Commerce Funds



COVERDELL EDUCATION SAVINGS ACCOUNT APPLICATION

Instructions for Opening Your Account

New Accounts

■ Review and complete the **Commerce Funds Coverdell Education Savings Account Application.**

Direct Transfers

Follow these instructions if you would like Commerce Funds to initiate a direct transfer from an existing Coverdell Education Savings Account to a Commerce Funds Coverdell Education Savings Account.

■ Review and complete the **Commerce Funds Coverdell Education Savings Account Application.**

■ Complete the **Commerce Funds Coverdell Education Savings Account Direct Transfer Form and attach it to your Account Application.**

Rollovers

Follow these instructions if you would like to initiate a rollover from an existing Coverdell Education Savings Account to a new Coverdell Education Savings Account either for you or a new beneficiary.

■ Review and complete the **Commerce Funds Coverdell Education Savings Account Application.**

Note: You must roll over amounts withdrawn from another Coverdell Education Savings Account within 60 days after the withdrawal.

Fees

The annual fee for this Coverdell Education Savings Account is $15. If you wish to pre-pay this amount, enclose a check made payable to **"UMB Bank, n.a. FBO [Student's Name] Coverdell Education Savings Account."** If notprepaid, the custodian will automatically deduct the $15 fee from your account at year-end (usually in December). If you terminate your account prior to year-end, the $15 fee will automatically be deducted from your account.

Return all completed forms and checks to:

The Commerce Funds
c/o SS&C Global Investor & Distribution Solutions, Inc.
P.O. Box 219525
Kansas City, MO 64121-9525

Or for overnight mail to:

The Commerce Funds
c/o SS&C Global Investor & Distribution Solutions, Inc.
330 West 9th Street, First Floor Poindexter Building
Kansas City, MO 64105

For more detailed information call The Commerce Funds at 1-800-995-6365.

COMMERCE FUND SELECTION

Fund Name	Fund Number
Bond	333
Growth	337
Kansas Tax-Free Intermediate Bond	1399
MidCap Growth	339
Missouri Tax-Free Intermediated Bond	335
National Tax-Free Intermediate Bond	334
Value	346
MidCap Value	1549

Commerce Funds Coverdell Education Savings Account Application

The Commerce Funds
c/o SS&C Global Investor &
Distribution Solutions, Inc.
P.O. Box 219525
Kansas City, MO 64121-9525

CUSTOMER IDENTIFICATION PROGRAM

Important Information About Procedures for Opening A New Account

To help the government fight the funding of terrorism and money laundering, Federal Law requires all financial institutions to obtain, verify and record information that identifies each registered owner of an account. In some cases, The Commerce Funds may also take additional steps to verify the identities of individuals with authority or control over the registered owner, including person(s) able to effect securities transactions on behalf of the registered owner.

What this means for you: When you open an account, the Funds will ask for the registered owner's name, address, and identification number and other information that will allow us to identify the registered owner, and the Funds may ask for similar information regarding individuals with authority or control over the registered owner. The Funds may also ask to see government-issued identifying documents.

To the extent permitted by applicable law, The Commerce Funds reserves the right (i) to place limits on transactions in any account until the identity of the investor is verified, or (ii) to refuse an investment in the Funds, or (iii) to involuntarily redeem an investor's shares and close an account in the event that the Funds are unable to verify an investor's identity.

1 STUDENT INFORMATION *Please type or print.*

First Name | M.I. | Last Name

Street Address | Apartment # | Date of Birth (/ /)

City | State | Zip Code

Mailing Address (If mailing address is a post office box, a street address is also required by the USA Patriot Act.) | Apartment #

City | State | Zip Code

Social Security Number (– –) | Daytime Phone (– –) | Evening Phone (– –)

☐ **NAV Purchases (i.e., waiver of sales load)** As described in the Prospectus, certain account holders are eligible to purchase Service Shares of The Commerce Funds at net asset value ("NAV"). If you fall into any of these eligible categories, please state the reason below:

Reason for NAV purchase eligibility _____

2 PARENT OR GUARDIAN INFORMATION *Please list only one Parent, even if the Student lives with both Parents.*

☐ Mother ☐ Father ☐ Guardian *(Please submit proof of guardianship.)*

First Name | M.I. | Last Name

Street Address | Apartment #

City | State | Zip Code

Mailing Address (If mailing address is a post office box, a street address is also required by the USA Patriot Act.) | Apartment #

City | State | Zip Code

Social Security Number (– –) | Daytime Phone (– –) | Evening Phone (– –)

Note: The "Parent" is the same individual described as the Responsible Individual ("RI") in Articles I-X of the Custodial Account Agreement, as the RI on all account registration materials, and as the "Parent" in Article X of the Custodial Account Agreement and Disclosure Statement.

CONTINUED ▶

Commerce Funds Coverdell Education Savings Account Application *CONTINUED*

3 DONOR INFORMATION

First Name | M.I. | Last Name

Street Address | Apartment #

City | State | Zip Code

Social Security Number | Daytime Phone | Evening Phone

4 COMMERCE FUNDS FUND SELECTION *The minimum initial investment is $50 per Fund. (This amount may not exceed $2000 for a calendar year.)*

Please see the Fund Selection Guide for required Fund names and numbers. Please select carefully.

Fund Name	Fund Number	Amount	Or Percent*
		$.	%
		$.	%
		$.	%

**Whole percents only. Must total 100%.*

Total Contribution Amount $. Tax Year

Annual Custodial Fee: ***$15.00*** *(automatically deducted from your account, if not paid by separate check.) Make checks payable to "UMB Bank, n.a. FBO [Student Name] Coverdell Education Savings Account".)*

I acknowledge that I have sole responsibility for my investment choices and that I have received a current Prospectus for each Fund I select. I have read the Prospectuses for the Fund(s) selected before investing.

5 TYPE OF ROLLOVER (FOR ROLLOVERS ONLY) CHECK ONE.

Please check the box below that correctly identifies the relationship of the Student listed in Section 1 above to the Student in the existing Coverdell Education Savings Account.

☐ Sibling ☐ Other _____

6 QUANTITY DISCOUNT PRICING

As described in the Prospectus, your Coverdell Education Savings Account contribution may qualify for reduced sales charges on purchases of Service Shares only. To qualify, please complete the appropriate items below:

☐ **Statement of Intention** Due to a **Transfer** or **Rollover**, I intend to invest over a 13-month period in Service Shares of one or more Commerce Funds, an aggregate amount of at least the amount checked below. If I do not invest this amount in my account I agree to pay the higher applicable sales charge on my investment and authorize the Transfer Agent of the Commerce Funds to escrow and redeem Service Shares in my account for this purpose:

☐ $100,000 ☐ $250,000 ☐ $500,000 ☐ $1,000,000

☐ **Right of Accumulation** Cumulative quantity discounts are available if an Education Savings Account holder's existing account value, alone or in combination with Service Shares of other Commerce Funds, totals the requisite aggregation amount as described in the Prospectus and Statement of Additional Information. List below all other Commerce Funds owned. Attach an additional page if necessary.

Fund Name	Account Number

7 DESIGNATION OF BENEFICIARY

Use the space below to indicate the designated beneficiary for the Account. The Student may change the beneficiary(ies) designated below at any time after the Account is established by filing a new Designation of Beneficiary with the Custodian. Any such subsequent Designation of Beneficiary will revoke all prior Designations. If the person designated as primary beneficiary does not survive the Student, the Account will pass to the alternate beneficiary (if any) named below if he or she survives the Student. If no designated beneficiary survives the Student, the Account will pass to the Student's estate (unless otherwise required under the laws of the state of the Student's residence). If you wish to designate multiple primary or alternate beneficiaries, you may do so by attaching a separate sheet listing the required information about each designated beneficiary; distributions to them will be in equal shares unless you specify different proportions.

Primary Beneficiary

Name | Relationship to Student | Date of Birth | Social Security Number

Alternate Beneficiary

Name | Relationship to Student | Date of Birth | Social Security Number

8 TELEPHONE INSTRUCTIONS

☐ Unless otherwise indicated below, I authorize The Commerce Funds to accept and act upon telephone and fax instructions from any person identifying themselves as owner of the account, or owner's broker, to exchange shares of any other Commerce Fund, in accordance with the procedures and conditions set forth in the Prospectus. The Commerce Funds and SS&C Global Investor & Distribution Solutions, Inc. will employ reasonable procedures specified by the Fund(s) to confirm that such instructions are genuine. Neither the Fund(s), The Commerce Funds, nor SS&C Global Investor & Distribution Solutions, Inc. will be liable for any loss due to unauthorized or fraudulent instructions if such procedures are followed. This privilege may be modified or terminated without notice. The owner (Student or Parent) agrees to indemnify and hold harmless The Commerce Funds, SS&C Global Investor & Distribution Solutions, Inc. and any Commerce Fund that may be involved in transactions authorized by telephone against any claim, loss, expense or damage, including reasonable investigation and attorney's fees, in connection with any telephone instructions effected for the account.

☐ I DO NOT want the Telephone Exchange Privileges.

9 CERTIFICATION AND SIGNATURE

The undersigned acknowledges having received and read the Custodian's "Education Savings Account Disclosure Statement" relating to this account (including the Custodian's fee schedule), the Custodian's Coverdell Education Savings Account Custodial Account Agreement, and the "Instructions" pertaining to this Application.

X _____ Signature of Student (if Student has attained the age of majority in his/her state of residence) — Month / Day / Year

X _____ Signature of Donor — Month / Day / Year

10 CUSTODIAN ACCEPTANCE

UMB Bank, n.a. accepts appointment as Custodian of the Student's account. However, this Application is not binding upon the Custodian until the Donor has received a statement of the transaction.

11 FINANCIAL ADVISOR

We authorize The Commerce Funds and SS&C Global Investor & Distribution Solutions, Inc. to act as our agent in connection with transactions made under this Coverdell Education Savings Account Application and agree to notify The Commerce Funds of any purchases made under a Statement of Intention or Right of Accumulation.

Rep Name | Rep Number

Branch Address

Branch Number | Rep Phone Number | Dealer Firm Name

X _____ Authorized Signature — Month / Day / Year

CONTINUED ▶

DUPLICATE STATEMENTS *(Optional)*

Please provide the name and address of the person to whom you would like duplicate confirms/statements sent.

Name

Address

City

State

Zip Code

Important Notice – The USA PATRIOT Act

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. In some cases, Federal law also requires us to verify and record information that identifies the natural persons who control and beneficially own a legal entity that opens and account.

What this means to you: When you open an account, we will ask for names, addresses, dates of birth and other information that will allow us to identify you and certain other natural persons associated with the account. This information will be verified to ensure the identity of all such natural persons.

