

# **MERIDIAN FUNDS**

## **COVERDELL EDUCATION SAVINGS ACCOUNT**

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# APPLICATION INSTRUCTIONS

DO NOT USE THIS FORM TO ESTABLISH A ROTH, SEP, SIMPLE, OR TRADITIONAL IRA.

**GENERAL INSTRUCTIONS:** *If you are opening a Coverdell Education Savings Account (Coverdell ESA) which will not contain contributions that have been transferred from another Coverdell ESA:*

- To establish a Coverdell ESA, please complete the "Application and Adoption Agreement" (Application).
- The maximum allowable contribution to all Coverdell ESAs for the same Designated Beneficiary of a Coverdell ESA is \$2,000 per calendar year unless the contribution is a qualified rollover contribution described under the Code or the contribution is the result of a transfer of assets from the Custodian or trustee of another Coverdell ESA. Contributions may be made to a Coverdell ESA for a Designated Beneficiary under the age of 18 by one or more Individuals (contributors) but the total contributions made to all Coverdell ESAs for the Designated Beneficiary cannot exceed \$2,000 per calendar year.
- The minimum initial investment per Fund is **\$1,000.00**. Prospectuses for the Funds may be obtained from the Fund at **1-800-446-6662**. Please be sure to read the prospectus carefully before investing.
- Please be sure to read carefully the "Terms and Conditions of the Coverdell ESA Adoption Agreement" section of the Application. There is a **\$12.00** annual custodial maintenance fee on each Fund held in a Plan account.
- Please make checks payable to **Meridian Funds**.

**TRANSFER OF ASSETS AND ROLLOVERS:** *If you are opening a Coverdell ESA which will contain contributions which have been transferred from another Coverdell ESA:*

- Please read and follow the general instructions above for establishing a Coverdell ESA. Be sure to note on the Application that the contribution is a transfer or rollover from another Coverdell ESA. Assets may be transferred or rolled over to this Coverdell ESA from the Custodian or trustee of another Coverdell ESA of the Designated Beneficiary or one of the Designated Beneficiary's family members, subject to certain restrictions.
- To transfer a current Coverdell ESA directly from the current trustee or Custodian of that plan to this **Meridian Funds** Coverdell ESA, please complete a "Coverdell ESA Transfer Authorization Form."
- To certify that an enclosed contribution to this Coverdell ESA is a rollover from another Coverdell ESA, please complete the "Rollover Certification Form." Rollovers must be completed within 60 calendar days of the date you receive the distribution.

**MAIL THE COMPLETED APPLICATION AND CHECK (IF APPLICABLE) TO:**

**First Class Mail:**

**Meridian Funds**  
c/o PFPC Inc.  
P.O. Box **9792**  
Providence, RI 02940

**Overnight Express:**

**Meridian Funds**  
c/o PFPC Inc.  
101 Sabin Street  
Pawtucket, RI 02860-1427  
**1-800-446-6662**

**Coverdell Education Savings Account Custodial Agreement**

(Under Section 530 of the Internal Revenue Code) (March 2002) Form 5305-EA

for the benefit of an Individual who is the custodial named Designated Beneficiary on the Application exclusively to pay for qualified elementary, secondary, and higher education expenses, within the meaning of section 530(b)(2), of such Designated Beneficiary.

The Custodian, PFPC Trust Company, has provided the depositor with a concise statement disclosing the provisions governing section 530. This disclosure statement must include an explanation of the statutory requirements applicable to, and the income tax consequences of establishing and maintaining an account under section 530. Providing the depositor with a copy of Notice 97-60, 1997-2 C.B. 310, is considered a sufficient disclosure statement. The Custodian also will provide a copy of this form and the disclosure statement to the Responsible Individual, as defined in Article V below, if the Responsible Individual is not the same person as the depositor.

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 above-listed amount 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**

1. 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. Unless otherwise directed by checking the option in the Adoption Agreement, 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.
2. If elected in the Adoption Agreement, the Responsible Individual shall continue to serve as the Responsible Individual for the custodial account after the Designated Beneficiary attains the age of majority under state law and until such time as all assets have been distributed from the custodial account and the custodial account terminates. If the Responsible Individual becomes incapacitated or dies after the Designated Beneficiary reaches the age of majority under state law, the Responsible Individual shall be the Designated Beneficiary.

#### **Article VI**

If elected in the Adoption Agreement 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 Adoption Agreement.

#### Article X

1. **Investment:** All funds in the custodial account (including earnings) shall be invested in shares of any one or more of the registered investment companies ("mutual funds"), or portfolios thereof, which have been Designated by the company listed on the account opening documents ("company") as eligible for investment under this custodial account. The mutual funds, portfolios, and company shall be collectively referred to herein as "the Funds" and the shares of the Funds shall be collectively referred to as "Fund Shares." Fund Shares shall be purchased at the public offering price for Fund Shares next to be determined after receipt of the contribution by the Custodian or its agent.

2. **Applicable Law:** Except to the extent superseded by federal law, this Agreement shall be governed by, and construed, administered and enforced according to, the laws of the State of Delaware, and all contributions shall be deemed made in Delaware.

3. **Notices:** The Custodian agrees to forward, or to cause to be forwarded, to every depositor and Responsible Individual the then-current prospectus(es) of the funds, as applicable, which have been Designated by the company as eligible for investment under the custodial account and selected by the depositor/Responsible Individual for such investment, at the time the account is established, and thereafter shall forward, or cause to be forwarded, to the Responsible Individual all notices, proxies and related proxy soliciting materials applicable to said Fund Shares received by the Custodian. All notices to be given by the Custodian to the Responsible Individual shall be deemed to have been given when mailed to the address of the Responsible Individual indicated by the Custodian's records.

In addition, the Custodian shall periodically cause to be mailed to the Responsible Individual in respect of each such period an account of all transactions affecting the custodial account during such period and a statement showing the custodial account as of the end of such period. If, within 60 days after such mailing, the Responsible Individual has not given the Custodian written notice of any exception or objection thereto, the periodic accounting shall be deemed to have been approved and, in such case or upon the written approval of the Responsible Individual, the Custodian and the Funds shall be released, relieved and discharged with respect to all matters and statements set forth in such accounting as though the account had been settled by judgment or decree of a court of competent jurisdiction.

4. **Annual Accounting:** The Custodian shall, at least annually, provide the Designated Beneficiary (or the Responsible Individual, if applicable) with an accounting of such Designated Beneficiary's account. Such accounting shall be deemed to be accepted by the Designated Beneficiary, if the Designated Beneficiary (or Responsible Individual) does not object in writing within 60 days after the mailing of such accounting.

5. **Amendment:** The Depositor, Designated Beneficiary and Responsible Individual irrevocably delegates to the Custodian the right and power to amend this Custodial Agreement. Except as hereafter provided, the Custodian will give the Designated Beneficiary (or Responsible Individual) 30 days prior written notice of any amendment. In case of a retroactive amendment required by law, the Custodian will provide written notice to the Designated Beneficiary (or Responsible Individual) of the amendment within 30 days after the amendment is made, or if later, by the time that notice of the amendment is required to be given under regulations or other guidance provided by the IRS. The Depositor, Designated Beneficiary and Responsible Individual shall be deemed to have consented to any such amendment unless the Designated Beneficiary (or Responsible Individual) notifies the Custodian to the contrary within 30 days after notice to the Designated Beneficiary (or Responsible Individual) and requests a distribution or transfer of the balance in the account.

6. **Resignation and Removal of Custodian:**

- (a) The Custodian may resign at any time by giving at least 30 days notice to the Designated Beneficiary (or Responsible Individual). The Custodian may resign and appoint a successor trustee or Custodian to serve under this agreement or

under another governing instrument selected by the successor trustee or Custodian by giving the Designated Beneficiary (or Responsible Individual) written notice at least 30 days prior to the effective date of such resignation and appointment, which notice shall also include a copy of such other governing instrument, if applicable, and the related disclosure statement. The Designated Beneficiary (or Responsible Individual) shall then have 30 days from the date of such notice to either request a complete distribution of the account balance or designate a different successor trustee or Custodian. If the Designated Beneficiary (or Responsible Individual) does not request distribution of the account or designate a different successor within such 30 days, the Designated Beneficiary (or Responsible Individual) shall be deemed to have consented to the appointment of the successor trustee or Custodian and the terms of any new governing instrument, and neither the Depositor, Designated Beneficiary, Responsible Individual nor the successor shall be required to execute any written document to complete the transfer of the account to the successor trustee or Custodian. The successor trustee or Custodian may rely on any information, including death Beneficiary designations, previously provided by the Depositor, Designated Beneficiary or Responsible Individual.

