Traditional IRAs or from one Roth IRA that is equal to the amount required to satisfy the minimum distribution requirements for two or more Roth IRAs. For this purpose, the Owner or Beneficiary of two or more Traditional IRAs or

two or more Roth IRAs may use the "alternative method" described in Notice 88-38, 1988-1 C.B. 524 (as modified by §1.408-8, A-9 of the Federal Income Tax Regulations) to satisfy the minimum distribution requirements described above. If the Owner or Beneficiary does not provide the Custodian with timely notice that required distributions will be satisfied from this Account, then the Owner automatically will be deemed to have elected to satisfy the minimum distribution requirements from some other IRA.

(g) Treatment of Trust Beneficiaries as "Designated Beneficiaries." If a trust is named as a Beneficiary of this Account, the beneficiaries of the trust with respect to the trust's interests in this Account will be treated as being "Designated Beneficiaries" (as that term is defined in the Code and corresponding Treasury Regulations) of the Owner solely for purposes of determining the distribution period under §401(a)(9) of the Code; provided, however, such treatment as "Designated Beneficiaries" may occur only if, during any period during which required minimum distributions are being determined by treating beneficiaries of the trust as Designated Beneficiaries of the Owner, the following requirements are met:

(i) the trust is a valid trust under state law, or would be but for the fact that there is no corpus;

(ii) the trust is irrevocable or will, by its terms, become irrevocable upon the death of the IRA Owner;

(iii) the beneficiaries of the trust who are beneficiaries with respect to the trust's interests in this Account are identifiable from the trust instrument; and

(iv) the Custodian receives the documentation described in Q&A 6 of Treasury Regulations §1.401(a)(9)-4.

If the foregoing requirements have been satisfied, and the Custodian receives such additional information as it may request, the Custodian of this Account may treat such trust beneficiaries as "Designated Beneficiaries."

(h) Separate Accounts. The Custodian will recognize the timely creation of separate accounts by the Employee, Beneficiary or Beneficiaries (or a representative of the Beneficiary or Beneficiaries, including the trustee of a trust) to the extent permitted by law or applicable Treasury regulations. If the Employee designates multiple individuals or a trust with multiple beneficiaries as the Employee's Beneficiary, then the age of the oldest individual or trust beneficiary shall be used for purposes of calculating required minimum distributions hereunder unless separate accounts are timely established as aforesaid. To create separate accounts during the lifetime of the Employee, a separate Application must be completed for each Account, delivered and accepted by the Custodian. To create separate Accounts after the death of the Employee, the Custodian must be notified by the Beneficiary or at least one of the Beneficiaries (or a representative of the Beneficiary or Beneficiaries, including the trustee of a trust, or the legal representative of an estate) in a form and manner acceptable to the Custodian.

(i) Trust Beneficiary Qualifying for Marital Deduction. If a Beneficiary is a trust (other than an estate marital trust) that is intended to qualify for the federal estate tax marital deduction under §2056 of the Code ("Marital Trust"), then:

(i) in no event shall the annual amount distributed from the Account to the Marital Trust be less than the minimum distribution required under §401(a)(9) of the Code;

(ii) the trustee of the Marital Trust shall be responsible for calculating the amount to be distributed under clause (i) above and shall instruct the Custodian of the Account in writing to distribute the amount so calculated;

(iii) the trustee of the Marital Trust may from time to time notify the Custodian of the Account in writing to accelerate payment of all or any part of the portion of such Account that remains to be distributed, and may also notify the Custodian to change the frequency of distributions (but not less often than annually); and

(iv) the trustee of the Marital Trust shall be responsible for characterizing the amounts so distributed from the Account as fiduciary accounting income or principal under the applicable state law.

(j) Disclaimer. The Custodian of the Account may accept a Beneficiary's disclaimer with respect to all or a portion of an interest in the Account provided that the disclaimant has not previously accepted any interest in the property to be disclaimed and the disclaimer:

(i) is in a form acceptable to the Custodian;

(ii) identifies the Owner of the Account;

(iii) describes the interest (i.e., the Account) and the extent of the interest to be disclaimed;

(iv) declines, refuses or renounces the interest to be disclaimed; and

(v) satisfies applicable state and federal law.

The Custodian of this Account may accept a trust's disclaimer made by a trustee on behalf of (i) a trust that is the Beneficiary of this Account and (ii) the beneficiary(ies) of the trust (or made by a personal representative of an estate that is a Beneficiary of the Account), provided that a) the disclaimer satisfies the foregoing requirements and either b) the state law of the Owner's domicile or the instrument governing the trust or estate expressly gives the trustee or personal representative the right to disclaim an interest on behalf of the trust or estate and the beneficiary(ies) or c) the beneficiary(ies) affected by the disclaimer consent.