Purpose

This form must be completed by the person opening a new account on behalf of a legal entity. For the purposes of this form, a legal entity includes a corporation, a limited liability company, a general partnership, a non-profit and any similar business entity formed in the United States.

Important Notes

This form requires you to provide the name, address, date of birth and Social Security number for the following individuals:

(i) Each individual, if any, who owns, directly or indirectly, 25 percent or more of the equity interests of the legal entity customer (e.g., each natural person that owns 25 percent or more of the shares of a corporation); and

(ii) An individual with significant responsibility for managing the legal entity customer (e.g., a Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Managing Member, General Partner, President, Vice President, or Treasurer)

Section A – Account Information

Persons opening an account on behalf of a legal entity must provide the following information:

a. Name and Title of Natural Person Opening Account:

_____

b. Name and Address of Legal Entity for Which the Account is Being Opened:

_____

Section B – Beneficial Owner(s)

The following information for each individual, if any, who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, owns 25 percent or more of the equity interests of the legal entity listed above:

Note: Non-profits do not have to complete this section.

Name/Title	**Date of Birth** (mm/dd/yyy)	**Address** (residential or business street address)	**Social Security Number**

Legal Entity Beneficial Ownership Certification Form

Section C – Control Person

The following information for one indicidual with significant responsibility for managing the legal entity listed above, such as: An executive officer or senior manager (e.g., Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Managing Member, General Partner, President, Vice President, Treasurer); or Any other individual who regularly performs similar functions. (If appropriate, an individual listed under section (b) above may also be listed in this section (c)).

Name/Title	**Date of Birth** (mm/dd/yyy)	**Address** (residential or business street address)	**Social Security Number**

Section D – Certification

I, _____(name of natural person opening account), hereby certify, to the best of my knowledge that the information provided above is complete and correct.

Signature_____ Date (mm/dd/yyyy):_____

Rev. 12/10

FACTS	**WHAT DOES THE COMMERCE FUNDS ("COMMERCE FUNDS") DO WITH YOUR PERSONAL INFORMATION?**
Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
What?	The types of personal information we collect and share depend on the product or service you have with us. This information can include: • Social Security number • account balances • account transactions • assets • transaction history • wire transfer instructions When you are *no longer* our customer, we continue to share your information as described in this notice.
How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Commerce Funds chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Commerce Funds share?	Can you limit this sharing?
For our everyday business purposes — such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes — to offer our products and services to you	Yes	No
For joint marketing with other financial companies	No	No
For our affiliates' everyday business purposes — information about your transactions and experiences	Yes	No
For our affiliates' everyday business purposes — information about your creditworthiness	No	We don't share
For our affiliates to market to you	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?	Call toll-free 1-800-995-6365

What we do	
How does Commerce Funds protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings. We maintain physical, electronic and/or procedural safeguards that comply with federal standards to guard your nonpublic personal information.
How does Commerce Funds collect my personal information?	We collect your personal information, for example, when you: • open an account • make a wire transfer • provide account information • give us your contact information • tell us where to send the money We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only: • sharing for affiliates' everyday business purposes – information about your creditworthiness • affiliates from using your information to market to you • sharing for nonaffiliates to market to you State laws and individual companies may give you additional rights to limit sharing.

Definitions	
Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. • *Commerce Funds' affiliates include the investment adviser, Commerce Investment Advisors, Inc., and Commerce Bank.*
Nonaffiliates	Companies not related by ownership or control. They can be financial and nonfinancial companies. • *Commerce Funds does not share with non-affiliates so they can market to you. The Funds may share information with non-affiliates that perform marketing services on our behalf.*
Joint Marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. • *Commerce Funds may share information with other financial institutions with whom we have joint marketing arrangements who may suggest additional fund services or other investment products which may be of interest to you.*

Commerce Funds Coverdell Education Savings Account Direct Transfer Form

THE COMMERCE FUNDS
c/o SS&C Global Investor &
Distribution Solutions, Inc.
P.O. Box 219525
Kansas City, MO 64121-9525

Use this form to authorize The Commerce Funds to initiate a Direct Transfer from an existing Coverdell Education Savings Account to an Education Savings Account invested in Goldman Sachs Funds.

1 INDIVIDUAL CONTROLLING THE CURRENT COVERDELL EDUCATION SAVINGS ACCOUNT

Please supply information on the individual that controls the existing Coverdell Education Savings Account.

☐ Mother ☐ Father ☐ Guardian *(Please submit proof of guardianship.)* ☐ Student

First Name | M.I. | Last Name

Street Address | Apartment #

City | State | Zip Code

Social Security Number | Daytime Phone | Evening Phone

2 STUDENT TO BENEFIT UNDER THIS COVERDELL EDUCATION SAVINGS ACCOUNT

This is the same Student listed in Section 1 of the Commerce Funds Coverdell Education Savings Account Application.

First Name | M.I. | Last Name

Street Address | Apartment #

City | State | Zip Code

Social Security Number | Daytime Phone | Evening Phone

3 ABOUT THE CURRENT COVERDELL EDUCATION SAVINGS ACCOUNT

Account Name | Account Number

Custodian/Trustee | Attention

Address

City | State | Zip Code

Contact Person or Department | Phone Number

Current Investments

☐ **Mutual Funds**

Fund Name | Account Number

_____

_____

For help with this form call 1-800-995-6365

CONTINUED ▶

Commerce Funds Coverdell Education Savings Account Direct Transfer Form *CONTINUED*

☐ **Certificate of Deposit** *This form must be received at least 4 weeks prior to the maturity date.*

Name of Financial Institution

Maturity Date

Month / Day / Year

☐ **Annuity**

Name of Annuity

☐ **Other** *(specify)* _____

4 TRANSFER INSTRUCTIONS TO CURRENT CUSTODIAN OR TRUSTEE

☐ Transfer the total amount in my account ☐ immediately or ☐ at maturity (for CDs).

☐ Transfer $ _____ and retain the balance. Make transfer ☐ immediately or ☐ at maturity (for CDs).

☐ Transfer-in-kind.

5 INVESTMENT INSTRUCTIONS

☐ Open a new Coverdell Education Savings Account. *(Please attach completed Commerce Funds Coverdell Education Savings Account Application.)*

☐ Transfer in Kind. Please transfer and re-register the shares of my brokerage firm or bank Coverdell Education Savings Account currently invested in Commerce Funds.

Fund Name	Existing Account Number

6 TRANSFER AUTHORIZATION AND SIGNATURE

If the Student is a minor under the law of the Student's state of residence, the Parent or Guardian must execute this Coverdell Education Savings Account Direct Transfer Form. The undersigned understands that the requirements for a valid transfer between Coverdell Education Savings Accounts are complex and acknowledges having responsibility for complying with all requirements and for the tax results of any such transfer. The undersigned certifies that the Student is less than 30 years old or qualifies as a "Special Needs Student" under the Internal Revenue Code of 1986, as amended.

☐ Parent ☐ Guardian ☐ Student

X _____

Signature of Parent, Student or Guardian

Month / Day / Year

Signature Guarantee *(Only if required by current Coverdell Education Savings Account Custodian or Trustee. Please contact them for their requirements.)*

Name of Bank or Dealer Firm

X _____

Signature of Authorized Person (not a Notary Public)

Month / Day / Year

7 CUSTODIAN'S ACCEPTANCE

UMB Bank, n.a. agrees to accept transfer of the above amount for deposit into the Student's Coverdell Education Savings Account, and requests the liquidation and transfer of assets as indicated above. See attached Letter of Acceptance for the signature of an authorized officer of the custodial agent.

8 MAILING INSTRUCTIONS

Please mail to: Commerce Funds c/o SS&C Global Investor & Distribution Solutions, Inc., P.O. Box 219525, Kansas City, MO 64121-9525.

Or for overnight mail to: Commerce Funds c/o SS&C Global Investor & Distribution Solutions, Inc., 330 West 9th Street, First Floor, Poindexter Building, Kansas City, MO 64105.

For help with this form call 1-800-995-6365

UMB

FACTS	WHAT DOES UMB BANK, N.A. ("UMB") DO WITH YOUR PERSONAL INFORMATION?
Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
What?	The types of personal information we collect and share depend on the product or service you have with us. This information can include: ▪ Social Security number ▪ Account balances and account transactions ▪ Payment history and transaction history ▪ Retirement assets When you are *no longer* our customer, we continue to share your information as described in this notice.
How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information, the reasons UMB chooses to share and whether you can limit this sharing.

Reasons we can share your personal information	Does UMB share?	Can you limit this sharing?
For our everyday business purposes – such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes – to offer our products and services to you	No	We don't share
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes – information about your transactions and experiences	No	We don't share
For our affiliates' everyday business purposes – information about your creditworthiness	No	We don't share
For our affiliates to market to you	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?	Call toll-free **800.441.9535** (or if in Kansas City, call **816.860.5780**).

Who we are

Who is providing this notice?	UMB Bank, n.a.

What we do

How does UMB protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
How does UMB collect my personal information?	We collect your personal information, for example, when you: ▪ Open an account or provide account information ▪ Make deposits or take withdrawals from your account ▪ Tell us about your investment or retirement portfolio
Why can't I limit all sharing?	Federal law gives you the right to limit only: ▪ Sharing for affiliates' everyday business purposes – information about your creditworthiness ▪ Affiliates from using your information to market to you ▪ Sharing for nonaffiliates to market to you State laws and individual companies may give you additional rights to limit sharing. See below for more on your rights under state law.

Definitions

Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. ▪ *UMB does not share with affiliates.*
Nonaffiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. ▪ *UMB does not share with nonaffiliates so they can market to you.*
Joint Marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. ▪ *UMB doesn't jointly market.*

Other Important Information

You may have other privacy protections under applicable state laws. To the extent these state laws apply, we will comply with them when we share information about you. *For California residents*: We will not share information we collect about you with nonaffiliates, except as permitted by California law, including, for example to process your transactions or to maintain your account. *For Vermont residents*: We will not share information we collect about you with nonaffiliates, except as permitted by Vermont law, including, for example to process your transactions or to maintain your account.

UMB, n.a. COVERDELL ESA CUSTODIAL ACCOUNT AGREEMENT

Form 5305-EA under section 530 of the Internal Revenue Code. FORM (Rev. October 2016)

The depositor whose name appears on the application is establishing a Coverdell Education Savings Account under section 530 for the benefit of the designated beneficiary whose name appears on the application exclusively to pay for the qualified elementary, secondary, and higher education expenses, within the meaning of section 530(b)(2), of such designated beneficiary.

The depositor has assigned the custodial account the sum indicated on the application.