- (b) The Designated Beneficiary (or Responsible Individual) may at any time remove the Custodian and replace the Custodian with a successor trustee or Custodian of the Designated Beneficiary's (or Responsible Individual's) choice by giving 30 days written notice to the Custodian. In such event, the Custodian shall then deliver the assets of the account as directed by the Designated Beneficiary or Responsible Individual. However, the Custodian may retain a portion of the assets of the Coverdell ESA as a reserve for payment of any anticipated remaining fees and expenses, and shall pay over any remainder of this reserve to the successor trustee or Custodian upon satisfaction of such fees and expenses.
- (c) Any successor Trustee or Custodian shall be a bank (as defined in section 408(n) of the Code) or such other person found qualified to act as a Trustee or Custodian under a Coverdell ESA by the Secretary of the Treasury or his delegate. The appointment of a successor Trustee or Custodian shall be effective upon receipt by the Custodian of such successor's written acceptance which shall be submitted to the Custodian, the Funds, and the Responsible Individual. Within 30 days of the effective date of a successor Custodian's appointment, the Custodian shall transfer and deliver to the successor Trustee or Custodian applicable account records and assets of the custodial account (reduced by any unpaid amounts referred to in paragraph 7 of this Article X). The successor Custodian shall be subject to the provisions of this Agreement (or any successor thereto) on the effective date of its appointment.

#### 7. **Custodian's Fees and Expenses:**

The Depositor, Designated Beneficiary and Responsible Individual agree that the Custodian shall be entitled to receive any and all fees specified in the Custodian's current published fee schedule for establishing and maintaining this Coverdell ESA, including, but not limited to, any fees for distributions from, transfers from, and terminations of this Coverdell ESA. The Custodian may change its fee schedule at any time by giving the Designated Beneficiary (or Responsible Individual) 30 days prior written notice.

- (a) The Depositor, Designated Beneficiary and Responsible Individual agree that the Custodian shall be entitled to reimbursement for any expenses incurred by the Custodian in the performance of its duties in connection with the account. Such expenses include, but are not limited to, administrative expenses, such as legal and accounting fees, and any taxes of any kind whatsoever that may be levied or assessed with respect to such account.
- (b) All such fees, taxes, and other administrative expenses charged to the account shall be collected either from the assets in the account or from any contributions to or distributions from such account if not paid by the Depositor, Designated Beneficiary or Responsible Individual, but the Depositor, Designated Beneficiary and Responsible Individual shall be Responsible for any deficiency.
- (c) In the event that for any reason the Custodian is not certain as to who is entitled to receive all or part of the Custodial Funds, the Custodian reserves the right to withhold any payment from the Custodial Account, to request a court ruling to determine the disposition of the Custodial assets, and to charge the Custodial Account for any expenses incurred in obtaining such legal determination.

8. **Rollovers:** The Custodian shall have the right to receive rollover contributions as described in Article I of this Agreement. The Custodian reserves the right to refuse to accept any property which is not in the form of cash. Any amounts received or transferred by the Custodian under this paragraph shall be accompanied by such records and other documents as the Custodian deems necessary to establish the nature, value and extent of the assets and of the various interests therein.

9. **Withdrawal Requests:** All requests for withdrawal, distribution, or payment from the account shall be in writing on a form provided and accepted by the Custodian. Such written request must also specify the reason for the withdrawal, distribution, or payment and the desired method or form of withdrawal, payment, or distribution. Distributions of the assets of the custodial account shall be made in accordance with the written instructions to the Custodian by the Responsible Individual. A Coverdell Education Savings Account Withdrawal Authorization form is available from the Custodian, and should be obtained and used to request any distribution from the Custodian account. Prior to making any distribution from the custodial account, including but not limited to a distribution to the estate of the Beneficiary, the 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 the Custodian, but the Custodian shall not be liable for complying with written instructions which appear on their face to be genuine, or for refusing to comply if not satisfied such instructions are genuine, and assumes no duty of further inquiry. Upon receipt of proper written instructions as required above, the Custodian shall cause the assets of the custodial account to be distributed in cash and/or in kind, as specified in such written instructions.

10. **Responsibilities:**

- (a) The Depositor, Designated Beneficiary and Responsible Individual represent that all information and instructions given to the Custodian by the Depositor, Designated Beneficiary and Responsible Individual is complete and accurate and that the Custodian shall have no responsibility for any incomplete or inaccurate information provided by the Depositor, Designated Beneficiary or Responsible Individual. The Depositor, Designated Beneficiary and Responsible Individual agree to be Responsible for all tax consequences arising from contributions to and distributions from this Custodial Account and acknowledges that no tax advice has been provided by the Custodian.
- (b) The Custodian may rely upon any statement by the depositor at the time the account is established, and thereafter by the Responsible Individual when taking any action or determining any fact or question which may arise under this Custodial Agreement. The Responsible Individual assumes sole responsibility for assuring that contributions to the custodial account satisfy the limits specified in the appropriate provisions of the Code, except that the depositor assumes such responsibility in connection with the initial contribution. The Custodian shall not be liable for acting upon any instructions given by the Responsible Individual named on the Custodian's records prior to the time the Custodian receives appropriate written notice that the Responsible Individual has changed.
- (c) Neither the Custodian nor the Funds shall be Responsible for any losses, penalties or other consequences to the Responsible Individual, Designated Beneficiary or any other person arising out of the making of, or the failure to make, any contribution or withdrawal.

In performing the duties conferred upon the Custodian by the depositor and Responsible Individual hereunder, the Custodian shall act as the agent of the Responsible Individual. The parties do not intend to confer any fiduciary duties on the Custodian or the Funds, and none shall be implied. Neither the Custodian nor the Funds shall be liable (and neither assumes any responsibility) for the collection of contributions or the propriety of any contribution under this Agreement, the selection of any Fund Shares for this custodial account, or the purpose or propriety of any distribution made in accordance with the Responsible Individual's written instructions, which matters are the sole responsibility of the Responsible Individual.

- (d) The Responsible Individual shall, from time to time, direct the Custodian to invest the funds of the custodial account in Fund Shares. Any funds which are not directed as to investment shall, at the sole discretion of the Custodian, be held uninvested until such direction is received from the Responsible Individual or be returned to the Responsible Individual without being deemed to have been contributed to the custodial account, except that any funds received from the depositor to establish the custodial account which are not directed as to investment will, if returned by the Custodian without being deemed to have been contributed to the custodial account, be returned to the depositor. The Designated Beneficiary shall be the beneficial owner of all Fund Shares held in the custodial account, and the Custodian shall not vote any such shares except upon written direction of the Responsible Individual.
- (e) The Depositor, Responsible Individual, Designated Beneficiary, Designated Death Beneficiary and their successors, heirs and assigns, including any executor or administrator of the Beneficiary, shall, to the extent permitted by law, indemnify and hold the Custodian and the Funds and their successors and assigns harmless from any and all claims, actions or liabilities of the Custodian, except such as may arise from the Custodian's own bad faith, negligence, nonfeasance, or willful misconduct.

11. **Change of Designated Beneficiary:**

- (a) If elected in the Adoption Agreement, while the Designated Beneficiary is a minor or otherwise lacks legal capacity, the Responsible Individual may at any time change the Designated Beneficiary for this Coverdell ESA to any member of the family under the age of 30 of the original Designated Beneficiary or direct the Custodian to roll over or transfer the funds in this Coverdell ESA to a Coverdell ESA for any member of the family under the age of 30 of the original Designated Beneficiary. If elected in the Adoption Agreement, when the Designated Beneficiary has legal capacity, the Designated Beneficiary may at any time change the Designated Beneficiary for this Coverdell ESA to any member of the family under the age of 30 of the original Designated Beneficiary or direct the Custodian to roll over or transfer the funds in this Coverdell ESA to a Coverdell ESA for any member of the family under the age of 30 of the original Designated Beneficiary.
- (b) Any change of Designated Beneficiary under this Coverdell ESA agreement shall not be treated as a distribution, if the new Designated Beneficiary is a Member of the Family (as defined under section 13) and such new Designated Beneficiary has not attained the age of 30, as of the date of such change.
- (c) Notwithstanding Section 3.01, a new Designated Beneficiary may be named within 30 days after the Designated Beneficiary attains the age of 30.

