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INDIVIDUAL RETIREMENT ACCOUNT DISCLOSURE STATEMENT

1. Right to Revoke the Account. You have the right to revoke this Individual Retirement Account (IRA) within seven (7) days of receiving this Disclosure Statement. To revoke your IRA account, simply notify our representative who signed your IRA agreement. You must notify us in writing unless we designate otherwise. Written notice must be sent by first-class mail at the address listed on the application and will be accepted as of the date such notice is postmarked. If you revoke your IRA account, we will refund your entire IRA contribution. If you do not use this right within seven (7) days of the date you receive this Disclosure Statement, you have accepted the terms and conditions of the IRA agreement and may no longer revoke the IRA account.

2. Definitions. In this Disclosure Statement the terms “you,” “your,” or “IRA Owner” means the person who established the IRA. The terms “custodian,” “our,” “us,” or “we” shall mean the financial organization acting as the custodian of your IRA. The term “IRS” shall refer to the Internal Revenue Service. The term “IRA” shall mean Individual Retirement Account within the meaning of section 408 of the Code and shall also refer to your Custodial Account. The term “Roth IRA” shall mean a Roth Individual Retirement Account within the meaning of section 408A of the Code. The term “SIMPLE IRA” shall mean SIMPLE Retirement Account within the meaning of section 408(p) of the Code. The term “Code” shall mean the Internal Revenue Code.

3. Account Growth. Your IRA is self-directed, we will not take any action except at your written direction. Earnings and capital appreciation on investments chosen by you will depend on overall economic conditions and the success of that particular investment. **Earnings on these investments are not guaranteed by the Custodian and may or may not be reasonably projected.** For example, if the initial investment is a passbook, time deposit or money market account, the account projection can be made based on the current rate of earnings paid. On the other hand, if the initial investment is an investment security (stocks, bonds or mutual funds), the rate of growth of the earnings on these types of investments cannot be reasonably projected.

4. Eligibility for IRAs. This part of the disclosure explains your eligibility to establish and contribute to an IRA. This disclosure statement does not address your eligibility for other types of IRAs (Roth IRA, Education IRA, or SIMPLE IRA).

a. Regular Contributions. You must be under age 70½ and have “compensation” in order to contribute to an IRA. For tax years during or after which you reach age 70½ you are not allowed to contribute to an IRA. “Compensation” includes wages, tips, bonuses, taxable alimony, as well as other compensation received for personal services. (If you are self-employed, compensation is your net earnings from your trade or business reduced by your deduction for contributions made on your behalf to retirement plans and the deduction allowed for one-half of your self-employment taxes.) If you meet the above eligibility requirements, you may contribute up to 100% of your compensation or \$4,000, whichever is less. (*Caution: Contribution limit is coordinated with Roth IRA limit – see below*). Regular and spousal IRA contributions must be made by your tax filing due date excluding extensions. Please consult your tax adviser if you need additional assistance.

b. Spousal Contributions. You may make a contribution into your spouse’s IRA if you meet the special spousal IRA rules. You must be married, file a joint federal income tax return, the receiving spouse must be under age 70½ and the receiving spouse must earn less in compensation than the spouse making the contribution. The total combined contribution a couple can make each year to both IRAs is the smaller of \$8,000 or their combined compensation for the year. You can divide your total IRA contribution in any manner you choose, provided you do not contribute more than \$4,000 to either IRA. Your combined compensation equals the lesser-compensated spouse’s compensation plus the higher compensated spouse’s compensation (reduced by any IRA deduction). (*Caution: Contribution limit is coordinated with Roth IRA limit – see below*).

c. Coordination with Roth IRA. The amount you are eligible to contribute to your IRA is coordinated with the amount you may contribute to your Roth IRA. The maximum you are allowed to contribute to both

your IRA and your Roth IRA is \$2,000. Accordingly, if you make a Roth IRA contribution, that will reduce or eliminate your eligibility to make an IRA contribution.