The depositor and the custodian make the following agreement:

ARTICLE I

The custodian may accept additional cash contributions provided the designated beneficiary has not attained the age of 18 as of the date such contributions are made. Contributions by an individual contributor may be made for the tax year of the designated beneficiary by the due date of the beneficiary's tax return for that year (excluding extensions). Total contributions that are not rollover contributions described in section 530(d)(5) are limited to $2,000 for the tax year. In the case of an individual contributor, the $2,000 limitation for any year is phased out between modified adjusted gross income (AGI) of $95,000 and $110,000. For married individuals filing jointly, the phase-out occurs between modified AGI of $190,000 and $220,000. Modified AGI is defined in section 530(c)(2).

ARTICLE II

No part of the custodial account funds may be invested in life insurance contracts, nor may the assets of the custodial account be commingled with other property except in a common trust fund or a common investment fund (within the meaning of section 530(b)(1)(D)).

ARTICLE III

1. Any balance to the credit of the designated beneficiary on the date on which he or she attains age 30 shall be distributed to him or her within 30 days of such date.
2. Any balance to the credit of the designated beneficiary shall be distributed within 30 days of his or her death **unless** the designated death beneficiary is a family member of the designated beneficiary and is under the age of 30 on the date of death. In such case, that family member shall become the designated beneficiary as of the date of death.

ARTICLE IV

The depositor shall have the power to direct the custodian regarding the investment of the amount listed on the application assigned to the custodial account (including earnings thereon) in the investment choices offered by the custodian. The responsible individual, however, shall have the power to redirect the custodian regarding the investment of such amounts, as well as the power to direct the custodian regarding the investment of all additional contributions (including earnings thereon) to the custodial account. In the event that the responsible individual does not direct the custodian regarding the investment of additional contributions (including earnings thereon), the initial investment direction of the depositor also will govern all additional contributions made to the custodial account until such time as the responsible individual otherwise directs the custodian. Unless otherwise provided in this agreement, the responsible individual also shall have the power to direct the custodian regarding the administration, management, and distribution of the account.

ARTICLE V

The "responsible individual" named by the depositor shall be a parent or guardian of the designated beneficiary. The custodial account shall have only one responsible individual at any time. If the responsible individual becomes incapacitated or dies while the designated beneficiary is a minor under state law, the successor responsible individual shall be the person named to succeed in that capacity by the preceding responsible individual in a witnessed writing or, if no successor is so named, the successor responsible individual shall be the designated beneficiary's other parent or successor guardian. At the time that the designated beneficiary attains the age of majority under state law, the designated beneficiary becomes the responsible individual. If a family member under the age of majority under state law becomes the designated beneficiary by reason of being a named death beneficiary, the responsible individual shall be such designated beneficiary's parent or guardian.

ARTICLE VI

The Responsible Individual may change the Beneficiary designated under this Agreement to another member of the Designated Beneficiary's family described in section 529(e)(2) in accordance with the Custodian's procedures.

ARTICLE VII

1. The depositor agrees to provide the custodian with all information necessary to prepare any reports required by section 530(h).
2. The custodian agrees to submit to the Internal Revenue Service (IRS) and responsible individual the reports prescribed by the IRS.

ARTICLE VIII

Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through III will be controlling. Any additional articles inconsistent with section 530 and the related regulations will be invalid.

ARTICLE IX

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

ARTICLE X

10.01 **Definitions** – As used in this Custodial Agreement the following terms have the following meanings:

"Adoption Agreement" is the application signed by the Donor to accompany and adopt this Custodial Account. The Adoption Agreement may also be referred to as the "Account Application".

"Agreement" means this UMB Bank, n.a. Coverdell Education Savings Custodial Account Agreement and the Adoption Agreement signed by the Donor.

"Ancillary Fund" means any mutual fund or registered investment company designated by Sponsor, which is (i) advised, sponsored or distributed by a duly licensed mutual fund or registered investment company other than the Custodian, and (ii) subject to a separate agreement between the Sponsor and such mutual fund or registered investment company, to which neither the Custodian nor the Service Company is a party; provided, however, that such mutual fund or registered investment company must be legally offered for sale in the state of the Depositor's residence.

"Custodial Account" means the Coverdell Education Savings Account established using the terms of this Agreement and the Adoption Agreement signed by or on behalf of the Student.

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"Custodian" means UMB Bank, n.a.

"Distributor" means the entity which has a contract with the Fund(s) to serve as distributor of the shares of such Fund(s). In any case where there is no Distributor, the duties assigned hereunder to the Distributor may be performed by the Fund(s) or by an entity that has a contract to perform management or investment advisory services for the Fund(s). In any case where there is no Distributor, the duties assigned hereunder to the Distributor may be performed by the Fund(s) or by an entity that has a contract to perform management or investment advisory services for the Fund(s).

"Donor" means the person or entity designated as such in the Adoption Agreement (or on a form acceptable to the Custodian for use in connection with the Custodial Account, and filed with the Custodian.) The individual or entity who is the "Donor" (as used in this Article X) and the individual or entity who is the "Depositor" (as used in Articles I through X) are the same.

"Fund" means any registered investment company which is specified in the Adoption Agreement, or which is advised, sponsored or distributed by Sponsor; provided, however, that such a mutual fund or registered investment company must be legally offered for sale in the state of the Student's residence. Subject to the provisions of Section 10.02 below, the term "Fund" includes an Ancillary Fund.

"Parent" means the person designated as such in the Adoption Agreement (or a form acceptable to the Custodian for use in connection with the Custodial Account). The individual who is the "Parent" (as used in this Article X) and the individual who is the "Responsible Individual" (as used in Articles I through X) are the same. The individual designated and serving as Parent at any time may be changed as provided in Article V or Section 10.08(d) of this Article X, or under such other circumstances and in accordance with such procedures as the Custodian may agree to.

"Service Company" means any entity employed by the Custodian or the Distributor, including the transfer agent for the Fund(s), to perform various administrative duties of either the Custodian or the Distributor. In any case where there is no Service Company, the duties assigned hereunder to the Service Company will be performed by the Distributor (if any) or by an entity that has a contract to perform management or investment advisory services for the Fund(s).

"Sponsor" means The Commerce Funds. Reference to the Sponsor includes reference to any affiliate of Sponsor to which Sponsor has delegated (or which is in fact performing) any duty assigned to Sponsor under this Agreement.

"Special Needs Student" is a Student who, because of a physical, mental, or emotional condition (including a demonstrable learning disability) requires additional time to complete his or her education. Any requirements for a "Special Needs Student" specified in IRS regulations or rulings (if any) defining this term also must be satisfied.

"Spouse" means an individual married to another individual under the laws of the applicable jurisdiction. The term "spouse" shall include same-sex individuals whose marriage was validly entered into in a jurisdiction whose laws authorize such marriage even if the couple is domiciled in a state that does not recognize the validity of same-sex marriages. The term "spouse" shall not include individuals (whether of the same or opposite sex) who have entered into a registered domestic partnership, civil union, or other similar relationship recognized under the laws of a jurisdiction that is not denominated as marriage under the laws of the jurisdiction. An individual and his or her spouse are deemed to be "married" for all purposes of this Agreement.

"Student" means the person designated as such in the Adoption Agreement (or on a form acceptable to the Custodian for use in connection with the Custodial Account, and filed with the Custodian). The individual who is the "Student" (as used in this Article X) and the individual who is the "Designated Beneficiary" (as used in the application and in Articles I through X) are the same. The Student may, in writing on such form as may be acceptable to the Custodian designate another person, who is a "family member" of the Student (within the meaning of section 529(e)(2) of the Code) who is under the age of 30 (or who is a Special Needs Student of any age) as the successor Designated Beneficiary and Student with respect to the Custodial Account hereunder, and thereafter such individual will be the designated Beneficiary and the Student for purposes of Articles I through IX and Article X respectively.

10.02 **Investments** – All contributions to the Custodial Account shall be invested and reinvested in full and fractional shares of one or more Funds. All such shares shall be held as book entry shares, and no physical shares or share certificates will be held in the Custodial Account. Such investments shall initially be made in such proportions and/or in such amounts as are specified in the Adoption Agreement or by other written notice to the Service Company (in such form as may be acceptable to the Service Company) may direct.

The parties to this Agreement recognize and agree that the Sponsor may from time-to-time designate an Ancillary Fund in which all or a portion of the contributions to a Custodial Account may be invested and reinvested. Despite any contrary provision of this Agreement, neither the Custodian nor the Service Company has any discretion with respect to the designation of any Ancillary Fund.

Subsequent exchanges among Funds shall be made in accordance with written instructions from the Student. The Service Company shall be responsible for promptly transmitting all investment directions by the Student for the purchase or sale of shares of one or more Funds hereunder to the Funds' transfer agent for execution. However, if investment directions with respect to the investment of any contribution hereunder are not received initially from the Donor or thereafter from the Student as required or, if received, are unclear or incomplete in the opinion of the Service Company, the contribution may be paid to the Student, or may be held uninvested (or invested in a money market fund if available) pending clarification or completion by the Donor or the Student, as the case may be, in either case without liability for interest, depreciation in value or loss of income or appreciation. If any other directions or other orders by the Student with respect to the sale or purchase of shares of one or more Funds are unclear or incomplete in the opinion of the Service Company, the Service Company will refrain from carrying out such investment directions or from executing any such sale or purchase, without liability for loss of income or for appreciation or for depreciation of any asset, pending receipt of clarification or completion from the Student.

All initial investment directions by the Donor or subsequent investment directions by the Student will be subject to any minimum initial or additional investment or minimum balance rules applicable to a Fund as described in its prospectus.

All dividends and capital gains or other distributions received on the shares of any Fund shall be (unless received in additional shares) reinvested in full and fractional shares of such Fund (or any other Fund offered by the Sponsor, if so directed).

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If any Fund held in the Custodial Account is liquidated or is otherwise made unavailable by the Sponsor as a permissible investment for a Custodial Account hereunder, the liquidation or other proceeds of such Fund shall be invested in accordance with the instructions of the Student. If the Student does not give such instructions, or if such instructions are unclear or incomplete in the opinion of the Service Company, the Service Company may invest such liquidation or other proceeds in such other Fund (including a money market fund if available) as the Sponsor designates, provided that the Sponsor gives at least thirty (30) days advance written notice to the Donor and the Service Provider. In such case, neither the Service Company nor the Custodian will have any responsibility for such investment.