The Custodian shall not be responsible for determining the validity of the disclaimer under any state or federal law and may rely on the disclaimant's good faith written statement of the disclaimer's validity. The Custodian shall not be liable to the disclaimant or any other person or entity for acting or refusing to act in good faith reliance on such a disclaimer.

(k) Power of Attorney. If the Custodian of the Account is asked to follow the instructions of an attorney-in-fact designated under a power of attorney, the Custodian may, but shall not be required to, follow such instructions without regard to whether the power of attorney expressly authorizes the specific act, transaction, or decision by the attorney-in-fact; provided, however, the power of attorney may not be construed to grant authority to an attorney-in-fact to change the designation of Beneficiaries to receive any property, benefit, or contract right on the Owner's death unless expressly authorized in the power of attorney.

When requested to follow the instructions of an attorney-in-fact, the Custodian, before incurring any duty to comply with the power of attorney, may require the attorney-in-fact to provide identification, specimens of the signatures of the Owner and the attorney-in-fact, and any other information reasonably necessary or appropriate to identify the Owner and the attorney-in-fact and to facilitate the actions of the Custodian in following instructions of the attorney-in-fact.

The Custodian, in its sole and absolute discretion, may petition any applicable court to resolve any issue pertaining to the power of attorney, including, but not limited to, the validity of the power of attorney or the authority to engage in the proposed acts requested by the attorney-in-fact. All expenses of such a judicial determination, including the Custodian's reasonable attorney fees, shall be charged to the Account as provided in Section 6 of this Agreement.

The Custodian shall not be responsible for determining the validity of the power of attorney under any state or federal law and may rely on the attorney-in-fact's good faith written statement of the validity of the power of attorney. The Custodian shall not be liable to the attorney-in-fact, Owner or any other person for acting or refusing to act in good faith reliance on the power of attorney.

(l) Receipt of Instructions From Conservator or Guardian. If the Custodian of the Account is asked to follow the instructions of a conservator or guardian of the estate of any incapacitated Owner (hereinafter such conservator or guardian is referred to as a "Personal Representative"), the Custodian may, but shall not be required to, follow such instructions; provided, however, the Custodian may not act upon the instructions of such Personal Representative to change the designation of Beneficiaries to receive any property, benefit, or contract right on the conservatee's or ward's death without court authorization.

When requested to follow the instructions of a Personal Representative, the Custodian, before incurring any duty to comply with such instructions, may require any information reasonably necessary or appropriate to identify the Personal Representative and to facilitate the actions of the Custodian in following such instructions.

The Custodian, in its sole and absolute discretion, may petition any applicable court to resolve any issue pertaining to the instructions of the Personal Representative, including, but not limited to, the authority to engage in the proposed acts requested by the Personal Representative. All expenses of such a judicial determination, including the Custodian's reasonable attorney's fees, shall be charged to the Account as provided in Section 6 of this Agreement.

The Custodian shall not be liable to any person for acting or refusing to act in good faith reliance on the instructions of the Personal Representative.

(m) Payments Upon Death of Beneficiary. If a Beneficiary is a natural person and is entitled to benefits under Owner's Account ("Original Beneficiary"), then upon the death of such Original Beneficiary, any remaining benefits shall be payable to one or more persons or

entities ("Subsequent Beneficiary") designated by the Owner to receive such benefits. If the Owner fails to designate a Subsequent Beneficiary, or to the extent that such designation does not make an effective disposition of all such remaining benefits in the Account, then such remaining benefits shall be payable to the Subsequent Beneficiary(ies) if so designated by the Original Beneficiary to receive such benefits, or, if none, to the Original Beneficiary's estate.

The Owner and the Original Beneficiary's designation of a Subsequent Beneficiary to receive such remaining benefits may be acted upon by the Custodian if:

(i) The designation is executed prior to the death of the Owner or Original Beneficiary, as the case may be, by a written instrument in a form acceptable to the Custodian;

(ii) The designation expressly refers to the remaining benefits in the Account; and

(iii) The designation is delivered to the Custodian prior to the Original Beneficiary's death.

If such remaining benefits are thus payable to such a Subsequent Beneficiary, they shall be paid over a period that does not extend beyond the applicable distribution period for the distribution of the Owner's Account.