12. **Designated Beneficiary's Minority or Incapacity:** The following provisions apply while the Designated Beneficiary is a minor or lacks legal capacity:

- (a) The Responsible Individual shall have, to the exclusion of the Designated Beneficiary, all of the rights, powers, and responsibilities granted to the Designated Beneficiary under this Custodial Agreement, including, without limitation, the right to receive accountings and notices of amendment and resignation, the power to remove and replace the Custodian,

the power to direct investments, the power to request withdrawals, distributions, and payments, and the power to direct a rollover or transfer to the trustee or Custodian of a Coverdell ESA for the Designated Beneficiary or another member of the family of the Designated Beneficiary.

- (b) In the event the Responsible Individual dies, becomes disabled, or otherwise fails or refuses to act and no successor Responsible Individual has been appointed, or no duly appointed Responsible Individual is willing or able to serve, then a parent of the Designated Beneficiary or the legal guardian or conservator of the estate of the Designated Beneficiary may appoint a Responsible Individual in writing on a form acceptable to and filed with the Custodian.
13. **Member of the Family:** The term "member of the family of the Designated Beneficiary" includes the Designated Beneficiary's: spouse, children, grandchildren, sibling, parent, niece or nephew, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law; and spouses of the foregoing. A first cousin, but not his or her spouse, is also a family member.
14. **Designated Death Beneficiary:** In accordance with Article 3.02 of this Agreement and if permitted by the Custodian, the Depositor, Designated Beneficiary or Responsible Individual shall have the right to name a Designated Death Beneficiary(ies) on a form provided by and acceptable to the Custodian. In the event of the Designated Beneficiary's death, such Designated Death Beneficiary(ies) shall be entitled to the remaining interest in the account. If any such Designated Death Beneficiary is not a member of the family (as defined in Article 13 of this Agreement), the remaining balance in the account shall be distributed to the Designated Death Beneficiary within 30 days of the death of the Designated Beneficiary. If any such Designated Death Beneficiary is a member of the family (as defined in Article 13 of this Agreement), the remaining balance in the account shall become the Coverdell ESA of the Designated Death Beneficiary. If no death Beneficiary designation is in effect or if none of the Death Beneficiaries survive the Designated Beneficiary, the remaining balance will be paid to the estate of the Designated Beneficiary.
15. **Investment Provisions:** All contributions to the Coverdell ESA shall be invested and reinvested by the Custodian as directed by the Responsible Individual (or the Depositor or Designated Beneficiary, if applicable)
16. **Nominee:** The shareholder of record of all Fund Shares shall be the Custodian or its nominee.
17. **Termination:** This Agreement shall terminate coincident with the complete distribution of the assets of the custodial account.
18. **Agents:** The Custodian is authorized to hire agents (including any transfer agent for Fund Shares) to perform certain duties under this agreement.
19. **Income Taxes:** The Custodian shall be Responsible solely for the performance of those duties expressly assigned to it in this Agreement and by operation of law. In determining the taxable amount of a distribution, the Responsible Individual shall rely only on the federal tax records of the Designated Beneficiary, and the Custodian shall withhold federal income tax from any distribution from the custodial account as if the total amount of the distribution is includible in the Designated Beneficiary's income.
20. **Contributor** – As referenced in the Adoption Agreement/Application and in any forms associated with this Custodial Agreement, carries the same definition as the Depositor identified in this Custodial Agreement and the Definitions Section of this Custodial Agreement.

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## General Instructions

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

### 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 custodial account, see Form 5305-EA, Coverdell Education Savings Custodial Account.

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

### Definitions

**Custodian.** The Custodian must be a bank or savings and loan association, as defined in section 408(n), or any person who has the approval of the IRS to act as Custodian. Any person who may serve as a Custodian of a Traditional IRA may serve as the Custodian of a Coverdell ESA.

**Depositor.** The Depositor is the person who establishes the custodial account.

**Designated Beneficiary.** The Designated Beneficiary is the Individual on whose behalf the custodial account has been established.

**Family member.** Family members of the Designated Beneficiary include his or her spouse, child, grandchild, sibling, parent, niece or nephew, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law, and the spouse of any such Individual. A first cousin, but not his or her spouse is also a "family member".

**Responsible Individual.** The Responsible Individual, generally, is a parent or guardian of the Designated Beneficiary. However, under certain circumstances, the Responsible Individual may be the Designated Beneficiary.

#### **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" in the block where the number is requested. The Designated Beneficiary's social security number is the identification number of his or her 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.

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# COVERDELL EDUCATION SAVINGS ACCOUNT DISCLOSURE STATEMENT

The following information is the disclosure statement required by federal tax regulations. You should read this disclosure statement, the Custodial Account Agreement, and the prospectus(es) for the Fund(s) in which your [Meridian Funds](#) Coverdell ESA contribution will be invested.

## **YOUR COVERDELL ESA**

You have opened a [Meridian Funds](#) Coverdell Education Savings Account (Coverdell ESA). The following requirements apply to your [Meridian Funds](#) Coverdell ESA:

1. No contribution can be accepted:
  - a) unless it is in the form of "cash" by check, draft, or other form acceptable to the Custodian;
  - b) after the date on which the Designated Beneficiary attains age 18, unless the Beneficiary is a "special needs" Designated Beneficiary, or
  - c) except in the case of rollover contributions, if such contribution would result in aggregate contributions for the taxable year exceeding \$2,000.
2. The Custodian/trustee must be a bank or other entity authorized by the IRS to act as trustee or Custodian of an Individual retirement account (IRA).
3. The funds cannot be invested in life insurance contracts.
4. The funds cannot be commingled with other property except in a common trust fund or common investment fund.
5. Upon the death of the Designated Beneficiary, any balance to the credit of the Beneficiary must be distributed within 30 days after the date of death to the estate of such Beneficiary.

## **CONTRIBUTIONS**

The maximum allowable contribution per calendar year to all Coverdell ESAs for the same Beneficiary is \$2,000. This contribution must be made between January 1 and the normal tax filing date for the previous year, normally April 15<sup>th</sup>, for any given year except the year in which the Beneficiary turns age 18. In the year in which the Designated Beneficiary attains age 18, the contribution must be made on or before the birth date of the Beneficiary, with the exception of a "special needs" Beneficiary.

Amounts contributed to the Coverdell ESA in excess of the allowable limit are subject to a nondeductible excise tax of 6% for each year the funds remain in the account until they are returned to the Designated Beneficiary. If the excess contributions (and any earnings attributable to them) are not withdrawn from the ESA that received the excess contribution by May 31<sup>st</sup> of the calendar year following the calendar year in which the excess was made, the excess contribution is subject to a 6 % excise tax for each year the excess amount remains in the account. If such a distribution is made, only the earnings are considered taxable income for the tax year in which the excess was contributed to the Coverdell ESA. The return of earnings may also be subject to the 10% excise tax on early distributions. An IRS Form 1099-Q will be issued in the year in which the distribution occurs, not the year in which the excess contribution was made.

## **ROLLOVER AND TRANSFER CONTRIBUTIONS**

Coverdell ESAs may be rolled over or redesignated to another Beneficiary who is a family member as defined in Code section 529(e)(2) as long as the new Beneficiary is under the age of 30 at the time of the rollover contribution. Rollovers must be completed within 60 days of receipt. Transfers may occur only between the same Designated Beneficiary.

If you make a tax-free rollover of any part of a distribution from a Coverdell ESA, you cannot, within a 1-year period, make a tax-free rollover of any later distribution from that same Coverdell ESA. You also cannot make a tax-free rollover of any amount distributed, within the same 1-year period, from the Coverdell ESA into which you made the tax-free rollover.

## **DISTRIBUTIONS UPON THE BENEFICIARY'S DEATH OR OBTAINING AGE 30**

Any balance remaining in the Coverdell ESA must be distributed within thirty (30) days after the date the Designated Beneficiary turns 30 years old or dies. If such distribution has not occurred at the end of the 30-day period, the account balance will be deemed to have been distributed on that date. An IRS Form 1099-Q will be issued for the year in which the distribution is deemed to have taken place.

A Designated death Beneficiary may be Designated for the Coverdell ESA. The Designated death Beneficiary must be a family member as described in the definition section of the Custodial Agreement and must be under age 30 on the date of the Designated Beneficiary's death in order to receive the account assets. If the Designated death Beneficiary predeceases the Designated Beneficiary or has already attained age 30, the account balance must be distributed to the estate of the Designated Beneficiary. Alternately, a tax free rollover or redesignation of the account would still be allowed to another family member, as defined in the Custodial Agreement, who is under age 30 within the thirty day period.