Alternatively, if the Donor does not give instructions and the Sponsor does not designate such other Fund as described above then the Donor (or his or her Beneficiaries) will be deemed to have directed the Custodian to distribute any amount remaining in the Fund to (i) the Donor (or to his Beneficiaries as their interests shall appear on file with the Custodian) or, (ii) if the Donor is deceased with no Beneficiaries on file with the Custodian, then to the Donor's estate, subject to the Custodian's right to reserve funds as provided in Section 10.15. The Sponsor and the Custodian will be fully protected in making any and all such distributions pursuant to this Section 10.02, provided that the Sponsor gives at least thirty (30) days advance written notice to the Donor and the Service Provider. In such case, neither the Service Company nor the Custodian will have any responsibility for such distribution. The Donor (or his or her Beneficiaries) shall be fully responsible for any taxes due on such distribution.

10.03 **Exchanges** – Subject to the minimum initial or additional investment, minimum balance and other exchange rules applicable to a Fund, the Student may at any time direct the Service Company to exchange all or a specified portion of the shares of a Fund in the Custodial Account for shares and fractional shares of one or more other Funds. The Student shall give such directions by written notice acceptable to the Service Company, and the Service Company will process such directions as soon as practicable after receipt thereof (subject to the second paragraph of Section 10.02 of this Article X).

10.04 **Transaction Pricing** – Any purchase or redemption of shares of a Fund for or from the Custodial Account will be effected at the public offering price or net asset value of such Fund (as described in the then effective prospectus for such Fund) next established after the Service Company has transmitted the Student's investment directions to the transfer agent for the Fund(s).

Any purchase, exchange, transfer or redemption of shares of a Fund for or from the Custodial Account will be subject to any applicable sales, redemption or other charge as described in the then effective prospectus for such Fund.

10.05 **Recordkeeping** – The Service Company shall maintain adequate records of all purchases or sales of shares of one or more Funds for the Student's Custodial Account. Any Custodial Account maintained in connection herewith shall be in the name of the Custodian for the benefit of the Student. All assets of the Custodial Account shall be registered in the name of the Custodian or of a suitable nominee. The books and records of the Custodian shall show that all such investments are part of the Custodial Account.

The Custodian shall maintain or cause to be maintained adequate records reflecting transactions of the Custodial Account. In the discretion of the Custodian, records maintained by the Service Company with respect to the Custodial Account hereunder will be deemed to satisfy the Custodian's recordkeeping responsibilities. The Service Company agrees to furnish the Custodian with any information the Custodian requires to carry out the Custodian's recordkeeping responsibilities.

10.06 **Allocation of Responsibility** – Neither the Custodian nor any other party providing services to the Custodial Account will have any responsibility for rendering advice with respect to the investment and reinvestment of the Custodial Account, nor shall such parties be liable for any loss or diminution in value which results from the Donor's initial or the Student's subsequent exercise of investment control over the Custodial Account. Donor will have and exercise exclusive responsibility for the initial investment of the assets of the Custodial Account. Thereafter Student shall have and exercise exclusive responsibility for and control over the investment of the assets of the Custodial Account. Neither Custodian nor any other party shall have any duty to question directions in that regard or to advise regarding the purchase, retention or sale of shares of one or more Funds for the Custodial Account.

10.07 **Appointment of Investment Advisor** – The Student may in writing appoint an investment advisor with respect to the Custodial Account on a form acceptable to the Custodian and the Service Company. The investment advisor's appointment will be in effect until written notice to the contrary is received by the Custodian and the Service Company. While an investment advisor's appointment is in effect, the investment advisor may issue investment directions or may issue orders for the sale or purchase of shares of one or more Funds to the Service Company, and the Service Company will be fully protected in carrying out such investment directions or orders to the same extent as if they had been given by the Student.

The Student's appointment of any investment advisor will also be deemed to be instructions to the Custodian and the Service Company to pay such investment advisor's fees to the investment advisor from the Custodial Account hereunder without additional authorization by the Student or the Custodian.

10.08 **Distributions** –

(a) **Responsibility for Distributions.** Distribution of the assets of the Custodial Account shall be made at such time and to such person or entity as the Student shall elect by written order to the Custodian. The Student will be responsible for (and the Custodian will have no responsibility for) including and reporting any distribution from the Custodial Account in the gross income of the Student in a manner consistent with the requirements of Code section 72 and Code Section 530 (which sections provide that distributions shall be considered to consist partly of principal contributions and partly of earnings and appreciation (or depreciation) in value) and any other applicable Code requirements. In general, the portion of a withdrawal considered to be principal is not subject to income tax, and the portion considered to be earnings and appreciation is generally subject to income tax and a potential penalty tax unless such withdrawal is used to pay the qualified education expenses of the Student (as defined in Code Section 530) and such qualified education expenses for the tax year are not less than the aggregate withdrawals from the Custodial Account during the tax year. In addition, such Code sections provide that, if the aggregate withdrawals exceed the qualified education expenses for the Student for that year, the amount that must be included as income for tax purposes is determined by first determining the ratio that the qualified education expenses bear to the actual withdrawal. The portion of the withdrawal that is potentially subject to taxation – the amount of earnings or appreciation – is then multiplied by that percentage amount. The resultant sum is the amount excludable from income.

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Notwithstanding the foregoing general information about the tax treatment of distributions from the Custodial Account, the Student will be responsible for properly reporting and, to the extent applicable, paying income taxes or applicable penalties on, any distribution from the Custodial Account.

(b) **Taxability of Distributions.** Student acknowledges that any distribution of a taxable amount from the Custodial Account (except for distributions specified in Code Section 530, including distribution on account of Student's disability or death, return of an "excess contribution" referred to in Code Section 530(d)(4)(C), a "rollover" from this Custodial Account, or distributions made on account of a qualified scholarship, allowance or payment described in Code section 25A(g)(2)), may subject Student to an additional tax on distributions under Code Section 530(d)(4). For these purposes, Student will be considered disabled if Student can prove, as provided in Code Section 72(m)(7), that Student is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or be of long-continued and indefinite duration. Neither the Custodian nor any other party providing services to the Custodial Account assumes any responsibility for monitoring or approving the purposes for which such distributions are used, nor for the tax treatment accorded any distribution from the Custodial Account; such responsibility rests solely with the person ordering or receiving the distribution.

(c) **Distribution Requirements at age 30.** Any balance remaining in the Custodial Account when the Student attains age 30 is, pursuant to Code Section 530, to be distributed to the Student. The Student has the responsibility to notify the Custodian to make such distribution and the Student will be responsible for any tax consequences of not so directing the Custodian. However, the Custodian may, based upon its records, make a distribution to the Student upon the Student's attaining age 30, and/or the Custodian may report the balance in the Custodial Account at such time as a "deemed distribution" and thereafter maintain the Custodial Account as a taxable account (not an Education Savings Account), and/or the Custodian may take any other action required by law or by the IRS, and the Custodian will have no responsibility for any of the foregoing actions. This Section 10.08(c) shall not apply if the Student is a Special Needs Student. The Custodian may rely on any statement or certification (in the Adoption Agreement or other writing) filed with the Custodian to the effect that the Student is a Special Needs Student.

(d) **Designated Beneficiary.** Upon the death of the Student, if a member of the Student's family (as defined in Code Section 529) who is under age 30 at the time of the Student's death or a Special Needs Student is the Designated Beneficiary for the Custodial Account, the Custodial Account will continue to be maintained as an Education Savings Custodial Account for the benefit of the Designated Beneficiary (who thereupon will be entitled to be treated as the Student hereunder; and, upon proper notification to the Custodian of the original Student's death, the Custodian will treat the Designated Beneficiary as the Student for purposes of administering the Custodial Account). If the Designated Beneficiary at the time of the Student's death is not a family member of the Student who is either under age 30 or a Special Needs Student, the Designated Beneficiary will be entitled to receive the remaining balance in the Custodial Account and any withdrawal by such Designated Beneficiary will be a taxable distribution (and reported as such by the Custodian in accordance with applicable regulations). If not withdrawn by the Designated Beneficiary within 30 days after the Student's death, the balance in the Custodial Account will be reported by the Custodian as a "deemed distribution" to the Designated Beneficiary in accordance with applicable regulations, and the Custodian may thereafter maintain the Custodial Account as a taxable account (not an Education Savings Account). If there is no Designated Beneficiary, any balance remaining in the Custodial Account will be distributed to the Student's estate in the manner required by Code Section 530, and the Custodian will have no responsibility for making such a distribution, or for not making such distribution in the absence of instructions to do so from the legal representative of the Student's estate, and/or the Custodian may report the balance in the Student's Custodial Account at death as a "deemed distribution" and thereafter maintain the Custodial Account as a taxable account, and the Custodian will have no responsibility for so doing.

The Parent (in the event the deceased Student was a minor at the time of death) or the executor or other representative of the Student's estate (if the deceased Student was not a minor at the time of death) has the responsibility to notify the Custodian of the Student's death as soon as practicable.

In the event that the Custodian continues to maintain the Custodial Account as an Education Savings Account for the benefit of the Designated Beneficiary under the first sentence of the preceding paragraph, the deceased Student's Parent will continue to be the Parent for purposes of the Custodial Account and to discharge the rights and responsibilities of the Student hereunder until the Designated Beneficiary (as the new Student for the Custodial Account) reaches the age of majority in the state of his or her residence and notifies the Custodian in accordance with this Agreement that the Student is assuming control of the Custodial Account. However, the Parent may in writing to the Custodian designate a new Parent, providing such information concerning a new Parent and such acceptance of designation by the new Parent as the Custodian may request, the Custodian will thereupon treat the new Parent as the Parent for purposes of administration of the Custodial Account.

Despite any contrary provision of this Agreement, the Custodian may disregard the express terms of a Beneficiary designation under this Section 10.08(d) and pay over the balance of the deceased Depositor's interest in his or her Custodial Account to a different person, trust, estate or other beneficiary, where the Custodian determines, in the reasonable and good faith exercise of its discretion, that an applicable state law, court decree or other ruling governing the disposition or appointment of property incident to a divorce or other circumstance affecting inheritance rights so requires and if the Custodian has knowledge of the facts that may invalidate the designation of such Beneficiary.

10.09 **Distribution Instructions** – The Custodian assumes (and shall have) no responsibility to make any distribution or process any withdrawal request except upon the written order of Student containing such information as the Custodian may reasonably request (provided that the Custodian may make distributions on its own initiative to the extent specifically provided for in Section 10.08). Also, before making any distribution or honoring any assignment of the Custodial Account, Custodian shall be furnished with any and all applications, certificates, tax waivers, signature guarantees and other documents (including proof of any legal representative's authority) deemed necessary or advisable by Custodian, but Custodian shall not be responsible for complying with any order or instruction which appears on its face to be genuine, or for refusing to comply if not

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satisfied it is genuine and in good order, and Custodian has no duty of further inquiry. Any distributions from the Custodial Account may be mailed, first-class postage prepaid, to the last known address of the person or entity who is to receive such distribution, as shown on the Custodian's records, and such distribution shall to the extent thereof completely discharge the Custodian's liability for such payment.