If a Beneficiary is a trust and is receiving benefits under the Owner's Account over the life expectancy of a trust beneficiary (or over the remaining life expectancy, if any, of the Owner or of any prior Beneficiary or prior trust beneficiary), then upon the death of such trust beneficiary prior to the complete distribution of such benefits to the trust, such remaining benefits shall be payable to the trust, or directly to the successor trust beneficiary or beneficiaries if so instructed in writing by the trustee, over a period that does not extend beyond the applicable distribution period for the distribution of the Owner's Account.

(n) Notice of Events. Until the Custodian shall receive notice from some person interested in this Account, in a form acceptable to the Custodian, of any event upon which the right to receive any benefits from this Account has occurred, the Custodian shall incur no liability for any disbursements or distributions made or omitted to be made in good faith.

Section 9 — Amendment and Termination

The Owner, by the establishment of this Account, delegates to the Custodian the power to make any retroactive or prospective modification of, or amendment to, this Agreement which is necessary to conform the Agreement to, or satisfy the conditions of, any law, governmental regulation or ruling, and any prospective amendment that is desirable for the administration of this Agreement, and by doing so shall be deemed to have consented to each such amendment or modification. Notwithstanding the preceding sentence, no amendment shall be made that would have the effect of allowing any part of the Account to be used for any purpose other than for the exclusive benefit of the Owner or Beneficiary nor shall any amendment increase or decrease the duties or liabilities of the Custodian without its consent. The Custodian has no affirmative obligation to amend the Agreement for any purpose.

This Agreement may, at the Custodian's option, terminate upon the transfer or complete distribution of the Account, or at the discretion of the Custodian at any time upon 30 days' prior written notice to the Owner.

Section 10 — Resignation or Removal of the Custodian

The Custodian may resign at any time upon 30 days' prior written notice to the Owner, or the Beneficiary of a deceased Owner, and may be removed by the Owner or Beneficiary at any time upon 30 days' prior written notice to the Custodian. Upon such resignation or removal, the Owner or Beneficiary shall appoint a qualified successor to the Custodian, and at the request of the Owner or Beneficiary, the Custodian shall transfer and pay over to such successor the assets of the Account or the proceeds from the sale of such assets. The Custodian may, in its discretion, make an independent determination as to such successor's qualified status. The Custodian is authorized, however, to reserve such sum of money as it may deem advisable for payment of any liability constituting a charge against the assets of the Account or against the Custodian, with any balance remaining after the payment of all such items to be paid over to such successor.

If, within 30 days after the Custodian's resignation or removal a qualified successor has not been appointed, the Custodian shall distribute the assets in a lump sum to the Owner, or the Beneficiary of a deceased Owner.

Section 11 — Miscellaneous

(a) Spendthrift Clause. Neither the assets nor the benefits provided for hereunder shall be subject to alienation, anticipation, assignment, garnishment, attachment, execution or levy of any kind, and any attempt to cause such benefits to be so subjected shall not be recognized. The Owner shall have no right to assign, transfer or pledge any interest in the Account, and the Owner's interest in the Account shall not be subject to any claims of creditors.

(b) Transfer Incident to Divorce or Legal Separation. Notwithstanding anything to the contrary in the Agreement, including Section 11(a) above, the Owner may direct the Custodian to transfer all or a portion of the Account into a Traditional IRA or Roth IRA, as applicable, of the Owner's spouse or former spouse incident to divorce or legal separation as provided in Code §408(d)(6) and incorporated by reference by Code §408A(a).

(c) Creditor Redemption. Notwithstanding anything to the contrary in this Agreement, including Section 11(a), to the extent permitted by applicable federal law, the Custodian, upon receipt of an Internal Revenue Service levy against the Owner or Account ("Levy"), may redeem shares, with or without notice to the Owner or Beneficiary, of the Fund or Funds in the Account and forward the proceeds to satisfy such a Levy. The Custodian may redeem the shares on a pro rata basis in the Fund or Funds. Except as otherwise provided by applicable law, the Custodian shall not be liable for any action taken in good faith and in exercise of due care. In the event of any action undertaken by the Custodian resulting from any order described herein, all court costs, legal expenses, reasonable compensation for the time expended by the Custodian and any other expenses and costs, including reasonable attorneys' fees, shall be collected by the Custodian from the Account(s) in accordance with Section 6 of this Agreement.

(d) Alternative Distribution to Minors. In the event a distribution is payable to a minor, the Custodian may transfer the proceeds to a custodian selected by the Custodian under the applicable state's Uniform Gifts (Transfers) to Minors Act.