## **TAX INFORMATION REGARDING DISTRIBUTIONS**

Distributions used to pay for qualified elementary ,secondary, and higher education expenses are excludable from income to the extent the PFPC Trust Company (03/04)

amount does not exceed the qualified education expenses of the Designated Beneficiary during the year. The portion of any distribution which exceeds, or is not used for, such expenses is a “nonqualified distribution.” Nonqualified distributions are treated as representing a pro-rata share of the principal and accumulated earnings in the account; the accumulated earnings portion is includible in the taxable gross income of the Designated Beneficiary. The accumulated earnings portion of a nonqualified distribution is generally also subject to an additional 10% penalty tax, unless the distribution is due to the death or disability of the Designated Beneficiary, the receipt of certain scholarship payments by the Designated Beneficiary, or includible in income solely because the HOPE or Lifetime Learning tax credit was elected.

## **INFORMATION ABOUT YOUR INVESTMENT**

A mutual fund investment involves investment risks, including possible loss of principal. In addition, growth in the value of your account is neither guaranteed nor projected due to the characteristics of a mutual fund investment. Detailed information about the shares of each mutual fund available for investment by your [Meridian Funds](#) Coverdell ESA must be furnished to you in the form of a prospectus. The method for computing and allocating annual earnings is set forth in the prospectus. (See prospectus section entitled “DIVIDENDS.”) If you made an initial contribution on the first day of a calendar year and no further investment during that year, your contribution would also be subject to certain costs and expenses which would reduce any yield you might obtain from the investment. (See the prospectus section entitled “EXPENSE TABLE” and the sections referred to therein.) For future information regarding expenses, earnings, and distributions, see the mutual fund’s financial statements, prospectus and/or statement of additional information. Should the fund you are invested in close, and the prospectus for said fund does not specify a successor fund, your shares of said fund will be liquidated and the proceeds will be used to purchase shares of the Money Market Fund in the same Fund Family, if available.

## **FEES AND CHARGES**

The charges in connection with your [Meridian Funds](#) Coverdell ESA are set forth in the Application. The Custodian may also charge a service fee in connection with any distribution from your Coverdell ESA.

## **IRS APPROVED FORM**

Your [Meridian Funds](#) Coverdell ESA is the Internal Revenue Service’s (IRS) model custodial account contained in IRS Form 5305-EA. Certain additions have been made in Article X of the form. By following this form, your [Meridian Funds](#) Coverdell ESA meets the requirements of the Internal Revenue Code. However, the IRS has not endorsed the merits of the investments allowed under the Coverdell ESA. **This form cannot be used in connection with Roth, SEP, SIMPLE, or Traditional IRAs.**

The IRS approved form allows for certain options in Article V and VI, and, as permitted by the IRS, has been reproduced here in a manner that provides only the optional provisions offered by the Custodian. Article V provides that the Responsible Individual shall continue to serve as the Responsible Individual for the custodial account after the Designated Beneficiary attains the age of majority under state law and until such time as all assets have been distributed from the custodial account and the custodial account terminates. Under Article VI, the Responsible Individual may change the Designated Beneficiary to another member of the Designated Beneficiary’s family unless elected otherwise by the depositor on the Application.

## **GENERAL INFORMATION**

Coverdell Education Savings Accounts (Coverdell ESAs) were established under the Taxpayer Relief Act effective in 1998. This type of account was originally called an Education Individual Retirement Account and the annual contribution limit per Designated Beneficiary for 1998 through 2001 was \$500. Effective for contributions made for tax year 2002, the annual contribution limit is increased to \$2,000 per Designated Beneficiary. The Economic Growth and Tax Relief Reconciliation Act increased the annual contribution limit, as well as made other important changes that are described in the following questions and answers. Amounts deposited in the account grow tax-free until distributed, and the Designated Beneficiary will not owe tax on any withdrawal from the account if the Designated Beneficiary’s qualified education expenses at an eligible educational institution for the year equal or exceed the amount of the withdrawal. If the Designated Beneficiary does not need the money for educational purposes, the account balance can be rolled over to a Coverdell ESA of certain family members who can use it for their education. Amounts withdrawn from a Coverdell ESA that exceed the Designated Beneficiary’s qualified education expenses in a taxable year are generally subject to income tax and to an additional tax of 10 percent.

There are potentially three (or more) parties involved in the establishment of, making contributions to, and directing distributions from the account. These parties are referred to in the following questions and answers, and include the:

**Depositor:** The Depositor is the initial contributor who establishes the Coverdell ESA by executing the Adoption Agreement and who contributes the initial contribution. Subsequent contributions to the account may be made by the original Depositor or by other eligible contributors. The Depositor may also be the Designated Beneficiary and/or the Responsible Individual.

**Designated Beneficiary:** The Designated Beneficiary is the Individual for whose benefit the Coverdell ESA is established. Except for “special needs Designated beneficiaries”, no contribution can be made after the Designated Beneficiary’s 18<sup>th</sup> birthday. The Designated Beneficiary may also be the Depositor and/or the Responsible Individual.

**Responsible Individual:** The Responsible Individual is the Individual who generally controls all decisions regarding the account, including authorizing payments from the account. There can be only one Responsible Individual at any time and generally must be a parent or legal guardian of the Designated Beneficiary. However, in certain cases the Designated Beneficiary may automatically become his or her own

Responsible Individual. The Responsible Individual may also be the Depositor.

**Q1: What is a Coverdell Education Savings Account (Coverdell ESA)?**

**A1:** A Coverdell ESA is a trust or custodial account that is created or organized in the United States exclusively for the purpose of paying the qualified education expenses of the Designated Beneficiary of the account. The account must be Designated as a Coverdell ESA when it is created in order to be treated as a Coverdell ESA for tax purposes.

**Q2: For whom may a Coverdell ESA be established?**

**A2:** A Coverdell ESA may be established for the benefit of any child under the age of 18. Contributions to a Coverdell ESA is not permitted after the Designated Beneficiary reaches his/her 18<sup>th</sup> birthday.

**Q3: Where may an Individual open a Coverdell ESA?**

**A3:** An Individual may open a Coverdell ESA with any bank, or other financial institution that has been approved to serve as a non-bank trustee or Custodian of an Individual retirement account (IRA), and the bank or entity is offering Coverdell ESAs.

**Q4: When may a taxpayer start contributing to a Coverdell ESA?**

**A4:** A taxpayer may start making contributions on January 1, 1998, or at any time thereafter.

**Q5: How much may be contributed to a Coverdell ESA on behalf of a Designated Beneficiary?**

**A5:** For tax years 1998 through 2001, the maximum contribution limit per year was \$500 in aggregate contributions made for the benefit of any Designated Beneficiary. For tax year 2002 and thereafter, the maximum contribution limit per year is \$2,000 in aggregate contributions made for the benefit of any Designated Beneficiary. Contributions may be made into a single Coverdell ESA or into multiple Coverdell ESAs for the benefit of any one Designated Beneficiary.

**Q6: What happens if more than the maximum annual contribution limit is contributed to a Coverdell ESA on behalf of a Designated Beneficiary for a particular calendar year?**

**A6:** Aggregate contributions for the benefit of any one Designated Beneficiary in excess of annual limit for a particular calendar year are treated as excess contributions. If the excess contributions (and any earnings attributable to them) are not withdrawn from the ESA that received the excess contribution by May 31<sup>st</sup> of the calendar year following the calendar year in which the excess was made, the excess contribution is subject to a 6 percent excise tax for each year the excess amount remains in the account. If the excess contributions (and any earnings) are timely withdrawn, no 6 percent excise tax applies. However, any earnings distributed in such a corrective distribution will be taxable to the Designated Beneficiary, but no 10% additional tax applies to the earnings.

**Q7: May contributions other than cash be made to a Coverdell ESA?**

**A7:** No. Coverdell ESAs are permitted to accept contributions made in cash only.

**Q8: May contributors take a deduction for contributions made to a Coverdell ESA?**

**A8:** No. Contributions to a Coverdell ESA are not deductible. Therefore, contributions to a Coverdell ESA create "basis" in the account. This means that any distributions that are not used for qualified education expenses are taxable only with respect to any earnings on the contributions.