10.10 **Tax Reporting Responsibilities** – The Student agrees to provide information to the Custodian at such time and in such manner as may be necessary for the Custodian to prepare any reports required under Section 530(h) or other provision of the Code.

(a) The Custodian or the Service Company will submit reports to the Internal Revenue Service and the Student at such time and manner and containing such information as is prescribed by the Internal Revenue Service.

(b) The Student, Custodian and Service Company shall furnish to each other such information relevant to the Custodial Account as may be required under the Code and any regulations issued or forms adopted by the Internal Revenue Service thereunder or as may otherwise be necessary for the administration of the Custodial Account.

(c) The Student and/or the Donor shall file any reports to the Internal Revenue Service which are required of either of them by law, and neither the Custodian nor Service Company shall have any duty to advise either concerning or monitor either's compliance with such requirement.

10.11 **Amendments** –

(a) Student retains the right to amend this Custodial Account document in any respect at any time, effective on a stated date which shall be at least 60 days after giving written notice of the amendment (including its exact terms) to Custodian by registered or certified mail, unless Custodian waives notice as to such amendment. If the Custodian does not wish to continue serving as such under this Custodial Account document as so amended, it may resign in accordance with Section 10.15 below.

(b) Student delegates to the Custodian the Student's right so to amend, provided (i) the Custodian does not change the investments available under the Custodial Agreement (other than an amendment to reflect any change in the Funds available hereunder made by the Sponsor) and (ii) the Custodian amends in the same manner all agreements comparable to this one, having the same Custodian, permitting comparable investments, and under which such power has been delegated to it; this includes the power to amend retroactively if necessary or appropriate in the opinion of the Custodian in order to conform this Custodial Account to pertinent provisions of the Code and other laws or successor provisions of law, or to obtain a governmental ruling that such requirements are met, to adopt a prototype or master form of agreement in substitution for this Agreement, or as otherwise may be advisable in the opinion of the Custodian. Such an amendment by the Custodian shall be communicated in writing to Student, and Student shall be deemed to have consented thereto unless, within 30 days after such communication to Student is mailed, Student either (i) gives Custodian a written order for a complete distribution or transfer of the Custodial Account, or (ii) removes the Custodian and appoints a successor under Section 10.15 below.

Pending the adoption of any amendment necessary or desirable to conform this Custodial Account document to the requirements of the Code, or any amendment thereto or to any applicable provision of the regulations or rulings thereunder, the Custodian and the Service Company may operate the Student's Custodial Account in accordance with such requirements to the extent that the Custodian and/or the Service Company deem necessary to preserve the tax benefits of the Custodial Account or otherwise necessary to meet all legal requirements, and the Custodian and/or Service Company shall have no liability for so doing.

(c) Notwithstanding the provisions of subsections (a) and (b) above, no amendment shall increase the responsibilities or duties of Custodian without its prior written consent.

This Section 10.11 shall not be construed to restrict the Custodian's right to substitute fee schedules in the manner provided by Section 10.14 below, and no such substitution shall be deemed to be an amendment of this Agreement.

10.12 **Terminations** –

(a) This Agreement shall terminate and have no further force and effect upon a complete distribution of the Custodial Account to the Student (or his or her Beneficiaries) or to a successor custodian or trustee in accordance with the instructions provided to the Custodian by the Student. In addition, the Sponsor shall have the right to terminate this Agreement and instruct the Custodian to distribute the Custodial Account upon thirty (30) days notice to the Custodian and the Student (or his or her Beneficiaries if the Student is deceased). In the event of such termination by the Sponsor, the Custodian shall transfer the entire amount in the Custodial Account to a successor custodian or trustee as the Student (or his or her Beneficiaries) shall instruct or shall distribute the Custodial Account to the Student (or his or her Beneficiaries) if so directed. If, at the end of such thirty (30) day period, the Student (or his or her Beneficiaries) has not directed the Custodian to transfer or distribute the amount in the Custodial Account as described above then the Student (or his or her Beneficiaries) will be deemed to have directed the Custodian to distribute any amount remaining in the Custodial Account to (i) the Student (or to his or her Beneficiaries as their interests shall appear on file with the Custodian) or, (ii) if the Student is deceased with no Beneficiaries on file with the Custodian, then to the Student's estate, subject to the Custodian's right to reserve funds as provided in Section 10.15(b). The Sponsor and the Custodian will be fully protected in making any and all such distributions pursuant to this Section 10.12(a). The Student (or his or her Beneficiaries) shall be fully responsible for any taxes due on such distribution.

(b) Sections 10.13(f), 10.15(b) and 10.15(c) hereof shall survive the termination of the Custodial Account and this document, and Custodian shall be relieved from all further liability hereunder or with respect to the Custodial Account and all assets thereof so distributed.

10.13 **Responsibilities of Custodian and Service Providers** –

(a) In its discretion, the Custodian may appoint one or more contractors or service providers to carry out any of its functions and may compensate them from the Custodial Account for expenses attendant to those functions.

(b) The Service Company shall be responsible for receiving all instructions, notices, forms and remittances from Student and for dealing with or forwarding the same to the transfer agent for the Fund(s).

(c) The parties do not intend to confer any fiduciary duties on Custodian or Service Company (or any other party providing services to the Custodial Account), and none shall be implied. Neither shall be liable (or assumes any responsibility) for the collection of contributions, the proper amount, time or tax treatment of any contribution to the Custodial Account or the propriety of any contributions under this Agreement, or the

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purpose, time, amount (including any required distribution amounts), tax treatment or propriety of any distribution hereunder, which matters are the sole responsibility of Student.

(d) Not later than 60 days after the close of each calendar year (or after the Custodian's resignation or removal), the Custodian or Service Company shall file with Student a written report or reports reflecting the transactions effected by it during such period and the assets of the Custodial Account at its close. Upon the expiration of 60 days after such a report is sent to Student, the Custodian or Service Company shall be forever released and discharged from all liability and accountability to anyone with respect to transactions shown in or reflected by such report except with respect to any such acts or transactions as to which Student shall have filed written objections with the Custodian or Service Company within such 60-day period.

(e) The Service Company shall deliver, or cause to be delivered by mail or electronically, to Student all notices, prospectuses, financial statements and other reports to shareholders, proxies and proxy soliciting materials relating to the shares of the Funds(s) credited to the Custodial Account. The Custodian shall vote any shares held in the Account in accordance with the timely written instructions of the Depositor if received. If no timely written voting instructions are received from the Depositor, the Depositor agrees that the Custodian may vote such unvoted shares as instructed by the Sponsor, which may include voting in the same proportion of shares of the Fund for which written voting instructions were timely received by the Fund (or its agent) from the Fund's other shareholders or in accordance with the recommendations of the Fund's board of directors in the relevant proxy soliciting materials. In the latter case, the Custodian shall have no responsibility to separately review or evaluate the Fund's board of directors' voting recommendations nor have any liability for following the Depositor's instruction to follow the Fund's board of directors' recommendation.

(f) Student and Parent shall always fully indemnify Service Company, Sponsor, Distributor, the Fund(s) and Custodian, and shall defend and save them harmless from any and all liability whatsoever which may arise either (i) in connection with this Agreement and the matters which it contemplates, except that which arises directly out of the Service Company's, Distributor's, Fund's, Sponsor's or Custodian's bad faith, gross negligence or willful misconduct, (ii) with respect to making or failing to make any distribution, other than for failure to make distribution in accordance with an order therefor which is in good order and in full compliance with Section 10.08, or (iii) actions taken or omitted in good faith by such parties. Neither Service Company nor Custodian shall be obligated or expected to commence or defend any legal action or proceeding in connection with this Agreement or such matters unless agreed upon by that party and Student, and unless fully indemnified for so doing to that party's satisfaction. The Custodian's acceptance of the contributions to this Custodial Account is expressly conditioned upon Parent's and Student's agreement with the foregoing, and with all other provisions of this Agreement. Exercise of any right, duty or responsibility by Parent (or Student, as the case may be) in connection with the Student's Custodial Account shall be deemed to constitute acceptance of this condition.

(g) The Custodian and Service Company shall each be responsible solely for performance of those duties expressly assigned to it in this Agreement, and neither assumes any responsibility as to duties assigned to anyone else hereunder or by operation of law.

(h) The Custodian and Service Company may each conclusively rely upon and shall be protected in acting upon any written order from Student, or any investment advisor appointed under Section 10.07, or any other notice, request, consent, certificate or other instrument or paper believed by it to be genuine and to have been properly executed, and so long as it acts in good faith, in taking or omitting to take any other action in reliance thereon. In addition, Custodian will carry out the requirements of any apparently valid court order relating to the Custodial Account and will incur no liability or responsibility for so doing.

10.14 **Fees and Expenses** –

(a) The Custodian, in consideration of its services under this Agreement, shall receive the fees specified on the applicable fee schedule. The fee schedule originally applicable shall be the one specified in the Adoption Agreement or Disclosure Statement, as applicable. The Custodian may substitute a different fee schedule at any time upon 30 days' written notice to Student. The Custodian shall also receive reasonable fees for any services not contemplated by any applicable fee schedule and either deemed by it to be necessary or desirable or requested by Student.

(b) Any income, gift, estate and inheritance taxes and other taxes of any kind whatsoever, including transfer taxes incurred in connection with the investment or reinvestment of the assets of the Custodial Account, that may be levied or assessed in respect to such assets, and all other administrative expenses incurred by the Custodian in the performance of its duties (including fees for legal services rendered to it in connection with the Custodial Account) shall be charged to the Custodial Account. If the Custodian is required to pay any such amount, the Student shall promptly upon notice thereof reimburse the Custodian.

(c) All such fees and taxes and other administrative expenses charged to the Custodial Account shall be collected either from the amount of any contribution or distribution to or from the Custodial Account, or (at the option of the person entitled to collect such amounts) to the extent possible under the circumstances by the conversion into cash of sufficient shares of one or more Funds held in the Custodial Account (without liability for any loss incurred thereby). Notwithstanding the foregoing, the Custodian or Service Company may make demand upon the Student for payment of the amount of such fees, taxes and other administrative expenses. Fees which remain outstanding after 60 days may be subject to a collection charge.

