



**ROTH INDIVIDUAL  
RETIREMENT ACCOUNT**

*BEAR, STEARNS SECURITIES CORP.  
ROTH INDIVIDUAL RETIREMENT ACCOUNT*

This booklet contains a description of the Bear Stearns Roth Individual Retirement Account (Roth IRA), together with information and an application to open your own Roth IRA. You will also find enclosed copies of the Roth IRA Disclosure Statement and the Custodial Agreement. You should consult with your attorney and/or tax advisor to determine whether the provisions of a Roth IRA will meet your financial needs and goals.

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### *What is a Roth IRA?*

A Roth IRA is a type of custodial account established to help individuals accumulate funds for retirement.

Roth IRAs are similar to standard IRAs and are subject to the same annual maximum contribution limit. However, unlike a standard IRA, contributions to a Roth IRA are not tax deductible and distributions may be tax free.

### *Why make annual contributions to a Roth IRA?*

A Roth IRA provides tax advantages which differ from those offered by a standard IRA. Contributions to a standard IRA are generally tax deductible, but distributions from a standard IRA are taxable. While contributions to a Roth IRA are not tax-deductible, earnings grow tax deferred and can generally be withdrawn tax free in retirement (or sooner for certain homebuyer expenses) if the account has been in place for at least five years. Even if the account has not been in place for five years, distributions will be tax free to the extent that they do not exceed the amounts contributed. This will be a significant tax benefit for investors who build up substantial earnings on their contributions over time.

You can establish a Roth IRA if you receive compensation below certain limits. Your participation in another retirement plan does not affect your ability to contribute to a Roth IRA.

### *What are the principal differences between the tax benefit offered by standard IRAs and Roth IRAs?*

In summary, the principal differences between the tax benefits offered by standard IRAs and Roth IRAs are as follows:

	STANDARD IRA	ROTH IRA
CONTRIBUTIONS	May be tax deductible, depending on whether you or your spouse participate in another retirement plan.	Not tax deductible
DISTRIBUTIONS	Taxable, with the exception of distributions consisting of nondeductible contributions.	Not taxable if the account has been in place for at least five years and certain other requirements are met.

Both a standard IRA and a Roth IRA allow taxes to be deferred on IRA earnings at least until you take a distribution from the IRA. In addition, a Roth IRA offers you the opportunity to enjoy tax-free earnings even when the earnings are distributed.

### *Can I roll over or convert assets to a Roth IRA?*

You may roll over assets from one Roth IRA to another Roth IRA.

You may convert all or part of your standard IRA to a Roth IRA if your adjusted gross income for the year does not exceed \$100,000 (as modified to exclude any income attributable to the conversion). The \$100,000 limitation applies to both single individuals and joint filers. A conversion to a Roth IRA will not be permitted if you are married and file separate returns.

Amounts rolled over or converted to a Roth IRA do not count towards the annual contribution limit.

### *How do I roll over or convert assets from my existing IRA(s) to a Roth IRA at Bear Stearns?*

You can do this in one of two ways after you complete a Roth IRA Account Application and set up a Roth IRA:

- You can take a distribution from your existing IRA and deposit the distribution into your Roth IRA within 60 days, or
- You can instruct the Custodian of your existing IRA to transfer your assets directly to a traditional IRA at Bear Stearns. Once you have established a traditional IRA at Bear Stearns contact your Account Executive.

### *Will I be taxed if I roll over or convert assets to a Roth IRA?*

Distributions from one Roth IRA can be rolled over to another Roth IRA tax free.

However, the conversion of a standard IRA into a Roth IRA is a taxable event. Taxes will be owed on all deductible contributions (but not on nondeductible contributions) and earnings in your existing IRA. Future earnings may be distributed tax free after you have reached age 59½ (or if another exception applies) as long as the Roth IRA has been in place for at least five years from the earlier of the year of your first annual contribution, rollover or conversion.

Generally, a conversion of a standard IRA to a Roth IRA will not result in the 10% early withdrawal penalty tax. However, any withdrawal from a Roth IRA of converted amounts within five years of the conversion may be subject to this penalty tax.

## *Will it be beneficial for me to convert my existing IRA to a Roth IRA?*

If you convert your existing IRA to a Roth IRA, you will pay some taxes now but may be able to withdraw future earnings tax free. If you leave your existing IRA intact, you will continue to defer taxes on your account but all deductible contributions and earnings will be subject to taxes when distributed.