(e) Use of Electronic or Telephonic Media. With the consent of the Custodian, the Owner, or the Beneficiary of a deceased Owner, may use electronic or telephonic media to satisfy the requirements for written consent or direction, to the extent permissible under regulations or other generally applicable guidance.

(f) Issuance of a Check. Upon issuance of a check from the Account, no additional earnings will accrue to the Account with respect to the uncashed check. Earnings on uncashed checks may accrue to the Custodian at a money market rate of return. Such earnings will accrue from the date upon which a check is mailed, one business day after the redemption or sale is processed, until the date upon which the check is presented for payment.

(g) Governing Law/Resort to Judicial Determination. This Agreement shall be governed by, construed in accordance with and administered under the laws of the State of California. Each party agrees that all actions or proceedings instituted by the Custodian, Owner, Beneficiary or any interested party arising under or growing out of this Agreement shall be brought in the state or federal courts of California. In the event of reasonable doubt respecting the proper course of action to be taken with respect to the Account, the Custodian may, in its sole and absolute discretion, resolve such doubt by judicial determination, which shall be binding on all parties who may claim any interest in the Account. A judicial determination may include, but not be limited to, the Custodian petitioning the appropriate court to remain as Custodian over the Account in order to preserve the Account's federal tax-deferred status pending the court's resolution of the Account. In the event of any such judicial determination, all court costs, legal expenses, reasonable compensation for the time expended by the Custodian and any other expenses and costs, including reasonable attorneys' fees, shall be collected by the Custodian from the Account(s) in accordance with Section 6 of this Agreement.

(h) Additional Information/Documentation. The Custodian may, in the Custodian's sole and absolute discretion, require that the Owner, Beneficiary or any other person or entity provide the Custodian with additional information or documentation as the Custodian deems appropriate in order to satisfy the Custodian's duties under the Agreement.

(i) Binding on Successors. This Agreement shall bind and enure to the benefit of the representatives, successors and assigns of the Owner and the Custodian.

The following is a brief summary of some of the financial and tax consequences of establishing a Traditional IRA or Roth IRA.

The American Funds Traditional Individual Retirement Account ("Traditional IRA")/Roth Individual Retirement Account ("Roth IRA") Disclosure Statement

If you did not receive this Disclosure Statement at least seven days before establishing your Traditional IRA and/or Roth IRA, you may revoke your IRA. Your Traditional IRA and/or Roth IRA is established and accepted on the date you execute the American Funds *Traditional/Roth IRA Application*. To revoke your Traditional IRA and/or Roth IRA, you must provide written notice of revocation within seven days after your Account is established. Written notice of revocation may be mailed to Capital Bank and Trust Company, P.O. Box 6007, Indianapolis, IN 46206-6007. The revocation will be considered given as of the postmark date. Upon revocation, the entire amount of your contribution will be returned to you without adjustment for administrative expenses or fluctuations in market value.

I. Contributions to the Account

1. Limitation on Amount of Contributions

(a) Traditional IRAs. Contributions to the Traditional IRA may be either "rollover" contributions or regular cash contributions. Rollover contributions, which may be of any amount, are contributions of eligible distributions from a §401(a) qualified retirement plan, §403(b) plan, §457(b) government plan, SIMPLE IRA after two years, or distributions from another Traditional IRA. Rollover amounts can include after-tax contributions made to the plans. To qualify for rollover treatment, you must make an appropriate election to treat the contribution as a rollover contribution. Money or property distributed to you must be rolled over within 60 days of your receipt. Eligible distributions from a §401(a) qualified retirement plan, §403(b) plan or §457(b) government plan may be directly rolled over to the Traditional IRA. Amounts, other than after-tax amounts, that had originally been rolled over into your Traditional IRA from an employer's retirement plan can again be rolled over into another employer's retirement plan that will accept such a rollover.

Contributions that are not rollovers must be made in cash and cannot exceed the maximum amount allowed under the Internal Revenue Code. All or a portion of your contributions to a Traditional IRA may be tax deductible. This amount varies depending on your modified adjusted gross income ("MAGI") for the year. You may contribute to a Traditional IRA even if the deduction for the contribution is reduced or eliminated as discussed in Section 2 of this Disclosure Statement if you designate the contribution as a nondeductible contribution on your income tax return. If contributions are being made to your Traditional IRA under your employer's SEP, the maximum annual contribution limit to your Traditional IRA is the lesser of $66,000 for 2023 and $69,000 for 2024, or 25% of your compensation, in addition to any personal IRA contributions (Traditional and/or Roth).