10.15 **Resignation or Replacement of Custodian** –

(a) Upon 30 days' prior written notice to the Custodian, Student or Sponsor, as the case may be, may remove it from its office hereunder. Such notice, to be effective, shall designate a successor custodian and shall be accompanied by the successor's written acceptance. The Custodian also may, but is not required to, at any time resign upon 30 days' prior written notice to Sponsor, whereupon Sponsor shall notify the Student, and shall appoint a successor to the Custodian. In connection with its removal or resignation hereunder, the Custodian may, but is not required to, designate a successor custodian by written notice to the Student or Sponsor, if neither the Sponsor nor Student (or Beneficiary) designate a successor custodian, and the Student or Sponsor will be deemed to have consented to such successor unless the Student or Sponsor designates a different successor custodian and provides written notice thereof together with such different successor's written acceptance by such date as the Custodian specifies in its original notice to the Student or Sponsor

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(provided that the Student will have a minimum 30 days to designate a different successor).

(b) The successor custodian shall be a bank, insured credit union, or other person satisfactory to the Secretary of the Treasury under Code Section 530(b)(b)(1)(B)(B). Upon receipt by Custodian of written acceptance by its successor of such successor's appointment, Custodian shall transfer and pay over to such successor the assets of the Custodial Account and all records (or copies thereof) of Custodian pertaining thereto, provided that the successor custodian agrees not to dispose of any such records without the Custodian's consent. Custodian is authorized, however, to reserve such sum of money or property as it may deem advisable for payment of all its fees, compensation, costs, and expenses, or for payment of any other liabilities constituting a charge on or against the assets of the Custodial Account or on or against the Custodian, with any balance of such reserve remaining after the payment of all such items to be paid over to the successor custodian.

(c) No custodian shall be liable for the acts or omissions of its predecessor or its successor.

10.16 **Applicable Code** – References herein to the "Internal Revenue Code" or "Code" and sections thereof shall mean the same as amended from time to time, including successors to such sections.

10.17 **Delivery of Notices** – Except where otherwise specifically required in this Agreement, any notice from Custodian to any person provided for in this Agreement shall be effective when sent by first-class mail to such person at that person's last address on the Custodian's records.

10.18 **Exclusive Benefit** –Student shall not have the right or power to anticipate any part of the Custodial Account or to sell, assign, transfer, pledge or hypothecate any part thereof. The Custodial Account shall not be liable for the debts of Student or subject to any seizure, attachment, execution or other legal process in respect thereof except to the extent required by law. At no time shall it be possible for any part of the assets of the Custodial Account to be used for or diverted to purposes other than for the exclusive benefit of the Student except to the extent required by law.

10.19 **Applicable Law/Interpretation** – When accepted by the Custodian, this Agreement is accepted in and shall be construed and administered in accordance with the laws of the state where the principal office of the Custodian is located. Any action involving the Custodian brought by any other party must be brought in such state.

This Agreement is intended to qualify under Code Section 530 as an Education Savings Account and to entitle Student to the tax benefits thereof, and if any provision hereof is subject to more than one interpretation or any term used herein is subject to more than one construction, such ambiguity shall be resolved in favor of that interpretation or construction which is consistent with that intent.

However, the Custodian shall not be responsible for whether or not such intentions are achieved through use of this Agreement, and Student is referred to Student's attorney for any such assurances.

10.20 **Professional Advice** – Student (or Donor) should seek advice from Student's (or Donor's) attorney regarding the legal consequences (including but not limited to federal and state tax matters) of entering into this Agreement, making contributions to the Custodial Account, and ordering Custodian to make distributions from the Custodial Account. Student (and Donor) acknowledges that Custodian and Service Company (and any company associated therewith) are prohibited by law from rendering such advice.

10.21 **Definition of Written Notice** – If any provision of any document governing the Custodial Account provides for notice, instructions or other communication from one party to another in writing, to the extent provided for in the procedures of the Custodian, Service Company or another party, any such notice, instructions or other communications may be given by telephonic, computer, other electronic or other means, and the requirement for written notice will be deemed satisfied.

10.22 **Governing Document** – This Agreement and the Adoption Agreement signed by Student or Donor (as either may be amended) are the documents governing the Student's Custodial Account. Articles I through IX are in the form promulgated by the Internal Revenue Service in Form 5305-EA for use in establishing and maintaining an Education Savings Account under Code Section 530. If the Internal Revenue Service amends such form, the Custodian will amend this Agreement accordingly, and the Student specifically consents to such amendment in accordance with Section 10.11(b) hereof. In addition, if there is any change in the legal requirements applicable to Education Savings Accounts, pending the adoption by the Internal Revenue Service of a revised Form 5305-EA, the Custodial Account may be operated in accordance with such changed legal requirements, notwithstanding that such operation may be in conflict with the unrevised version of Form 5305-EA.

10.23 **Representations by Donor and/or Student** – The Donor and/or Student acknowledges that he or she has received and read the current prospectus for each Fund in which the Custodial Account is invested and the Coverdell Education Savings Custodial Account Disclosure Statement related to the Custodial Account. The Donor and Student each represent under penalties of perjury that his or her Social Security number (or other Taxpayer Identification Number) as stated in the Adoption Agreement is correct.

GENERAL INSTRUCTIONS

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

WHAT'S NEW

Military death gratuity – Families of soldiers who receive military death benefits may contribute, subject to certain limitations, up to 100 percent of such benefits into an educational savings account. Publication 970, *Tax Benefits for Education*, explains the rules for rolling over the military death gratuity and lists eligible family members.

PURPOSE OF FORM

Form 5305-EA is a model custodial account agreement that meets the requirements of section 530(b)(1) and has been pre-approved by the IRS. A Coverdell education savings account (ESA) is established after the form is fully executed by both the depositor and the custodian. This account must be created in the United States for the exclusive purpose of paying the qualified elementary, secondary, and higher education expenses of the designated beneficiary.

If the model account is a trust account, see **Form 5305-E**, Coverdell Education Savings Trust Account.

Do not file Form 5305-EA with the IRS. Instead, the depositor must keep the completed form in its records.

IDENTIFICATION NUMBERS

The depositor and designated beneficiary's social security numbers will serve as their identification numbers. If the depositor is a nonresident alien and does not have an identification number, write "Foreign" on the return for which is filed to report the depositor's information. The designated beneficiary's social security number is the identification number of his or her

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Coverdell ESA. If the designated beneficiary is a nonresident alien, the designated beneficiary's individual taxpayer identification number is the identification number of his or her Coverdell ESA. An employer identification number (EIN) is required only for a Coverdell ESA for which a return is filed to report unrelated business income. An EIN is required for a common fund created for Coverdell ESAs.

SPECIFIC INSTRUCTIONS

Note: *The age limitation restricting contributions, distributions, rollover contributions, and change of beneficiary are waived for a designated beneficiary with special needs.*

Article X – Article X and any that follow may incorporate additional provisions that are agreed to by the depositor and custodian to complete the agreement. They may include, for example, provisions relating to: definitions, investment powers, voting rights, exculpatory provisions, amendment and termination, removal of the custodian, custodian's fees, state law requirements, treatment of excess contributions, and prohibited transactions with the depositor, designated beneficiary, or responsible individual, etc. Attach additional pages as necessary.

Optional Provisions in Article V and Article VI – Form 5305-EA may be reproduced in a manner that provides only those optional provisions offered by the custodian.

DISCLOSURE STATEMENT

REQUIREMENTS OF A COVERDELL ESA

A. **Cash Contributions –** A Coverdell ESA contribution must be in cash.

B. **Maximum Contribution –** The total amount that may be contributed to any and all Coverdell ESAs on behalf of a designated beneficiary is $2,000 per year, excluding rollover and transfer contributions.

Contributions may not be made to a Coverdell ESA after the designated beneficiary's 18th birthday, except in the case of a special needs beneficiary.

The Coverdell ESA contribution that may be made by a depositor is further limited if the depositor's modified adjusted gross income (MAGI) exceeds $190,000 and he or she is a married individual filing jointly ($95,000 for single taxpayers). Married individuals filing jointly with MAGI exceeding $220,000 may not fund a Coverdell ESA. Single individuals with MAGI exceeding $110,000 may not fund a Coverdell ESA. The MAGI limits apply only to depositors that are individuals.

If the depositor is married filing jointly with MAGI between $190,000 and $220,000, the maximum Coverdell ESA contribution is determined as follows: (1) subtract the depositor's MAGI from $220,000, (2) divide the difference by $30,000, and (3) multiply the result in step (2) by $2,000. For example, if the depositor's MAGI is $205,000, the maximum Coverdell ESA contribution that may be made by such depositor is $1,000. This amount is determined as follows: [($220,000 minus $205,000) divided by $30,000] multiplied by $2,000.

If the depositor is a single tax filer with MAGI between $95,000 and $110,000, the maximum Coverdell ESA contribution is determined as follows: (1) subtract the depositor's MAGI from $110,000, (2) divide the difference by $15,000, and (3) multiply the result in step (2) by $2,000. For example, if the depositor's MAGI is $98,000, the maximum Coverdell ESA contribution that may be made by such depositor is $1,600. This amount is determined as follows: [($110,000 minus $98,000) divided by $15,000] multiplied by $2,000.

The Coverdell ESA contribution that may be made by a depositor is not limited by contributions made by the depositor to Traditional or Roth IRAs. In addition, there is no earned income requirement to be eligible to contribute to a Coverdell ESA. There is no requirement that the depositor be related to the designated beneficiary in order to make contributions. In addition, the designated beneficiary may contribute to his or her own Coverdell ESA.

C. **Establishing An Education Savings Account** – This Disclosure Statement contains information about an education savings custodial account with UMB Bank, n.a. as custodian. An Education Savings Account provides several tax benefits. While contributions to an Education Savings Account are not deductible to the contributor, dividends on and growth of the assets held in the Education Savings Account are not subject to federal income tax. Withdrawals from an Education Savings Account are excluded from income for federal income tax purposes if used for qualified education expenses (described below). State income tax treatment of your Education Savings Account may differ from federal treatment; ask your state tax department or your personal tax advisor for details.

Regular annual contributions to Education Savings Accounts must be made in cash, on behalf of a designated individual (the "student") who is less than 18 years old at the time of the contribution, and rollover contributions must be made on behalf of a student who is less than age 30 at the time of the rollover. These age restrictions do not apply to a Student who is a special needs student (defined below). The trustee or custodian must be a bank or other person who has been approved by the Secretary of the Treasury. Contributions may not be invested in life insurance or be commingled with other property except in a common trust or investment fund. The student's interest in the account must be non-forfeitable at all times. Upon the death of the student, the account may pass to a beneficiary who has been designated as such and who is a qualifying member of the student's family (this is explained below). If the account does not pass to such a beneficiary, any balance in the account should be withdrawn by the appropriate representative of the student's estate within 30 days of the date of death (if not so withdrawn, the taxable amount will nevertheless be treated for income tax purposes as if it had been withdrawn). You may obtain further information on Education Savings Accounts from any district office of the Internal Revenue Service.