d. Rollover, Transfer, SEP and SIMPLE Contributions. You may be eligible to roll over, directly roll over, or transfer your existing IRA, SIMPLE IRA, or qualified plan assets. The rules covering rollovers and transfers are discussed later in this disclosure statement. Simplified Employee Pension (SEP) plan contributions may also be made to this IRA. Your employer is responsible for verifying the SEP eligibility requirements and determining the contribution amount. SIMPLE contributions may not be made to this IRA, but instead must be contributed into a SIMPLE IRA. The IRS or your employer can provide additional information concerning SEP and SIMPLE eligibility.

5. Deductibility. You may or may not be allowed to deduct your IRA contribution on your income tax return. Whether or not you may deduct your contribution depends upon whether you or your spouse are active participants in an employer-maintained retirement plan, your income level, your income tax filing status and the tax year for which you are making the contribution. **Note:** Please refer to Publication 590 for charts on the breakdowns.

a. Active Participant. You are an “active participant” for a year if you are covered by a retirement plan. For example, if you are covered under a profit sharing plan, a 401(k) plan, a tax-sheltered annuity plan (403(b)), certain government plans, an SEP plan, a SIMPLE arrangement or a plan which promises you a retirement benefit which is based upon the number of years of service you have with the employer, you are likely to be an active participant. The W-2 Wage and Tax Statement, includes a box (the “Pension Plan” box) to indicate whether or not you are covered for the plan year. If you are not certain whether or not you are covered (an “active participant”) you should ask your employer or tax adviser.

b. MAGI. Your modified adjusted gross income (MAGI) is your adjusted gross income from your federal income tax return figured without taking into account any IRA deduction or any foreign earned income exclusion and housing exclusion (deduction), any Series EE bond interest from IRS Form 8815, any exclusion of employer-paid adoption expenses shown on Form 8839 or any traditional IRA deduction. See your tax adviser.

c. Single Filers. If you are single and are not an active participant, you may fully deduct your IRA contribution regardless of your income level. If you are an active participant, then your ability to deduct your contribution begins to be phased out at certain income levels. If your income is the same as or less than the “Low End” number for the applicable tax year, you may fully deduct your IRA contribution. If your income falls within the ranges stated then consult the Deduction

Calculation chart to calculate the amount you may deduct.

Note: For the current MAGI phaseout ranges refer to Publication 590.

d. Married Filers. If you are married, your ability to make a deductible contribution depends upon both you and your spouse’s “active participation” status as well as your income level, and income tax filing status.

1) Neither You Nor Your Spouse Are Active Participants. If neither you nor your spouse are active participants, you may fully deduct your IRA contribution regardless of your income.

2) You Are an Active Participant. If you are an active participant, your ability to deduct your IRA contribution begins to be phased out at certain income levels and also depends upon whether you file jointly or separately. This rule applies regardless of whether or not your spouse is an active participant. If your income is the same as or less than the “Low End” number for the applicable tax year, you may fully deduct your IRA contribution. If your income is the same as or above the “High End” then you are not entitled to deduct any amount of an IRA contribution. If your income falls within the ranges stated then see the Deduction Calculation chart to calculate the amount you deduct.

Note: For the current MAGI phaseout ranges refer to Publication 590.

3) You Are Not an Active Participant but Your Spouse Is. If you are not an active participant, but your spouse is an active participant, then your ability to deduct your IRA contribution begins to be phased out at \$150,000 if you file a joint return.

Note: For the current MAGI phaseout ranges refer to Publication 590.

e. Phaseout Calculation. If your income falls within the phase-out ranges, you can determine your deductible amount according to the deduction formula below. You are still allowed to contribute up to the lesser of \$4,000 or 100% of your earned income (coordinated with Roth IRA); however, if your contribution exceeds your maximum deductible amount, the remainder will be treated as a nondeductible contribution.

Note: For the deduction calculations and examples refer to Publication 590.