(b) Roth IRAs. Contributions to the Roth IRA may be "conversion," "rollover," or regular cash contributions. Conversion contributions, which may be of any amount, are contributions of distributions from a Traditional IRA, a SEP or a SIMPLE IRA. A MAGI limit does not apply to conversions. Rollover contributions, which may be of any amount, are contributions of distributions from another Roth IRA, §401(a) qualified retirement plan, §403(b) plan or §457(b) government plan. The MAGI limits specified under Section 3 do not apply to a Roth IRA established solely to receive Roth assets rolled over from a 401(k) or 403(b) plan. For both conversion contributions and rollover contributions, money or property distributed to you must be rolled over within 60 days of receipt.

Subject to certain requirements, 529 plan account owners can rollover unused funds into a Roth IRA maintained for the 529 account beneficiary. These 529 to Roth IRA rollovers count toward the annual contribution across all of the beneficiary's Traditional and/or Roth IRAs. The income limitation for regular Roth IRA contributions do not apply to 529 to Roth IRA rollovers. The amount that can be rolled over is limited to the lesser of the beneficiary's earned income or the annual IRA contribution limit.

Contributions, which are not conversions or rollovers, must be made in cash and cannot exceed the maximum amount allowed under the Internal Revenue Code. This amount varies depending on your MAGI for the year.

(c) All IRAs. Contributions, other than rollover or conversion contributions, to all of your Traditional and/or Roth IRAs together cannot exceed $6,500 in 2023 and $7,000 in 2024, or 100% of your compensation if you are younger than 50. If you are 50 or older before the close of the taxable year to which the contribution applies, the maximum amount is $7,500 for 2023 and $8,000 for 2024.

You can make only one rollover from an IRA to another (or the same) IRA in any 12-month period, regardless of the number of IRAs you own. The limit will apply by aggregating all of an individual's IRAs, including SEP and SIMPLE IRAs as well as Traditional and Roth IRAs, effectively treating them as one IRA for purposes of the limit. A rollover from a Traditional IRA (including SEP and SIMPLE IRAs) to a Roth IRA is not subject to the one rollover per year limitation. The one rollover per year limitation also does not apply to a rollover to or from a qualified plan (and such a rollover is disregarded in applying the one rollover per year limitation to other rollovers), nor does it apply to trustee-to-trustee transfers. For more information refer to IRS Announcements 2014-15 and 2014-32.

(d) Inherited IRAs. An inherited IRA is an IRA that has been established to receive the distribution on behalf of a beneficiary who is not the Account Owner's or plan participant's surviving spouse. Additional contributions or rollovers are not permitted to be made into an inherited IRA.

2. Deductibility of Contributions to Traditional IRAs

Cash contributions are deductible from gross income (except as explained in the following paragraph), whether or not you itemize your deductions, and must be claimed on Form 1040 or Form 1040A. The maximum amount deductible under a Traditional IRA is the lesser of $6,500 for 2023 ($7,500 if 50 or older) and $7,000 for 2024 ($8,000 if 50 or older), or 100% of compensation. This amount is increased to $13,000 for 2023 ($15,000 if both you and your spouse are 50 or older) and $14,000 for 2024 ($16,000 if both you and your spouse are 50 or older), or 100% of compensation if contributions are made to your Traditional IRA and the Traditional IRA of your spouse, but you must file a joint return. The maximum amount deductible is reduced by amounts contributed to a Roth IRA other than conversion contributions.

For taxable years 2023 and 2024, if you are an active participant in a qualified retirement plan, a §403(a) or §403(b) plan, a SEP, a SIMPLE IRA or certain government plans, your contribution is not fully deductible if you are single with MAGI exceeding $73,000 for 2023 and $77,000 for 2024, or married filing jointly with MAGI exceeding $116,000 for 2023 and $123,000 for 2024. If you have income above these levels, the deductible amount is reduced at the rate of $650 for 2023 and $700 for 2024 for each $1,000 of income if single ($2,000 of income if married), so that no deduction is allowed if you are single with MAGI exceeding $83,000 for 2023 and $87,000 for 2024, or married filing jointly with MAGI exceeding $136,000 for 2023 and $143,000 for 2024. If this calculation results in a deductible amount of more than zero but less than $200, you will still be permitted to deduct $200.

A married individual who is not participating in an employer-sponsored retirement plan, but whose spouse is participating in one, will be able to make deductible IRA contributions. The deductibility of such contributions will be phased out for couples with MAGI between $218,000 and $228,000 for 2023 and $230,000 and $240,000 for 2024.