**Q9: Are there any restrictions on who can contribute to a Coverdell ESA?**

**A9:** Any Individual may contribute to a Coverdell ESA if the Individual's modified adjusted gross income for the taxable year for which the contribution is made is no more than \$95,000 (\$190,000 for married taxpayers filing jointly). For purposes of this section, "modified AGI" means the AGI of the taxpayer for the taxable year increased by amounts excluded from gross income under sections 911 (foreign earned income); 931 (income from Guam, American Samoa, or Northern Mariana Islands); and 933 (income from Puerto Rico). The maximum annual contribution per Designated Beneficiary is gradually reduced for Individuals with modified adjusted gross income between \$95,000 and \$110,000 (between \$190,000 and \$220,000 for married taxpayers filing jointly).

For example, an unmarried taxpayer with modified adjusted gross income of \$96,500 in 2002 could make a maximum contribution per Designated Beneficiary of \$1,800 for 2002 ( $\$110,000 - \$96,500 \times .1333 = \$1,800$ ). A married Individual filing jointly with modified adjusted gross income of \$215,000 in 2002 could make a maximum contribution per Designated Beneficiary of \$350 ( $\$220,000 - \$215,000 \times .07 = \$350$ ). Taxpayers with modified adjusted gross income above \$110,000 (\$220,000 for married taxpayers filing jointly) cannot make contributions to anyone's Coverdell ESA.

- Q10: May a Designated Beneficiary contribute to his/her own Coverdell ESA?**
- A10:** Yes.
- Q11: Does a taxpayer have to be related to the Designated Beneficiary in order to contribute to the Designated Beneficiary's Coverdell ESA?**
- A11:** No.
- Q12: Can entities make contributions to the Designated Beneficiary's Coverdell ESA?**
- A12:** Yes. Any entity can make contributions to the Designated Beneficiary's Coverdell ESA without regard to such entity's adjusted gross income. For example, Century Computer Services, Inc. decides to make Coverdell ESA contributions on behalf of any child under the age of 18 of their employees in the amount of \$500. Century Computer Services, Inc. qualifies as a contributor regardless of the company's adjusted gross income, but the company cannot take a deduction for such contributions. Also, other contributions up to \$1,500 could be made into the same Coverdell ESA or another Coverdell ESA on behalf of any one these employees' children.
- Q13: Is the contributor to a Coverdell ESA required to have compensation or earned income in order to make contributions?**
- A13:** No. The contributor (whether an Individual or an entity) is not required to have earned income or compensation.
- Q14: What is the deadline for making contributions to a Coverdell ESA for a particular tax year?**
- A14:** Beginning for contributions made for tax year 2002, the deadline to make contributions is the tax filing deadline for such year not including extensions. Thus, in most cases, the deadline to make contributions for a tax year is the following April 15<sup>th</sup>. The contributor should designate in writing to the trustee or Custodian the tax year for which the contribution is being made.
- Q15: Are there any special reporting requirements for a Coverdell ESA?**
- A15:** Yes. The trustee or Custodian will issue an annual Form 5498-ESA to the IRS and to the Designated Beneficiary reporting contributions made for the tax year, any rollover contributions received during the tax year and the fair market value of the account as of December 31<sup>st</sup>. The trustee or Custodian will also issue Form 1099-Q to the IRS and to the Designated Beneficiary whenever distributions are paid from the account. The Designated Beneficiary is required to file Form 8606 with the IRS whenever distributions are received from the account and to file Form 5329 with the IRS if excess contributions have been made to the account or if distributions were made that exceed the qualified education expenses for the year. If a rollover or transfer is made from the Coverdell ESA of one Designated Beneficiary to another eligible family member of the Designated Beneficiary, certain statements must be attached to the tax returns of both the original Designated Beneficiary and the eligible family member to which the account was rolled over or transferred (see Form 8606 instructions).
- Q16: How many Coverdell ESAs may a Designated Beneficiary have?**
- A16:** There is no limit on the number of Coverdell ESAs that may be established for a particular Designated Beneficiary. However, for any given taxable year the total aggregate contributions to all the accounts for a particular Designated Beneficiary may not exceed the annual contribution limit described in Q&A 5.
- Q17: May a Designated Beneficiary take a tax-free withdrawal from a Coverdell ESA to pay qualified education expenses if the Designated Beneficiary is enrolled less than full-time at an eligible educational institution?**
- A17:** Yes. Whether the Designated Beneficiary is enrolled full-time, half-time, or less than half-time, he/she may take a tax-free withdrawal to pay qualified education expenses.
- Q18: What happens when a Designated Beneficiary withdraws assets from a Coverdell ESA to pay for qualified education expenses?**
- A18:** Generally, the withdrawal is tax-free to the Designated Beneficiary to the extent the amount of the withdrawal does not exceed the Designated Beneficiary's qualified education expenses.
- Q19: What are "qualified education expenses"?**
- A19:** "Qualified education expenses" mean qualified education expenses for tuition, fees, books, supplies, and equipment required for the enrollment or attendance of the Designated Beneficiary at an eligible educational institution. Qualified education expenses also include room and board (generally the school's posted room and board charge, or \$2,500 per year for students living off-campus and not at home) if the Designated Beneficiary is at least a half-time student at an eligible educational institution. A student will be considered to be enrolled at least half-time if the student is enrolled for at least half the full-time academic workload for the course of

study the student is pursuing as determined under the standards of the institution where the student is enrolled. The standards for determining whether a student is enrolled at least half-time are the same as those used for the Hope Scholarship Credit. A student is eligible for the Hope Scholarship Credit if: (1) for at least one academic period (e.g., semester, trimester, quarter) beginning during the calendar year, the student is enrolled at least half-time in a program leading to a degree, certificate, or other recognized educational credential and is enrolled in one of the first two years of post-secondary education, and (2) the student is free of any conviction for a Federal or State felony offense consisting of the possession or distribution of a controlled substance. For purposes of the Hope Scholarship Credit, a student will be considered to be enrolled at least half-time if the student is enrolled for at least half the full-time academic workload for the course of study the student is pursuing as determined under the standards of the institution where the student is enrolled. The institution's standard for a full-time workload must equal or exceed the standards established by the Department of Education under Higher Education Act and set forth in 34 CFR 674.2(b).

Beginning in 2002, qualified education expenses also include qualified elementary and secondary education expenses for tuition, fees, academic tutoring, special needs services in the case of a special needs Beneficiary, books, supplies, and other equipment which are incurred in connection with the enrollment or attendance of the Designated Beneficiary as an elementary or secondary school student at a public, private or religious school. Such expenses also include room and board, uniforms, transportation, and supplementary items and services (including extended day programs) which are required or provided by a public, private or religious school in connection with such enrollment or attendance, and expenses for the purchase of any computer technology or equipment or Internet access and related services, if such technology, equipment, or services are to be used by the Designated Beneficiary and the Designated Beneficiary's family during any of the years the Designated Beneficiary is in school.

Qualified education expenses also include amounts contributed to a qualified state tuition program. Also, qualified education expenses are reduced by any amount provided by scholarship, educational assistance allowance, or any other payment (other than a gift or bequest) which is excludable from gross income under any law of the United States.

**Q20: What is an eligible educational institution?**

**A20:** For purposes of qualified education expenses, an eligible educational institution is any college, university, vocational school, or other post-secondary educational institution that is described in section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088) and, therefore, eligible to participate in the student aid programs administered by the Department of Education. This category includes virtually all accredited public, nonprofit, and proprietary post-secondary institutions. (The same eligibility requirements for institutions apply for the Hope Scholarship Credit, the Lifetime Learning Credit, and early withdrawals from IRAs for qualified higher education expenses).

For purposes of elementary and secondary education expenses, an eligible education institution means any school which provides elementary education or secondary education (kindergarten through grade 12), as determined under state law.

**Q21: What happens if a Designated Beneficiary withdraws an amount from a Coverdell ESA but does not have any qualified education expenses to pay in the taxable year he/she makes the withdrawal?**

**A21:** Generally, if a Designated Beneficiary withdraws an amount from a Coverdell ESA and does not have any qualified education expenses during the taxable year, a portion of the distribution is taxable. The taxable portion is the portion that represents earnings that have accumulated tax-free in the account. The taxable portion of the distribution is also subject to a 10 percent additional tax unless an exception applies. Form 8606 and Form 5329 are required to be filed with the IRS by the Designated Beneficiary. The 10 percent additional tax does not apply to distributions made: (1) to a death Beneficiary (or to the estate of the Designated Beneficiary) after the death of the Designated Beneficiary; (2) attributable to the Designated Beneficiary become disabled within the meaning of section 72(m)(7) of the Internal Revenue Code; or (3) made on account of a scholarship, allowance or payment to the extent such payment or distribution does not exceed the amount of such scholarship, allowance or payment.