6. Recharacterization of Contributions. You may recharacterize your traditional IRA regular or spousal contribution as a Roth IRA contribution (or vice versa) if you do so by your tax-filing due date (plus extensions).

7. Rollovers, Transfers and Direct Rollovers. Distributions from IRAs, SIMPLE IRAs, qualified plans or tax-sheltered annuity programs may be eligible for a tax-free rollover or transfer into an IRA. Transfer and rollover contributions are not deductible and will not be

applied against the annual contribution limits mentioned above.

a. Rollovers and Transfers from IRAs. Assets in IRAs may be directly transferred or rolled over to another IRA. A rollover occurs when you take a distribution of the assets and roll them into an IRA within sixty (60) calendar days from the date of receipt. If you retain the assets for any period of time beyond the sixty (60) days, the rollover is no longer allowed. An additional restriction on rollovers is that you are only allowed one rollover for each twelve-month period. The sixty-day (60) period is extended to 120 days in the case of a first-time homebuyer distribution where a delay or cancellation in purchase or construction occurs and the one rollover per twelve (12) months rule does not apply.

b. Rollovers or Transfers from SIMPLE IRAs. A SIMPLE IRA is an IRA that can only accept contributions pursuant to a SIMPLE arrangement set up through your employer. SIMPLE IRAs must remain separate from IRAs for a two-year period. After the two years, you may roll over or transfer your SIMPLE IRA into an IRA.

c. Rollovers and Direct Rollovers from Qualified Plans. An eligible rollover distribution from a qualified retirement plan or tax-sheltered annuity program may be rolled over or directly rolled over to an IRA. Generally, an eligible rollover distribution is any distribution except: (1) one of a series of substantially equal periodic payments over the single or joint life expectancy of the employee and beneficiary or for a specific period of ten (10) years or more, (2) a nontaxable distribution, (3) a required distribution for an employee age 70½ or older, or (4) hardship distributions received after December 31, 1999. To complete a direct rollover, you would instruct your employer to deliver the funds directly to the IRA Custodian. To complete a rollover, you would take control of the assets and would have sixty (60) calendar days from the date of receipt to roll over the taxable portion of the distribution to an IRA.

8. Conversion or Rollover into Roth IRA. You may be eligible to convert your IRA into a Roth IRA. Your modified adjusted gross income must be \$100,000 or less in the year you convert in order to be eligible. The conversion is a taxable event; however, you will not be subject to the IRS 10% premature distribution penalty. If you complete the conversion in 1999, you may pay your taxes ratably over a four-year period. After 1999, all conversions into Roth IRAs will be fully taxed in the year of the conversion. If, after you complete a conversion, you change your mind, you may move the funds (and applicable earnings) back to a traditional IRA.

9. Required Distributions After Age 70½. After you reach age 70½, the rules require you to take minimum distributions from your IRA each year. The

distribution for your first year, the year in which you reach age 70½, must be made no later than April 1 of the following year. Distributions for subsequent years must be taken by December 31 of each year.

You must elect a method to receive your distributions in a manner which distributes the funds at least as rapidly as the minimum required distributions. Unless you elect otherwise, the minimum required distribution for each year is determined by dividing your ending account balance for the previous year (adjusted by any outstanding rollovers) by your joint life expectancy with the appropriate beneficiary. If no beneficiary exists or a beneficiary other than a natural person is named (except certain trusts), your single life expectancy must be used for this calculation.

For years after the first distribution year, you may elect to annually recalculate your life expectancy and/or your spouse's life expectancy. If you do not choose a method, it is presumed that recalculation is elected. If recalculation is elected, a new life expectancy factor is determined each year based upon the ages of you and/or your spouse as of your birthdays during the year. If the person whose life is being recalculated dies, the life expectancy for that individual becomes zero. If recalculation is not chosen, the life expectancy is calculated by determining the life expectancy at the end of the first distribution year and subtracting 1 for each year which has elapsed since. If no recalculation is elected, the death of the IRA Owner or the beneficiary is disregarded.