Rollover contributions, if properly made, are not included in your gross income and, therefore, are not deductible.

3. Eligibility to Make Roth Contributions

The maximum amount that can be contributed to a Roth IRA is the lesser of $6,500 for 2023 ($7,500 if 50 or older) and $7,000 for 2024 ($8,000 if 50 or older), or 100% of compensation. This amount is increased to $13,000 for 2023 ($15,000 if both are 50 or older) and $14,000 for 2024 ($16,000 if both are 50 or older), or 100% of compensation if contributions are made to your Roth IRA and the Roth IRA of your spouse, but you must file a joint return. The maximum amount is reduced by amounts contributed to a Traditional IRA other than rollover contributions.

If you are single with MAGI that does not exceed $138,000 for 2023 and $146,000 for 2024, or married filing jointly with MAGI that does not exceed $218,000 for 2023 and $230,000 for 2024, you are eligible to make a full $6,500 contribution for 2023 and $7,000 contribution for 2024. If you have income above these levels, the amount you may contribute to a Roth IRA is reduced on a pro rata basis, so that no contribution is allowed if you are single with MAGI exceeding $153,000 for 2023 and $161,000 for 2024, or married filing jointly with MAGI exceeding $228,000 for 2023 and $240,000 for 2024. If you are married, filing separately, the phase-out range is from $0 to $10,000 of MAGI. If this calculation results in a contribution amount of more than zero but less than $200, you will still be permitted to contribute $200.

4. Excess Contributions

(a) Traditional IRAs. An excess contribution is generally the amount contributed to your Traditional and/or Roth IRAs that is more than (a) your taxable compensation for the year or (b) $6,500 for 2023 ($7,500 if 50 or older) and $7,000 for 2024 ($8,000 if 50 or older), whichever is smaller. Such excess contributions will be subject to an annual 6% excise tax. However, this tax can be avoided if you withdraw your excess contributions plus any earnings on the excess on or before the due date, including extensions, for your federal tax return for the year in which the excess contribution is made. The earnings that are withdrawn must be included in your income for the year the excess contributions were made.

(b) Roth IRAs — Contributions. If your contributions for any taxable year are greater than the maximum amount permitted based on your MAGI, the excess amount will be subject to an annual 6% excise tax. However, this tax can be avoided if you either withdraw or transfer to a Traditional IRA the amount of the excess contribution plus any earnings on the excess on or before the due date, including extensions, for your federal tax return for the year in which the excess contribution was made. The earnings that are withdrawn must be included in your income for the year the excess contributions were made.

5. Recharacterization of Contributions

Prior to your tax-filing deadline, including extensions, you may instruct the Custodian to recharacterize a contribution made to a Traditional IRA as a contribution made to a Roth IRA, and a contribution made to a Roth IRA as a contribution made to a Traditional IRA. You may also instruct the Custodian to recharacterize a conversion contribution prior to your tax-filing deadline, including extensions. A subsequent reconversion following recharacterization may not occur earlier than (a) the first day of the calendar year following the calendar year of recharacterization, or (b) the end of the 30-day period beginning on the date of recharacterization, whichever is later.

6. Investment of Contributions

Under the terms of the Custodial Agreement, your contributions will be invested by the Custodian, Capital Bank and Trust Company, or any successor, in accordance with your written instructions or the written instructions of your employer on your behalf if you are a participant in a payroll deduction plan with:

(a) no investment instructions and contribution more than $10,000: If no fund is designated and the amount of the contribution, regular or rollover, is over $10,000, such contribution will be held uninvested (without liability to the Custodian for loss of income or appreciation pending receipt of proper instructions) until investment instructions are received, but for no more than three (3) business days. If investment instructions are not received, the contribution will be invested in American Funds U.S. Government Money Market Fund℠ on the third business day after receipt of the contribution.

(b) no investment instructions and contribution $10,000 or less: If no fund is designated and the amount of the contribution, regular or rollover, is $10,000 or less, the amount of the contribution will be invested in the same proportion and in the same Fund or Funds in which the last contribution, regular or rollover, was invested, provided such contribution was made within the last sixteen (16) months. If no contribution was made within the last sixteen (16) months, the contribution received without investment instructions will be held uninvested (without liability to the Custodian for loss of income or appreciation pending receipt of proper instructions) until investment instructions are received, but for no more than three (3) business days. If investment instructions are not received, the contribution will be invested in American Funds U.S. Government Money Market Fund on the third business day after receipt of the contribution.