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The donor (the person who establishes the custodial account) may revoke a newly established Education Savings Account at any time within seven days after the date on which he or she receives this Disclosure Statement. An Education Savings Account established more than seven days after the date of receipt of this Disclosure Statement may not be revoked. To revoke the Education Savings Account, mail or deliver a written notice of revocation to the custodian at the address which appears at the end of this Disclosure Statement. Mailed notice will be deemed given on the date that it is postmarked (or, if sent by certified or registered mail, on the date of certification or registration). If the Education Savings Account is revoked within the seven-day period, the donor will receive payment of the entire amount originally contributed into the Education Savings Account, without adjustment for such items as sales charges, administrative expenses or fluctuations in market value.

An Education Savings Account is established on behalf of the student and is controlled by the student (or parent). The donor making a contribution, if not the student or parent, may designate the initial investments in the Education Savings Account, but shall have no further rights, interests or obligations related to the Education Savings Account, except that he or she can make additional contributions, subject to the limits described below.

The Adoption Agreement must be signed by the donor, and any and all forms, applications, certifications and other documents must be signed by the parent if the student has not yet reached the age of majority recognized by the laws of the state of student's residence ("age of majority").

While the student remains a minor, the parent identified in the Adoption Agreement will exercise all of the rights and responsibilities of the student, including the selection and exchange of fund shares in which the Education Savings Account is invested. The custodian's acceptance of the contribution to this Education Savings Account is conditioned on agreement by the parent of any student who is a minor to be bound by all of the terms and conditions of this Disclosure Agreement and the provisions set out in Articles I-X of the Custodial Account Agreement. The student may notify the custodian in writing that he or she has reached the age of majority in the state where the student then resides (and provide any documentation the custodian may request verifying the fact that he or she has attained such age). Upon receiving such request (and documentation, if requested), the custodian will recognize the student as the individual controlling the custodial account with power to exercise all rights and responsibilities related to the Education Savings Account, and the parent will thereafter have no control or power over the custodial account. **NOTE**: *The Custodian is under no obligation to determine whether any parent actually holds the legal right and capacity to direct or control a student's Education Savings Account.*

D. **Fees and Expenses**

Custodian's fees

The following is a list of the fees charged by the custodian for maintaining your Education Savings Account:

Account installation fee	$0.00
Annual maintenance fee per mutual fund	$15.00
Termination, rollover, or transfer or accounts to successor custodian	$0.00

General fee policies

Fees may be paid by you directly or the custodian may deduct them from your Education Savings Account.

Fees may be changed upon 30 days written notice to you.

The full annual maintenance fee will be charged for any calendar year during which you have an Education Savings Account with us. This fee is not prorated for periods of less than one full year.

If provided for in the Disclosure Statement or Adoption Agreement, termination fees are charged when your custodial account is closed whether the funds are distributed to you or transferred to a successor custodian or trustee.

The custodian may charge you for its reasonable expenses for services not covered by its fee schedule.

Other charges

There may be sales or other charges associated with the purchase or redemption of shares of a fund in which your Education Savings Account is invested. Before investing, be sure to read carefully the current prospectus of any fund you are considering as an investment for your Education Savings Account for a description of applicable charges.

E. **Contributions –**

Who may contribute to an Education Savings Account?

Anyone, including the Student, may open and contribute to an Education Savings Account established on the student's behalf, as long as the student is less than 18 at the time of the contribution or is a special needs student. Contributions (subject to the limitations described below) may be made for the benefit of a student who is a special needs student, irrespective of his or her age. The person making the contribution—the "donor"—can be anyone, even the student; the donor does not have to be related to the student. The donor may also be a corporation or other entity.

A "special needs student" is a student who, because of a physical, mental or emotional condition (including a demonstrable learning disability), requires additional time to complete his or her education. Any requirements for being a special needs student specified in any IRS regulations or rulings defining this term must also be satisfied.

Are contributions to an Education Savings Account tax deductible?

Contributions to an Education Savings Account are not deductible. This is a major difference between Education Savings Accounts and traditional IRAs.

When can contributions be made to an Education Savings Account?

A contribution by an individual donor may be made by the due date (without extensions) of the individual's federal income tax return for that year. Typically this will be April 15 of the following year.

Also, if the donor is a corporation or another entity (not an individual), the contribution due date for any year is December 31 of that year.

How much may be contributed to an Education Savings Account?

Donors may contribute up to $2,000 in a calendar year for the benefit of any one student. For example, if Uncle Joe contributes $1,300 to a UMB Bank, n.a. Education Savings Account on behalf of Bobby, his nephew, all other contributions made on behalf of Bobby by Uncle Joe or any other potential donor (such as parents or grandparents) to this or any other Education Savings Account, are limited to $700 for that tax year. **NOTE**: *The custodian is under no obligation, nor can it be, to determine whether the maximum limit for any student has been reached. It is the parent's responsibility to consult with the other parent or guardian to determine whether the maximum limits will be exceeded.*

For donors or other contributors who are individuals with high income levels, the contribution limits may be reduced below $2,000. This depends upon the donor's filing status and the amount of his or her modified adjusted gross income (MAGI). The following table shows how the contribution limits are restricted.

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F. **Investments** –

How are Education Savings Account contributions invested?
The donor indicates the initial investment elections on the Adoption Agreement. Thereafter, the student controls the investment by making choices among the available fund(s) in accordance with the fund rules. Investments must be in one or more of the fund(s) available from time to time as listed in the Adoption Agreement for the Education Savings Account or in an investment selection form provided with the Education Savings Account Adoption Agreement or from the fund distributor or service company. The investments of your Education Savings Account are directed by giving the investment instructions to the distributor or service company for the fund(s). Since the student controls the investment of the Education Savings Account, he or she is responsible for the investment results achieved; neither the custodian, the distributor nor the service company has any responsibility for any loss or diminution in value occasioned by your exercise of investment control. Transactions for the Education Savings Account will generally be at the applicable public offering price or net asset value for shares of the fund(s) involved next established after the distributor or the service company (whichever may apply) receives proper investment instructions from you; consult the current prospectus for the fund(s) involved for additional information.

Before making any investment, read carefully the current prospectus for any fund under consideration as an investment for the Education Savings Account. The prospectus will contain information about the fund's investment objectives and policies, as well as any minimum initial investment or minimum balance requirements and any sales, redemption or other charges.

Because you control the selection of investments for your Education Savings Account and because mutual fund shares fluctuate in value, the growth in value of the Education Savings Account cannot be guaranteed or projected.

Are there any restrictions on the use of the Education Savings Account assets?
The tax-exempt status of the Education Savings Account will be revoked if you engage in any of the prohibited transactions listed in Section 4975 of the tax code. Upon such revocation, the Education Savings Account is treated for income tax purposes as if it had distributed its assets to the student. The taxable portion of the amount in the Education Savings Account will be subject to income tax unless the requirements for a tax-free withdrawal are satisfied (see below). Also, you may be subject to a 10% penalty tax on the taxable amount.

What is a prohibited transaction?
Generally, a prohibited transaction is any improper use of the assets in your Education Savings Account. Some examples of prohibited transactions are:

- Direct or indirect sale or exchange of property between you and your Education Savings Account
- Transfer of any property from your Education Savings Account to yourself or from yourself to your Education Savings Account

The Education Savings Account could lose its tax exempt status if you use all or part of your interest in your Education Savings Account as security for a loan or borrow any money from your Education Savings Account. Any portion of your Education Savings Account used as security for a loan will be treated as a distribution in the year in which the money is borrowed. This amount may be taxable and you may also be subject to the 10% premature withdrawal penalty on the taxable amount.

G. **Tax Matters**

What reports does the custodian issue?
The custodian will report all withdrawals to the IRS and the recipient on the appropriate form. The custodian will also report "deemed distributions" from the account (described above).

The custodian will report to the IRS the year-end value of the account and the amount of any rollovers or regular contributions made for a calendar year.

What tax information must the student report to the IRS?
IRS Form 5329 must be filed with the IRS for each taxable year for which there is made an excess contribution or in which there is a withdrawal that is subject to the 10% penalty tax.

Are Education Savings Account withdrawals subject to withholding?
Federal income tax withholding requirements have not been established by the law or by IRS regulations or rulings. Consult your tax advisor or the IRS for the latest information on taxable withdrawals from an Education Savings Account.

Are the earnings on Education Savings Account funds taxed?
Any dividends on or growth of investments held in an Education Savings Account are generally exempt from federal income taxes and will not be taxed until withdrawn, unless the tax-exempt status of the Education Savings Account is revoked. If a withdrawal qualifies as a tax-free withdrawal (see above), amounts reflecting earnings or growth of assets in the Education Savings Account will not be subject to federal income tax.

H. **Account Termination –** The student may terminate the Education Savings Account at any time after its establishment by sending a completed withdrawal form (or other instructions in a form acceptable to the custodian), or a transfer authorization form, to:

UMB BANK, N.A.
The Commerce Funds, P.O. Box 219525, Kansas City, MO 64121-9525

An Education Savings Account with UMB Bank, n.a. will terminate upon the first to occur of the following:

- The date the student's properly executed withdrawal form or instructions (as described above) withdrawing the total Education Savings Account balance is received and accepted by the custodian.
- The date the Education Savings Account ceases to qualify under the tax code. This will be deemed a termination.
- The transfer of the Education Savings Account to another custodian/trustee.
- The rollover of the amounts in the Education Savings Account to another custodian/trustee.

Any outstanding fees must be received prior to such a termination of an Education Savings Account.

I. **Eligible Custodians –** The custodian of the Coverdell ESA must be a bank, savings and loan association, credit union, or person or entity approved by the Secretary of the Treasury.

J. **Commingling Assets –** The assets of the Coverdell ESA cannot be commingled with other property except in a common trust fund or common investment fund.

K. **Life Insurance –** No portion of the Coverdell ESA may be invested in life insurance contracts.

L. **Collectibles –** The assets of the Coverdell ESA may not be invested in collectibles (within the meaning of Internal Revenue Code (IRC) Sec. 408(m)). A collectible is defined as any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or other tangible personal property specified by the Internal Revenue Service (IRS). However, specially minted United States gold and silver coins, and

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certain state-issued coins are permissible investments. Platinum coins and certain gold, silver, platinum or palladium bullion (as described in IRC Sec. 408(m)(3)) are also permitted as Coverdell ESA investments.