**Q22: Is a distribution from a Coverdell ESA taxable if the distribution is contributed to another Coverdell ESA?**

**A22:** Any amount distributed from a Coverdell ESA and rolled over to another Coverdell ESA for the benefit of the same Designated Beneficiary or certain members of the Designated Beneficiary's family is not taxable. An amount is rolled over if it is paid to another Coverdell ESA on a date within 60 days after the date of the distribution. Members of the Designated Beneficiary's family include the Designated Beneficiary's spouse, children, grandchildren, sibling, parent, niece or nephew, son-in-law, daughter-in-law, father-in-law, mother-in-law, or sister-in-law, and the spouse of any such Individual. A first cousin, but not his or her spouse is also a family member of the Designated Beneficiary. The annual contribution limit to Coverdell ESAs does not apply to these rollover contributions. For example, an older brother who has \$5,000 left in his Coverdell ESA after he no longer needs the account for education purposes can roll over the full \$5,000 balance to a Coverdell ESA for his younger sister who is still in high school without paying any tax on the transfer or rollover. The eligible family member to whose Coverdell ESA such amount is rolled over or transferred must be under the age of 30.

**Q23: What happens to the assets remaining in a Coverdell ESA after the Designated Beneficiary finishes his/her education?**

**A23:** There are two options. The amount remaining in the account may be withdrawn for the Designated Beneficiary. The Designated Beneficiary will be subject to both income tax and the additional 10 percent tax on the portion of the amount withdrawn that represents earnings if the Designated Beneficiary does not have any qualified education expenses in the same taxable year he/she makes the withdrawal. Alternatively, if the amount in the Designated Beneficiary's **Coverdell ESA** is withdrawn and rolled over (or transferred) to another **Coverdell ESA** for the benefit of an eligible member of the Designated Beneficiary's family, the amount rolled over or transferred will not be taxable.

- Q24: Rather than rolling over money from one Coverdell ESA to another, may the Designated Beneficiary of the account be changed from one Designated Beneficiary to another without triggering a tax?**
- A24:** Yes, provided: (1) the terms of the particular trust or custodial account permit a change in Designated beneficiaries, and (2) the new Designated Beneficiary has not attained age 30 and is a member of the previous Designated Beneficiary's family.
- Q25: May a student or the student's parents claim the Hope Scholarship Credit or Lifetime Learning Credit for the student's expenses in a taxable year in which the student receives money from a Coverdell ESA on a tax-free basis?**
- A25:** Yes, effective for tax year 2002. If a student is receiving a tax-free distribution from a Coverdell ESA in a particular taxable year (beginning in 2002), the student's expenses may generally be claimed as the basis for a Hope Scholarship Credit or Lifetime Learning Credit for that same year, provided however that the distributed amount from the Coverdell ESA is not used for the same educational purposes as the tax credit.
- Q26: May contributions be made to both a qualified state tuition program and a Coverdell ESA on behalf of the same Designated Beneficiary in the same taxable year?**
- A26:** Yes, beginning in tax year 2002. The excise tax prohibiting contributions to both a Coverdell ESA and a qualified state tuition program was repealed for 2002 and forward. Therefore, contributions may be made to a Coverdell ESA on behalf of a Designated Beneficiary during the same taxable year in which any contributions are made to a qualified state tuition program on behalf of the same Designated Beneficiary. However, if distributions from a Coverdell ESA and a qualified state tuition program exceed the Designated Beneficiary's qualified education expenses for the year, the Designated Beneficiary is required to allocate the expenses between the distributions to determine the amount includible in gross income, if any.
- Q27: What happens to the assets remaining in the Coverdell ESA after the death of the Designated Beneficiary?**
- A27:** Generally within 30 days after the death of the Designated Beneficiary, distribution is made to the Designated Beneficiary's estate; or the Responsible Individual may change the name of the Designated Beneficiary to an eligible family member under the age of 30 of the original Designated Beneficiary, if the agreement permits. Alternatively, if the agreement permits the naming of a Designated Death Beneficiary, any remaining balance in the account on the date of death of the Designated Beneficiary shall become payable to such Designated Death Beneficiary. If the Designated Death Beneficiary is not an eligible family member of the Designated Beneficiary, the entire balance must be distributed within 30 days of the death of the Designated Beneficiary. If the Designated Death Beneficiary is an eligible family member of the Designated Beneficiary, the entire balance may be rolled over or transferred tax free to a Coverdell ESA on behalf of such Designated Death Beneficiary. Any distributions paid after the date of death of the Designated Beneficiary are taxable to the extent such distribution represents earnings, unless the account is rolled over or transferred to a Coverdell ESA on behalf of an eligible family member of the Designated Beneficiary.
- Q28: What happens to the assets remaining in the Coverdell ESA after the Designated Beneficiary attains the age of 30?**
- A28:** Any balance remaining in the Coverdell ESA when the Designated Beneficiary attains the age of 30 must be distributed to such Designated Beneficiary within 30 days. However, if permitted under the Agreement, the remaining balance may be rolled over or transferred to a Coverdell ESA on behalf of an eligible family member.
- Q29: Do the age requirements described above apply to "special needs" Designated Beneficiaries?**
- A29:** No. A Coverdell ESA established on behalf of any Designated Beneficiary with special needs (as determined by IRS regulations) may continue to receive contributions after the Designated Beneficiary's 18<sup>th</sup> birthday. In addition, any remaining balance in a Coverdell ESA on behalf of any Designated Beneficiary with special needs is not required to be distributed within 30 days after the Designated Beneficiary attains the age of 30.
- Q30: Does the Internal Revenue Service provide a publication that contains more information on Coverdell ESAs?**
- A30:** Yes. IRS Publication 970, Tax Benefits for Higher Education, contains information regarding the Coverdell ESA, as well as claiming the Hope Credit, Lifetime Learning Credit, student loans, penalty-free withdrawals from IRAs for certain education expenses, employer-provided educational assistance and qualified state tuition programs. The Trustee recommends that the Depositor, Designated Beneficiary and/or Responsible Individual read Publication 970 before making contributions to or taking distributions from a Coverdell ESA. Publication 970 can be downloaded from the IRS web site at [www.irs.gov](http://www.irs.gov).

**Note:** Form 5305-EA may be reproduced and reduced in size for adaptation to passbook purposes.

**MERIDIAN FUNDS**  
**c/o PFPC Inc. P.O. Box 9792**  
**Providence, RI 02940**

**COVERDELL EDUCATION SAVINGS ACCOUNT**  
**APPLICATION & ADOPTION AGREEMENT**

For assistance in completing this form please call 1-800-446-6662

Please complete both pages.

**RESPONSIBLE INDIVIDUAL (The parent or guardian of the Designated Beneficiary)**

*First	*Middle	*Last Name	*Social Security Number
*Street Address (P.O. Box is not sufficient)		*City	State Zip Code Telephone Number
*Mailing Address, if different from above			

**DESIGNATED BENEFICIARY (Must be under age 18, unless a special needs Beneficiary)**

*First	*Middle	*Last Name	*Social Security Number
*Street Address (P.O. Box is not sufficient)		City	State Zip Code Telephone Number
*Mailing Address, if different from above			

**CONTRIBUTOR (Individual establishing the account if different than Responsible Individual)**

*First	*Middle	*Last Name	*Social Security Number
*Street Address (P.O. Box is not sufficient)		*City	State Zip Code Telephone Number
*Mailing Address, if different from above			

\*Required Information  
 The Responsible Individual shall not continue to serve as the Responsible Individual after the Designated Beneficiary attains the age of majority pursuant to Article V of the Custodial Agreement. 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 Article VI of the Custodial Agreement.

**INVESTMENT OPTIONS (Please check the type of contribution and indicate how to invest the funds.)**

- REGULAR CONTRIBUTION FOR TAX YEAR:** \_\_\_\_\_
- ROLLOVER** - This contribution is a ROLLOVER Coverdell ESA, which has been completed within 60 days of receipt of the funds. These funds are from a Coverdell ESA established for the benefit of either the Designated Beneficiary named above, or another member of the Beneficiary's family as described in IRS section 529(e)(2) who is under age 30. A "Rollover Certification" form is attached.
- TRANSFER OF ASSETS** - The initial contribution to this account is a TRANSFER OF ASSETS from a Coverdell ESA established for the benefit of the Designated Beneficiary named above. A completed "Transfer of Assets" form must be attached.