(c) SEP/SARSEP contributions with no investment instructions. If your contribution is to a SEP or SARSEP and you fail to provide investment instructions, your SEP or SARSEP contribution will be invested based on the investment instructions provided by your employer. If you designate one or more of the American Funds but there is no share class indicated, the default will be A shares. No part of your Traditional and/or Roth IRA will be invested in life insurance contracts.

(d) Other investment information.
Any dividends or refund of premiums received from any annuity contract held in your Traditional IRA will be applied in the next year toward the payment of future annuity premiums or to purchase additional benefits.

The Custodial Agreement provides that your entire interest in the assets held in your Traditional and/or Roth IRA is nonforfeitable at all times and that such assets will not be commingled with other property.

II. Distributions From the Account

1. Taxation of Distributions

(a) Traditional IRAs. Distributions from your Traditional IRA are taxed as ordinary income except for the portion that equals all nondeductible contributions divided by the total withdrawals during the year plus the balance in all your Traditional IRAs at the end of the year plus any outstanding rollovers (amounts distributed from a Traditional IRA within 60 days of the end of the year, which are rolled over in the following year during the 60-day rollover period). Premature distributions may be subject to a 10% penalty.

(b) Roth IRAs. Distributions from your Roth IRA that are "qualified distributions" are not taxable. Qualified distributions are distributions made from your Roth IRA more than five years after you establish your first Roth IRA if made after you reach age 59½ or your death or disability, or if used for certain expenses to purchase a first-time home.

Distributions that are not qualified distributions will be excludable from your income to the extent the amount of the distribution does not exceed the aggregate amount you contributed to your Roth IRA. Conversion amounts that you included in income may be subject to a 10% premature distribution penalty if removed from your Roth IRA within five years after making the conversion contribution to your Roth IRA. Any distributions treated as taxable income to you may be subject to a 10% premature distribution penalty.

2. Penalty Tax on Premature Distributions

Any distribution (or in the case of a Roth conversion contribution, any distribution within five years of a conversion, to the extent such amount was included or includable in income) made before you reach age 59½ will be subject to a penalty of 10% of the taxable amount of the distribution, except for distributions made

(a) in the case of death or disability

(b) for the return of nondeductible or excess contributions and earnings from your Traditional IRA

(c) for the return of excess contributions and earnings from your Roth IRA

(d) as payments for certain catastrophic medical expenses

(e) as payments made after an extended period of unemployment to cover health insurance premiums

(f) as payments for certain expenses incurred to purchase a first-time home up to a lifetime maximum of $10,000

(g) as payments for post-secondary education costs of your immediate family members and grandchildren

(h) as payments made in substantially equal installments which may be based on, but not limited to, the following methods: life expectancy, amortization (using a rate between 80% and 120% of the long-term applicable federal rate) or annuitization (using an acceptable mortality table including, but not limited to, UP'84, '83 IAM, or Annuity 2000)

(i) as payment in satisfaction of a levy under Code §6331 after December 31, 1999

(j) as payments of up to $22,000 made in connection with federally declared disasters

(k) for birth or adoption expenses (up to $5,000)

(l) while you are terminally ill

(m) for unforeseeable or immediate financial needs relating to necessary personal or family emergency expenses up to the lesser of $1,000 or the excess of your account balance over $1,000; or

(n) to you as a domestic abuse victim up to the lesser of $10,000 (as adjusted for inflation) or 50% of your account balance.

3. Required Distributions From Traditional IRAs

To begin receiving required minimum distributions from your IRA, you must notify the Custodian in a form acceptable to the Custodian. Generally, a minimum distribution must be taken on account of each of your IRAs once you reach 73. You must take your first distribution beginning April 1 (your "Required Beginning Date") of the calendar year following the year in which you reach 73. Your distributions can be taken over a period calculated on your life expectancy and that of a beneficiary assumed to be 10 years younger than you (the factors can be found in the IRS Uniform Lifetime table). If your sole Beneficiary is your spouse who is more than 10 years younger than you, you may use your spouse's actual age (the factors can be found in the IRS Joint Life and Last Survivor Expectancy table) to determine the payout period. If you have more than one IRA, other than a Roth IRA, a minimum must be separately determined for each, but the total distribution can be taken from any one or more IRAs.

4. Penalty Tax for Insufficient Distributions From Traditional IRAs

If you take less than the required minimum distribution after you reach your Required Beginning Date, a 25% (possibly 10% if timely corrected within two years) penalty tax on the difference between the amount required to be distributed and the amount actually distributed in that year will be assessed. The Internal Revenue Service can waive the penalty tax if the insufficient distribution was due to reasonable error and steps are taken to correct the underdistribution.