The joint life expectancy of you and a beneficiary other than your spouse is limited by the Minimum Distribution Incidental Benefit (MDIB) tables. The tables give life expectancies for the IRA Owner and a beneficiary ten years younger. If this factor is less than your joint life expectancy with the applicable beneficiary, the factor from the MDIB table must be used to calculate the minimum distribution.

If you have more than one IRA at the same or different financial institution(s), the minimum distribution must be calculated separately for each IRA. However, the minimum distribution from each IRA can be withdrawn from any one or more of your IRAs.

10. Distributions After Death.

a. Death After the Required Beginning Date. If you die after the date when payments must have begun (April 1 of the year after you reach age 70½), the payments to your beneficiary or estate must continue so that the funds will be distributed at least as rapidly as they would have been distributed if the death had not occurred. A spouse beneficiary may elect to roll over a distribution (other than a required minimum distribution) into his or her own IRA.

b. Death Before the Required Beginning Date. If you die before the required beginning date, your beneficiary has the following options:

1) **Five-Year Option.** The beneficiary may withdraw the entire account balance in any manner so that the IRA is depleted by December 31 of the fifth year following the year of death.

2) **Life Expectancy Option.** The beneficiary may withdraw the funds in a series of payments over a period which does not exceed the beneficiary's life expectancy. These payments must begin December 31 of the year following the year of death if the beneficiary is not your spouse, or December 31 of the year you would have been age 70½ (if later), if the beneficiary is your spouse.

3) **Spouse Treat as Own Option.** A spouse beneficiary may elect to roll over a distribution into his/her own account or to treat the IRA as his/her own.

If you die before your required beginning date, your spouse beneficiary must make his/her election of payment by the earlier of December 31 of the fifth year after the year of your death or December 31 of the year you would have attained age 70½. If you die before your required beginning date, your nonspouse beneficiary must make his/her election of payment no later than December 31 of the year following the year of your death.

11. Income Tax Status of Distributions. IRA distributions are generally fully taxable as ordinary income. IRAs are not eligible for the special tax treatment (five- and ten-year averaging and capital gains treatment) available to certain distributions from pension and profit sharing plans. See item 5 for the tax treatment of rollovers.

a. Nondeductible Contributions. If you have made nondeductible contributions to an IRA, a certain percentage of your distributions will be nontaxable. The nontaxable portion of your distribution is calculated as follows:

b. Estate Tax Status of Distributions. All funds held within your IRA will be included in your gross estate for estate tax purposes, regardless of the named beneficiary or manner of distribution. There is no specific estate tax exclusion for funds being held within an IRA.

c. Gift Tax Status of IRA Contributions and Distributions. For gift tax purposes, irrevocable beneficiary designations will not be treated as gifts.

12. Federal Penalties. In addition to the taxes imposed on IRAs, distributions from IRAs are also potentially subject to a wide variety of penalties (excise taxes).

a. Penalty for Premature Distribution. Generally, if you take a distribution from your IRA before you reach the age 59½, you will owe, in addition to regular income taxes, a 10% excise tax on the taxable amount of the distribution. Exceptions to the 10% excise tax exist in the case of disability, death, a first home, qualified higher education expenses, distributions

for health care expenses exceeding 7.5% of your adjusted gross income, distributions used to pay for health care insurance if you are unemployed, or if you agree to take a series of substantially equal periodic payments made over your life expectancy or the joint life expectancy of yourself and your designated beneficiary.

b. Penalty for Excess Contributions. If you contribute more to your IRA than allowed it is called an "excess contribution" and you may be penalized. The government imposes a 6% penalty (excise tax) per year for any excess amount you allow to remain in your IRA. You must pay the penalty by filing a special IRS form along with your income tax return. You can avoid the 6% penalty by removing your excess contribution plus any earnings on the excess amount prior to the due date for filing your Federal income tax return for the year, plus extensions. Due to the complications involved in excesses, we recommend that you talk to your legal or tax adviser when an excess occurs.