MERIDIAN GROWTH FUND (075)	\$ _____	OR	% _____
MERIDIAN VALUE FUND (076)	\$ _____	OR	% _____
MERIDIAN EQUITY INCOME FUND (077)	\$ _____	OR	% _____

**DESIGNATED DEATH BENEFICIARY**

I, the Contributor, designate the following family member of the Designated Beneficiary (must be under age 30 upon the death of the Designated Beneficiary) to receive any benefits which the Designated death Beneficiary may be entitled to in the event of the death of the Designated Beneficiary. If the Designated death Beneficiary predeceases the Designated Beneficiary or the Designated death Beneficiary attains age 30 before the Designated Beneficiary's death, all assets will be paid to the estate of the Designated Beneficiary.

Name of Designated Death Beneficiary	Social Security Number	Date of Birth	Relationship to Designated Beneficiary
Address – Street		City	State ZIP Code

**TERMS AND CONDITIONS OF THE COVERDELL ESA**

*Please sign and date this Coverdell ESA Application and Adoption Agreement form "Application". You, the Contributor, acknowledge that you have received and read the current prospectus for each Fund, which you have Designated for investment.*

All subsequent contributions will be invested as indicated by the Contributor in the "Investment Options" section of this form or as subsequently directed by the Responsible Individual. All dividends and distributions from the Fund shares held in this Account will be reinvested in shares of the Fund from which received. The Custodian, upon written instructions from the Responsible Individual, may exchange any Meridian Funds shares for any other Meridian Funds shares in accordance with the then-current prospectus.

In the event of the Designated Beneficiary's death, the accrued benefits that may become due and payable under Meridian Funds Coverdell ESA will be payable to the estate of the Designated Beneficiary within 30 days of the date of the death unless there is a Designated death Beneficiary who is a family member of the Designated Beneficiary and is under the age of 30(unless a special needs Beneficiary) on the date of death. In such a case, the family member shall become the Designated Beneficiary.

**PRIVACY PRINCIPLES:**

PFPC Trust Company serves as Custodian to self-directed savings and retirement accounts, such as Individual Retirement Accounts, Qualified Plans, 403(b)(7) Plans (the "Accounts") owned by shareholders of investment companies for whom our affiliated company, PFPC Inc., serves as transfer and shareholder servicing agent (the "Funds"). You are receiving this notice because you own or are considering establishing an Account that contains an investment in shares of a Fund. PFPC Trust Company is committed to maintaining the privacy of Account owners and to safeguarding their nonpublic personal information. PFPC Trust Company collects nonpublic personal information from Account applications and other forms that Account owners send to establish and maintain an Account. We may also have access to specific information regarding an Account owner's transactions with the Funds. PFPC Trust Company does not disclose any nonpublic personal information about any Account owner or former Account owner to anyone, except as permitted by law or as necessary in order to service the Account. PFPC Trust Company restricts access to nonpublic personal information about the Account owners to our employees with a legitimate business need for the information. We maintain physical, electronic and procedural safeguards designed to protect the nonpublic personal information of Account owners.

**Custodial Fees:** \$12.00 annual maintenance fee on each Fund held in a Plan account. The annual maintenance fee may be paid by the Contributor or Responsible Individual in addition to the maximum annual contribution to this Coverdell ESA. If the fee is not included, the Custodian will deduct the fee from the Account at year-end or at the time the Account is closed. The Custodian reserves the right to change the Custodian fee, but will give at least 30 days written notice to the Responsible Individual. The Custodian will keep those records, identify and file returns and provide other information concerning this Account as required of Custodians by the Internal Revenue Code and any Regulations issued or forms adopted by the Treasury Department of the United States.

I (the Contributor) hereby establish a Coverdell ESA for the benefit of the above named Designated Beneficiary under the terms and conditions contained in the accompanying Coverdell Education Savings Custodial Account Agreement, which is incorporated herein by reference. The combined instrument is hereinafter referred to as the "Agreement." This Coverdell ESA becomes effective upon written acceptance of this Application by the Custodian, PFPC Trust Company, which written acceptance shall consist of a confirmation of transaction statement issued by the Custodian. The Contributor understands and agrees that the Custodian is not responsible for any assets until received nor for determining the propriety of any contributions made to the Coverdell ESA.

I (the Contributor) certify under penalties of perjury that the Designated Beneficiary is a US person (including a US resident alien) and my Social Security Numbers are true, correct and complete and that these numbers are our respective Taxpayer Identification Numbers. (If you are a foreign person, use the appropriate Form W-8.)

**To help the U.S. government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies persons opening accounts. To comply, we require your name, address, date of birth and government-issued identification number (generally, a Social Security Number) and other information that may help us identify you. We may ask for copies of related documentation and we may consult third-party databases to help verify your identity.**

Contributor's Signature \_\_\_\_\_ Date \_\_\_\_\_

Responsible Individual's Signature \_\_\_\_\_ Date \_\_\_\_\_

Acceptance by Custodian shall consist of a confirmation of transaction statement issued by the Custodian: PFPC Trust Company, C/O PFPC Inc 101 Sabin Street, Pawtucket RI 02860-1427. Distributor: Meridian Fund, Inc. for Meridian Funds. Shares of Meridian Funds are offered by the Distributor. The Distributor is not a bank, and shares of the Fund are not deposits or obligations of, or guaranteed or endorsed by, any bank nor are they federally insured or otherwise supported by the FDIC, the Federal Reserve Board or any other agency.

Instructions for completing this form are provided on page 2

**RESPONSIBLE INDIVIDUAL (The parent or guardian of the Designated Beneficiary)**

First	Middle	Last Name	Social Security Number		
			( )		
Street	City		State	Zip Code	Telephone Number

**DESIGNATED BENEFICIARY**

First	Middle	Last Name	Social Security Number		
			/ /		
Street	City		State	Zip Code	Date of Birth

**INVESTMENT INSTRUCTIONS:**

I am opening a new account(s) and have attached the required application or documents.

Deposit the proceeds into an existing Coverdell ESA.

Please purchase into the following funds or account:

Account Number

MERIDIAN GROWTH FUND	(075)	\$ _____	OR	% _____
MERIDIAN VALUE FUND	(076)	\$ _____	OR	% _____
MERIDIAN EQUITY INCOME FUND	(077)	\$ _____	OR	% _____

**TRANSFER AND AUTHORIZATION INSTRUCTIONS TO CURRENT CUSTODIAN: (Check with your current Custodian for the correct address and if they require a signature guarantee to avoid delays. Attach a copy of the current account statement.)**

\_\_\_\_\_  
Name of current Custodian or Agent

\_\_\_\_\_  
Address of current Custodian or Agent

\_\_\_\_\_  
City State Zip Code

( ) Telephone Number of Custodian

\_\_\_\_\_  
Fund Name or Type of Investment to be transferred

\_\_\_\_\_  
Account Number for Investment

Liquidate  Transfer in Kind

1.  Entire Account \$ \_\_\_\_\_ or % \_\_\_\_\_

2.  Partial Account \$ \_\_\_\_\_ or % \_\_\_\_\_

For Certificate of Deposits redeem:  Immediately  At Maturity Date

\_\_\_\_\_  
Fund Name or Type of Investment to be transferred

\_\_\_\_\_  
Account Number for Investment 2

Liquidate  Transfer in Kind

1.  Entire Account \$ \_\_\_\_\_ or % \_\_\_\_\_

2.  Partial Account \$ \_\_\_\_\_ or % \_\_\_\_\_

**TO BE COMPLETED BY PFPC TRUST COMPANY CUSTODIAN ONLY ISSUE CHECK PAYABLE TO**

MERIDIAN FUNDS FBO \_\_\_\_\_

Account No. \_\_\_\_\_

SSN \_\_\_\_\_

**I authorize the transfer of assets as noted above to MERIDIAN FUNDS and PFPC Trust Company to process this request. I understand as the Responsible Individual it is my responsibility to assure the prompt transfer of assets by the current Custodian. I have read and understand all information in the instructions.**

\_\_\_\_\_  
Signature of Responsible Individual Date

Please transfer the following investments to PFPC Trust Company as Custodian for Meridian Funds Coverdell ESA.