5. Required Distributions From Roth IRAs

No distributions are required to be made from your Roth IRA prior to your death.

6. Distributions Upon Your Death

After your death (regardless of your age when you die), required minimum distribution rules apply to the beneficiaries of your IRA. How the required minimum distribution rules apply after your death depends on a number of factors, including whether you die before your Required Beginning Date, the identity of your beneficiaries and the type of IRA (Traditional or Roth). For more information on required minimum distributions for beneficiaries, refer to IRS Publication 590-B or consult your tax professional.

7. Issuance of a Check

Upon issuance of a check from the Account, no additional earnings will accrue to the Account with respect to the uncashed check. Earnings on uncashed checks may accrue to the Custodian at a money market rate of return. Such earnings will accrue from the date upon which a check is mailed, one business day after the redemption or sale is processed, until the date upon which the check is presented for payment.

8. Estate and Gift Taxes

Upon your death, the value of your Traditional and/or Roth IRA is subject to federal estate taxes under §2039(a) of the Internal Revenue Code unless the Account is left to a surviving spouse in a form that qualifies for the marital deduction.

For gift-tax purposes, beneficiary designations will not be treated as gifts if they are revocable. In addition, contributions to a Traditional and/or Roth IRA for a nonemployed spouse will qualify for the annual exclusion as a present-interest gift.

III. Tax Status of Custodial Account

1. Tax-Exempt Status

Generally, any contributions and earnings thereon held in your Traditional IRA are exempt from federal income tax and will only be taxed when distributed to you, unless the tax-exempt status of the Traditional IRA is revoked. Generally, any earnings in your Roth IRA are exempt from federal income tax and will only be taxed when distributed to you in a nonqualified distribution, unless the tax-exempt status of the Roth IRA is revoked. The Custodian of your Traditional and/or Roth IRA has received a letter from the IRS approving the form of the Traditional and/or Roth IRA. Such approval is a determination as to the IRA terms only and is not a determination of the merits of the Traditional and/or Roth IRA as an investment.

2. Loss of Exemption

The tax-exempt status of the Traditional and/or Roth IRA will be revoked as of the beginning of the year in which you engage in any of the prohibited transactions listed in §4975(c) of the Internal Revenue Code, such as borrowing money from your IRA, selling property to your IRA or exchanging property with your IRA. Generally, the fair market value of your Traditional IRA (excluding any nondeductible contributions) will be includable in your taxable income in the year in which such prohibited transaction takes place and may also be subject to a 10% premature distribution penalty. In the case of a Roth IRA, to the extent the fair market value of your Roth IRA exceeds aggregate contributions made to your Roth IRA, such value will be includable in your taxable income in the year in which such prohibited transaction takes place and may also be subject to a 10% premature distribution penalty.

In addition, the Traditional and/or Roth IRA will lose its tax-exempt status if you use all or part of your interest in the IRA as security for a loan. Any portion of the IRA used as security for a loan will be treated as a distribution in the year in which such use occurs. If you are under age 59½, the amount of the loan may also be subject to a 10% tax penalty as a premature distribution.

IV. Additional Tax Information

For years in which excess contributions have been made to your Traditional and/or Roth IRA, or you received from your Account premature distributions or underdistributions from your Traditional IRA after reaching age 73, you are required to file with the IRS Form 5329, *Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts*, along with your individual tax return for that year.

For years in which nondeductible contributions were made to your Traditional IRA, Form 8606, *Nondeductible IRAs*, must be filed with your tax return. Form 8606 will also be used to keep track of your Roth IRA contributions and/or conversions.

Further information about your Traditional and/or Roth IRA can be obtained from any district office of the IRS or at www.irs.gov. Consult Publication 590-A for information on IRA contributions, and/or Publication 590-B on IRA distributions.

V. Financial Information

To calculate earnings on the Account, reinvested dividends and capital gain distributions are purchased at net asset value ("NAV") on the reinvestment date. The number of shares in the Account at the end of the period is multiplied by the NAV per share at the end of the period to determine the ending value. The difference between the ending value and the initial investment equals the earnings for the period.

If $1,000 is invested in any fund other than American Funds U.S. Government Money Market Fund and a reduced sales charge is not available, the highest sales charge would be $57.50, or 5.75% of the contribution. See the prospectus of each fund for further details. If $1,000 is invested in the money market fund, no sales charge would be imposed. In addition, there is a fee for establishing the Account as well as an annual Custodial fee. The future growth results of your investment in mutual fund shares cannot be guaranteed or projected.

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