c. Penalty for Insufficient or Late Distribution. You will owe a penalty of 50% of the amount of any minimum distribution you fail to take. As discussed above, minimum distributions are required when you reach age 70½ and in some cases for beneficiaries. You are responsible for paying this tax and reporting it on your income tax return. This 50% penalty is in addition to any regular income tax.

d. Penalty for Prohibited Transactions. If you engage in a prohibited transaction, the IRA loses its tax exemption as of the first day of the year. You must include the Fair Market Value of the IRA in your gross income for the year during which the prohibited transaction occurred and pay all applicable taxes and penalties.

e. Penalty for Pledging the Account as Security. If you pledge your IRA as security for a loan, the portion pledged is treated as a distribution to you in that year. The portion pledged is fully taxable and subject to all penalties.

13. Miscellaneous Provisions.

a. Your Custodian. Your Custodian must be a bank, savings and loan association, credit union or other entity that is permitted to accept IRA contributions.

b. Cash Contributions. All contributions to your IRA must be in cash except for rollover and transfer contributions.

c. Contribution Limit. You are not allowed to contribute more than \$4,000 as a regular contribution and no more than \$8,000 in the case when you are making a contribution both to your IRA and to the IRA of your spouse under the spousal IRA rules. Your contribution limit must also be coordinated with any Roth IRA contributions you make.

d. Life Insurance. You may not invest your IRA in life insurance contracts.

e. Nonforfeitable. Your interest in your IRA balance is nonforfeitable.

f. No Commingling. The assets of the IRA will not be commingled with other property except in a common trust or investment fund.

g. Collectibles. No part of the funds can be invested in collectibles, including any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage or any other tangible property specified by the IRS. The acquisition of certain U.S. government-issued gold, silver and platinum coins, certain state-issued coins, and certain gold, silver, platinum or palladium bullion meeting specific requirements are permitted investments under the law.

14. IRS Approval of Forms. The Custodial Agreement used to establish this IRA is the IRS Model Custodial Agreement (Form 5305-A). This agreement has been approved as to form by the Internal Revenue Service. You are responsible to ensure you follow the terms and conditions of this agreement. This approval is not an endorsement of the investment instruments used by the Custodian.

15. Provisions Regarding Amendments to the Plan. The Custodian of this IRA may amend the IRA at any time. The Custodian shall furnish copies of any such amendments to the IRA Owner within thirty (30) days of the date the amendments are to become effective.

16. Fees. The Custodian may charge service fees for the administration of the IRA. If a fee is charged at the time the IRA is first opened, the IRA Owner will be notified of the amount charged, either in Section 2 (Contribution Information), or otherwise. If fees will be charged in the future, the Custodian will furnish the IRA Owner with a written notice stating the nature and amount of such fees at least thirty (30) days before charging any fees.

17. Annual Statements. Each year the Custodian will furnish you and the IRS with statements reflecting the activity in your IRA. You and the IRS will receive a Form 5498 (or a substitute form), which will indicate your Fair Market Value of the account as of the end of the previous calendar year. This form will give the amount of your contribution to the IRA and will indicate any rollovers into the account. Another statement, the IRS Form 1099-R, will reflect your distributions for the year.

18. Other IRS Forms. You may be required to file other IRS forms. IRS Form 5329 is required when you are assessed certain penalties. If you owe the 10% premature distribution penalty, you may be able to pay the penalty on your income tax return alone. You must also file IRS Form 8606 for each taxable year you make nondeductible contributions or receive nontaxable distributions.

FURTHER INFORMATION REGARDING INDIVIDUAL RETIREMENT ACCOUNTS CAN BE OBTAINED FROM ANY DISTRICT OFFICE OF THE INTERNAL REVENUE SERVICE OR FROM IRS PUBLICATION 590.