Whether it is beneficial for you to convert your existing IRA will depend upon such factors as the length of the investment period before distributions begin, rate of return, your current tax bracket and projected tax bracket after retirement. We recommend you consult your tax advisor before you convert your account.

## *How do I invest my Roth IRA at Bear Stearns?*

A Bear Stearns Roth IRA is “self-directed,” which means that you are solely responsible for selecting the investments for your Roth IRA Account and you provide your Account Executive or advisor with the instructions for implementing your investment decisions. This gives you flexibility in choosing your investment instruments. You can choose from a variety of equity and fixed income investments offered by, or available through, Bear Stearns, subject to any rules that Bear Stearns may establish. These investments include:

- Common stocks and/or preferred stocks;
- Interest-earning investments such as corporate bonds, Treasuries, GNMMAs and/or certificates of deposit.

Please note that if you do not select an available sweep fund for your Roth IRA, any uninvested cash in your Roth IRA will not be paid interest by Bear Stearns.

## *What types of investments are not allowed in my Bear Stearns Roth IRA?*

The following transactions are not permitted in a Roth IRA account unless otherwise approved by the Bear Stearns Compliance Department:

- Margin trades;
- Foreign exchange transactions;
- Commodities trades;
- Outright purchase of options and uncovered writing of options (option activity is limited to covered equity call writing and protective/married equity put buying);
- Purchase of foreign securities which would require Bear Stearns to hold physical foreign certificates;
- Real estate;
- Outside dividend reinvestment plans;
- Collectibles (coins, gems, precious metals, antiques, bullion, etc.);
- Life insurance;
- Any investment which Bear Stearns deems not to be compatible with its administrative or operational requirements and regular business practices.

### *Is all income eligible for contributions?*

Any compensation that you earn can be contributed to your Roth IRA, up to the dollar limits set by federal law. Compensation means wages, salaries, tips, professional fees, bonuses, commissions, and net earnings from self-employment. Compensation also includes all taxable alimony received under a decree of divorce or separate maintenance. Compensation does not include disability payments, earnings and profits from property (interest, rent, dividends), or items not includible in your gross income. Compensation also does not include amounts received as deferred compensation such as any pension or annuity payment, nor does it include unemployment compensation.

### *Is there a minimum or maximum contribution amount?*

You are not obligated to make a contribution to your Roth IRA every year. However, there are rules which set a maximum contribution amount for a year.

- Unless an individual attains age 50 by the close of the taxable year, the maximum contribution to all of an individual's IRAs (including standard IRAs and Roth IRAs) for a year is limited to the lesser of \$4,000 or 100% of the individual's compensation. The annual contribution amount is increased to \$5,000 for any tax year beginning in 2008 and beyond. This amount is scheduled to increase thereafter for cost-of-living adjustments. An individual who attains age 50 by the close of the taxable year may make an additional "catch-up" contribution to his or her IRAs of \$500 for the 2005 tax year and \$1,000 for any tax year beginning in 2006 and beyond.
- A spousal Roth IRA can be established for a nonworking spouse (or a spouse with lower compensation), provided a joint tax return is filed. Contributions to combined spousal IRAs (including both standard IRAs and Roth IRAs) are limited to twice the annual maximum contribution amount (\$8,000 for 2005 if neither spouse is age 50 or older) or, if less, 100% of the spouses' combined compensation. An additional "catch-up" contribution may be made to combined spousal IRAs on behalf of each spouse who qualifies (for 2005, this amount is \$500 if only one spouse is age 50 or older, \$1,000 if both spouses are age 50 or older; for 2006 this amount is \$1,000 if only one spouse is age 50 or older, \$2,000 if both spouses are age 50 or older). No more than the annual maximum contribution amount and the catch-up contribution amount, if applicable, may be placed in either account.
- There is no limit on the amount of an eligible rollover contribution or a conversion to a Roth IRA.
- There is no minimum Roth IRA contribution.

### *What happens when I make contributions above the maximum limit?*

Excess contributions are subject to a penalty tax of 6% each year until the excess is eliminated. You can avoid paying the penalty tax by withdrawing the excess, along with any interest earned, on or before the date your tax return is due, including extensions.