M. **Required Distributions –** Except in the case of a special needs beneficiary, the assets of the Coverdell ESA are required to be distributed to the designated beneficiary within 30 days of the designated beneficiary's attainment of age 30. The designated beneficiary will be subject to both income tax and an additional 10 percent penalty tax on the portion of the distribution that represents earnings, if the designated beneficiary does not have any qualified education expenses in that year.

Any balance remaining in the Coverdell ESA upon the death of the designated beneficiary will be distributed within 30 days of the designated beneficiary's death, unless a death beneficiary is named and the death beneficiary is a qualified family member under age 30. If the death beneficiary is a qualified family member under age 30, that individual will become the designated beneficiary as of the date of death. Qualified family members include the designated beneficiary's child, grandchild, or stepchild, brother, sister, stepbrother, or stepsister, nephew or niece, parents, stepparents, or grandparents, uncle or aunt, spouses of all the family members listed above, cousin, and the designated beneficiary's spouse.

If a qualified family member becomes the designated beneficiary, the custodian, if it so chooses for any reason (e.g., due to limitations of its charter or bylaws), may require a total distribution of the Coverdell ESA by December 31 of the year following the year of the original designated beneficiary's death.

N. **Responsible Individual –** The responsible individual is generally the parent or guardian of the designated beneficiary. However, the financial organization may establish a policy that permits someone other than the designated beneficiary's parent or legal guardian to serve as the responsible individual. Unless otherwise indicated on the application, the responsible individual may not change the designated beneficiary. If the depositor has indicated on the application that the responsible individual may change the designated beneficiary, the responsible individual may change the designated beneficiary to another member of the designated beneficiary's family. The responsible individual will perform the following duties.

1. Receive a copy of the plan agreement and disclosure statement,
2. Direct the custodian regarding the investment of contributions, including the ability to redirect the investment of the initial contribution,
3. Direct the custodian regarding the administration, management and distribution of the account, unless the plan agreement indicates otherwise,
4. Name a successor responsible individual if the need arises,
5. Notify the custodian of any address change for the individuals identified on the plan agreement,
6. Remove excess contributions made to the Coverdell ESA.

INCOME TAX CONSEQUENCES OF ESTABLISHING A COVERDELL ESA

A. **Contributions Not Deducted –** No deduction is allowed for Coverdell ESA contributions, including transfer and rollover contributions.

B. **Contribution Deadline –** The deadline for making a Coverdell ESA contribution is the depositor's tax return due date (not including extensions).The depositor may designate a contribution as a contribution for the preceding taxable year in a manner acceptable to the custodian. For example, if the depositor is a calendar-year filer and makes a Coverdell ESA contribution on or before the tax filing deadline, the contribution is considered to have been made for the previous tax year if the depositor designates it as such.

C. **Excess Contributions –** An excess contribution is any amount that is contributed to the Coverdell ESA that exceeds the eligible contribution limit. If the excess is not corrected timely, an additional penalty tax of six percent will be imposed on the excess amount. The procedure for correcting the excess is determined by the timeliness of the correction as identified below.

1. **Removal Before the Deadline.** The responsible individual should remove the excess contribution along with the earnings attributable to the excess, before June 1 of the year following the year for which the excess was made. An excess withdrawn by this deadline is not taxable upon distribution, but the designated beneficiary must include the earnings attributable to the excess in his or her taxable income for the year in which the excess contribution was made. The six percent excess contribution penalty tax will be avoided.
2. **Failure to Remove Before the Deadline.** Excess Coverdell ESA contributions that are not removed before June 1 of the year following the year for which the excess was made, are treated as contributions for the next calendar year. If, however, additional contributions are made for that year and the total amount results in an excess, the excess amount will be subject to a six percent penalty tax if not removed timely.

   If additional contributions have been made for the next year, the amount of the excess equals the excess contribution for the current year, plus the excess contributions remaining from the preceding year, reduced by any distributions made during the current year.

The designated beneficiary must file IRS form 5329 to report and remit any additional penalty taxes to the IRS.

D. **Tax-Deferred Earnings –** The investment earnings of the Coverdell ESA are not subject to federal income tax as they accumulate in the Coverdell ESA. In addition, distributions of the Coverdell ESA earnings will be free from federal income tax if the distributions are taken to pay for qualified education expenses, as discussed below.

E. **Taxation of Distributions –** The taxation of distributions from the Coverdell ESA depends on whether or not the distributions are used for qualified education expenses.

1. **Qualified Education Expenses.** The designated beneficiary may take tax-free distributions from a Coverdell ESA to pay for elementary, secondary or post-secondary education expenses at an eligible educational institution. Such expenses include tuition, fees, books, supplies, special needs services, room and board, uniforms, transportation, academic tutoring and supplementary items or services (including extended day programs). Also qualifying are expenses for the purchase of computer technology or equipment, Internet access and related services, if such technology, equipment or services are to be used by the designated beneficiary or designated beneficiary's family during any of the years the designated beneficiary is in school. Qualified expenses may also include amounts contributed to a qualified tuition program.
2. **Nonqualifying Distributions.** If a designated beneficiary withdraws amounts from a Coverdell ESA that exceed the qualified education expenses for the same year, or the distributions are not used for qualified education expenses, a portion of the distributions will be taxable. The amount in excess of the qualified education expenses is taxable pro rata, based on the earnings and the basis in the account.

   In most cases of a nonqualified distribution, the taxable portion of a Coverdell ESA distribution is also subject to an additional 10

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percent penalty tax. There are several exceptions to the 10 percent penalty tax including distributions made payable

a. to a designated death beneficiary of the Coverdell ESA or to the estate of the designated beneficiary following the death of the designated beneficiary;

b. to the designated beneficiary if the designated beneficiary is disabled;

c. to the designated beneficiary if the designated beneficiary received a qualified scholarship, an educational assistance allowance or an excludable payment exception, but only to the extent the distribution is not more than the amount of the scholarship, allowance or excludable payment, and

d. to the designated beneficiary as a removal of excess along with the net income attributable.

3. **American Opportunity or Lifetime Learning Credits.** A designated beneficiary may claim the American Opportunity Credit (formerly the Hope Credit) or Lifetime Learning Credit on his or her federal income tax return in the same taxable year that a tax-free distribution from a Coverdell ESA is claimed, as long as the distribution(s) does not cover the same expenses claimed for the American Opportunity or Lifetime Learning Credit.

F. **Income Tax Withholding –** Any withdrawal from the Coverdell ESA is not subject to federal income tax withholding.

G. **Rollovers –** Coverdell ESA amounts may be rolled over to another Coverdell ESA of the same designated beneficiary or that of a qualified family member, provided that all of the applicable rollover rules are followed. Rollover is a term used to describe a tax-free movement of cash to a Coverdell ESA from another Coverdell ESA. The rollover rules are generally summarized below. These transactions are often complex. For questions regarding a rollover, please see a competent tax advisor.

1. **Coverdell ESA-to-Coverdell ESA Rollovers.** Assets distributed from a Coverdell ESA may be rolled over to another Coverdell ESA of the same designated beneficiary or that of a qualifying family member if the requirements of IRC Sec. 530(d)(5) are met. A proper Coverdell ESA-to-Coverdell ESA rollover is completed if all or part of the distribution is rolled over not later than 60 days after the distribution is received.

   Effective for distributions occurring on or after January 1, 2015, the responsible individual is permitted to roll over only one distribution from a Coverdell ESA in a 12-month period, regardless of the number of Coverdell ESAs owned by the designated beneficiary. A distribution may be rolled over to the same Coverdell ESA or to another Coverdell ESA that is eligible to receive the rollover. For more information on rollover limitations, you may wish to obtain IRS Publication 970, *Tax Benefits for Education*, from the IRS or refer to the IRS website at www.irs.gov.

2. **Qualified Family Member.** A Coverdell ESA may be rolled to another Coverdell ESA of the same designated beneficiary or to a Coverdell ESA maintained for the benefit of a qualified family member of the designated beneficiary, who is under the age of 30. The age 30 limitation does not apply to qualified family members who are special needs beneficiaries. Qualified family members of the designated beneficiary include the designated beneficiary's child, grandchild, or stepchild, brother, sister, stepbrother, or stepsister, nephew or niece, parents, stepparents, or grandparents, uncle or aunt, spouses of all the family members listed above, cousin, and designated beneficiary's spouse.

3. **Rollover of Military Death Benefits.** If a designated beneficiary receives or has received a military death gratuity or a payment from the Servicemembers' Group Life Insurance (SGLI) program, the designated beneficiary may be able to roll over the proceeds to the Coverdell ESA. The rollover contribution amount is limited to the sum of the death benefits or SGLI payment received, less any such amount that was rolled over to a Roth IRA. Proceeds must be rolled over within one year of receipt of the gratuity or SGLI payment for deaths occurring on or after June 17, 2008. Any amount that is rolled over under this provision is considered nontaxable basis in the Coverdell ESA.

LIMITATIONS AND RESTRICTIONS

A. **Gift Tax –** Transfers of Coverdell ESA assets to a death designated beneficiary made during the designated beneficiary's life and at his or her request or because of the designated beneficiary's failure to instruct otherwise, may be subject to federal gift tax under IRC Sec. 2501.

B. **Prohibited Transactions –** If the responsible individual engages in a prohibited transaction with the Coverdell ESA as described in IRC Sec. 4975, the Coverdell ESA will lose its tax-deferred status and the designated beneficiary must include the value of the earnings in his or her account in his or her gross income for the year.

C. **Pledging –** If the responsible individual pledges any portion of the Coverdell ESA as collateral for a loan, the amount so pledged will be treated as a distribution and may be included in the designated beneficiary's gross income for that year to the extent that it represents earnings.

OTHER

A. **IRS Plan Approval –** The agreement used to establish this Coverdell ESA has been approved by the IRS. The IRS approval is a determination only as to form. It is not an endorsement of the plan in operation or of the investments offered.

B. **Additional Information –** Additional information on Coverdell ESAs may be obtained from the District Office of the IRS. In particular IRS Publication 970, *Tax Benefits for Education*, may be obtained by calling 1-800-TAX-FORM, or by visiting www.irs.gov on the Internet.

C. **Important Information About Procedures for Opening a New Account –** To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial organizations to obtain, verify, and record information that identifies each person who opens an account. Therefore, when the depositor opens an account, he or she is required to provide his or her name, residential address, date of birth, and identification number. The custodian may require other information that will allow them to identify the depositor.

D. **Additional Information** – For additional information you may write to the following address or call the following telephone number:

The Commerce Funds, P.O. Box 219525, Kansas City, MO 64121-9525

1-800-995-6365

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