Medallion Signature Guarantee Stamp and Signature (If required by your current Custodian or transfer agent)

**INSTRUCTIONS TO THE RESPONSIBLE INDIVIDUAL (PLEASE READ CAREFULLY):**

This form will be used by [Meridian Funds](#) to initiate a transfer of assets from an existing Coverdell ESA as Designated on this form to a Coverdell ESA plan at [Meridian Funds](#). For certificate of deposits please indicate if you wish to have the funds transferred immediately, which may incur a redemption penalty if they have not matured, or at maturity. We cannot accept requests to transfer assets from certificates more than 60 days prior to their maturity. When completed, please return the signed form, a copy of the current account statement, and, if applicable, the appropriate new account application for the Coverdell ESA to:

**First Class Mail:**  
[Meridian Funds](#)  
c/o PFPC Inc.  
P.O. Box [9792](#)  
Providence, RI 02940-9792

**Overnight Mail:**  
[Meridian Funds](#)  
c/o PFPC Inc.  
101 Sabin Street  
Pawtucket, RI 02860-1427  
[1-800-446-6662](#)

Insufficient information or incorrect forms will result in delays in processing your instructions. If you need assistance in completing this form please contact our Customer Service Representatives at [1-800-446-6662](#). We would be happy to help you. If you need additional forms please call [1-800-446-6662](#).

**INSTRUCTIONS TO RESIGNING CUSTODIAN/TRANSFER AGENT:**

Please liquidate the Coverdell ESA(s) as specified in the section TRANSFER AND AUTHORIZATION INSTRUCTIONS TO CURRENT CUSTODIAN. **Issue a check payable as indicated in the same section and mail along with any other instructions to:**

**First Class Mail:**  
[Meridian Funds](#)  
c/o PFPC Inc.  
P.O. Box [9792](#)  
Providence, RI 02940

**Overnight Mail:**  
[Meridian Funds](#)  
c/o PFPC Inc.  
101 Sabin Street  
Pawtucket, RI 02860-1427  
[1-800-446-6662](#)

**ACCEPTANCE BY PFPC TRUST COMPANY AS CUSTODIAN:**

PFPC Trust Company accepts its appointment as Custodian of the above referenced Coverdell ESA and has established a Coverdell ESA under Internal Revenue Code Section 530 in [Meridian Funds](#), as indicated on the front of this form. [Meridian Funds](#) and PFPC Trust Company, as Custodian, cannot accept assets other than cash in the form of a check. Upon receipt of the check, the proceeds will be credited to the above referenced Coverdell ESA.

Accepted by PFPC Trust Company, as Custodian for  
[Meridian Funds](#) Coverdell ESA.

\_\_\_\_\_  
Authorized Representative of PFPC Trust Company

\_\_\_\_\_  
Date

Use this form to certify a rollover distribution from a current Coverdell ESA to a Meridian Funds Coverdell ESA. You must complete the rollover within 60 calendar days of your receipt of that distribution.

**Designated Beneficiary of Coverdell ESA:**

First	Middle	Last Name	Social Security Number	F
Street			/ /	Date of Birth
City			( )	Telephone Number

**Responsible Individual:**

First	Middle	Last Name	Social Security Number	S
Street			/ /	Date of Birth
City			( )	Telephone Number

**Rollover Contribution to:**

Fund Name	Existing Account # if known or attach a new application	Amount of Rollover
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I, as the Responsible Individual for the above account, certify the following statements are true and correct:

1. This rollover contribution is from another Coverdell Education Savings Account, and not from a Traditional, SEP, SIMPLE or Roth IRA or from a qualified plan, qualified annuity, 403(b) plan or 457 plan.
2. This rollover contribution is being made within 60 days after the distribution from another Coverdell Education Savings Account in which the above-named designated beneficiary was either the original designated beneficiary or is an eligible family member of the original designated beneficiary.
3. During the 12-month period prior to this distribution being rolled over, the Designated Beneficiary has not received a distribution from the same Coverdell Education Savings Account which was subsequently rolled over to another Coverdell Education Savings Account, and the distribution being rolled over has not been part of a distribution from another Coverdell Education Savings Account that was subsequently rolled over.
4. The property received in the distribution from the distributing Coverdell Education Savings Account is the same property being rolled over into this Coverdell Education Savings Account.

I agree that I am solely responsible for all tax consequences of this rollover contribution. I also agree that neither the Custodian, Meridian Funds, nor any agent of either of them has any responsibility for any tax consequences.

**I have read, understand, and agree to be legally bound by the terms of the Meridian Funds Coverdell ESA Custodial Agreement.** I also understand that the Custodian will rely on this form when accepting this rollover contribution. I understand that this rollover is irrevocable and may not be reversed in the future. I also understand that I am Responsible for the movement of the rollover to the successor Coverdell ESA, and that neither Meridian Funds, PFPC Inc., PFPC Trust Company, nor their agents, have any duty to enforce the collection of any assets to be rolled over to the above Meridian Funds Coverdell ESA.

Responsible Individual's Signature	Date
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**MERIDIAN FUNDS**  
c/o PFPC Inc.  
P.O. Box 9792, Providence, RI 02940

**COVERDELL EDUCATION SAVINGS ACCOUNT  
WITHDRAWAL AUTHORIZATION &  
INSTRUCTIONS FOR DISTRIBUTION**

**RESPONSIBLE INDIVIDUAL (The parent or guardian of the Designated Beneficiary)**

\_\_\_\_\_  
First Middle Last Name Social Security Number  
\_\_\_\_\_  
Street City State Zip Code Telephone Number

**DESIGNATED BENEFICIARY**

\_\_\_\_\_  
First Middle Last Name Social Security Number  
\_\_\_\_\_  
Street City State Zip Code Date of Birth

FUND(S) \_\_\_\_\_ ACCOUNT NUMBER: \_\_\_\_\_

**DISTRIBUTION METHOD**

\_\_\_ Partial Withdrawal / Amount: \_\_\_\_\_ DOLLARS / SHARES (CIRCLE ONE)  
\_\_\_ Total Distribution of Account  
\_\_\_ Mail to the address currently on file. \_\_\_ Mail to the following address:  
\_\_\_ Purchase funds into my existing non-retirement mutual fund account: \_\_\_\_\_  
Account Number \_\_\_\_\_  
Fund \_\_\_\_\_  
Financial Institution Name and Address \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

NEW ACCOUNT; \_\_\_ check here and attach completed application to purchase funds into a new mutual fund account. Account Number: \_\_\_\_\_  
(to be used if check going to another Financial Institution)

**DISTRIBUTION REASON**

**Distributions for Qualified Education Expenses:**

\_\_\_ a. Distributions from this account are being used for qualified education expenses of the Designated Beneficiary.

**Distributions Not Used for Education Expenses:**

- \_\_\_ a. This distribution is not being used for qualified education expenses and none of the other reasons below apply.
- \_\_\_ b. Permanent Disability of the Designated Beneficiary (within the meaning of section 72(m)(7) of the Internal Revenue Code)
- \_\_\_ c. Death (You are the Beneficiary or representative of the Designated Beneficiary's estate and can furnish a certified copy of the Death Certificate)
- \_\_\_ d. Removal of Excess Contribution plus earnings before deadline. In which tax year was the contribution made? \_\_\_\_\_  
Is the contribution plus earnings being removed in the same year?  Yes  No
- \_\_\_ e. Transfer, including Transfer Incident To Divorce or legal separation. Payable to: \_\_\_\_\_
- \_\_\_ f. This Coverdell ESA is being rolled over or transferred to another Coverdell ESA for the following family member: \_\_\_\_\_
- \_\_\_ g. Age 30 attained by Designated Beneficiary

## SIGNATURE

I certify that I am the Responsible Individual authorized to make these elections and that all information provided is true and accurate. I further certify that no tax or legal advice has been given to me by the Custodian, [Meridian Funds](#), or any agent of either of them, and that all decisions regarding the elections made on this form are my own. The Custodian is hereby authorized and directed to distribute funds from the account in the manner requested. The Custodian may conclusively rely on this certification and authorization without further investigation or inquiry. I expressly assume responsibility for any adverse consequences which may arise from the election(s) and agree that the Custodian, [Meridian Funds](#), and their agents shall in no way be Responsible, and shall be indemnified and held harmless, for any tax, legal or other consequences of the election(s) made on this form. This form may only be used for **one account**. If you have another account from which you wish to take distributions, please fill out a separate form.

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Responsible Individual's Signature

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Date

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Medallion Signature Guarantee - Medallion Stamp

\*(The medallion signature guarantee may be executed by banks, broker dealers, credit unions, national securities exchanges and savings associations which participate in STAMP, SEMP or NYSE-MSP. A notary public is not a substitute for a Signature Guarantee. The medallion signature guarantee stamp must include the words "SIGNATURE GUARANTEED, MEDALLION GUARANTEED" and otherwise comply with the medallion program requirements. Please check the fund prospectus or with the fund as to whether a medallion signature guarantee is required.)