### *Am I eligible to contribute to a Roth IRA?*

You can make nondeductible contributions to a Roth IRA if you are single and your income does not exceed \$95,000 or married filing jointly and your combined income does not exceed \$150,000. You are eligible to make a partial contribution if you are single with adjusted gross income (as modified to exclude any income attributable to a rollover from a standard IRA to a Roth IRA but to include any deductible IRA contributions) above \$95,000 and less than \$110,000 or married filing jointly with a combined income above \$150,000 and less than \$160,000. Individuals or couples at or above the \$110,000 and \$160,000 limits respectively, are not allowed to make contributions to a Roth IRA.

This table is provided to help you to determine whether you are eligible to contribute to a Roth IRA:

	Income Limits for Individual Returns	Income Limits for Joint Returns
Full contribution is permitted if adjusted gross income is at or below:	\$95,000	\$150,000
Partial contribution is permitted if adjusted gross income is between:	\$95,000–\$110,000	\$150,000–\$160,000
No contribution is permitted if adjusted gross income is at or above:	\$110,000	\$160,000

Unlike standard IRAs, your active participation in another retirement plan does not affect your eligibility to contribute to a Roth IRA.

Remember, if you are not eligible to make contributions to a Roth IRA, you may still make nondeductible contributions to a standard IRA.

### *When can I make my contributions?*

Contributions to a Roth IRA (to begin the five-year period required for certain distributions to be tax free) must be made before your federal income tax return deadline, usually April 15 (not including extensions). Some individuals choose to make contributions well before the deadline in order to accumulate tax-deferred earnings as soon as possible.

Unlike standard IRAs, you may continue to make contributions to a Roth IRA even after you reach age 70½.

### *When can withdrawals be taken from a Roth IRA?*

You may take a withdrawal from your Roth IRA at any time. However, in order for distributions from your Roth IRA to be tax free, certain requirements must be met. Your distributions from a Roth IRA are not taxable provided that:

- the Roth IRA account has been in place for at least five years; and
- the distribution is made either:
  - on or after the date you attain age 59½;
  - in the event of your death or permanent disability; or
  - for a “first-time” home purchase and does not exceed \$10,000 (maximum lifetime limit).

The “first-time” home purchase exception applies even if you previously owned a home, as long as neither you nor your spouse had an ownership interest in a principal residence in the prior two years.

If a distribution does not meet these requirements, then it may be taxable. For this purpose, distributions are treated as made first from your annual contributions, then from conversions (on a first-in, first-out basis) and last from earnings. This means that no income tax will be imposed on a distribution from a Roth IRA until you have withdrawn an amount equal to all of your contributions to the account.

The five-year period required for distributions from a Roth IRA to be tax free will begin on the first day of the first taxable year for which you make a contribution, conversion or rollover to a Roth IRA. For example, if you make a contribution to a Roth IRA on April 15, 2005 for the 2004 tax year, the five-year period will begin to run on January 1, 2005. In the case of a conversion or rollover to a Roth IRA, the five-year period will begin to run on the first day of the taxable year in which the conversion or rollover was made.

You should always consult your personal tax advisor regarding the taxation of any distributions from any IRA.

## *When will distributions from a Roth IRA be subject to a penalty tax?*

A distribution from a Roth IRA will also be subject to an early withdrawal penalty tax equal to 10% of the taxable amount withdrawn unless an exception applies. There is no penalty tax for early withdrawals under the following circumstances:

- In the event of death or permanent disability;
- For medical expenses that exceed 7.5% of your adjusted gross income;
- For medical insurance costs after you have received unemployment compensation for 12 weeks;
- If substantially equal periodic payments are made (not less frequently than annually) over the Roth IRA holder's life (or life expectancy) or the joint lives (or life expectancies) of the Roth IRA holder and his or her beneficiary;
- For the higher education expenses of you or your spouse, child or grandchild;
- If the withdrawal is for a first-time home purchase and is limited to \$10,000 (a lifetime limit).

For purposes of determining the penalty tax which may apply to an early withdrawal from a Roth IRA, withdrawals are treated as made first from your contributions, second from conversions and third from earnings. This means that no penalty tax will be imposed on a withdrawal from a Roth IRA until you have withdrawn an amount equal to all of your contributions to the Roth IRA.

If funds are converted to a Roth IRA and are withdrawn within the five taxable years beginning on the first day of the year in which the conversion occurred, then the amount that was taxable upon the conversion will be subject to the 10% penalty tax unless one of the above exceptions applies to the distribution. Distributions of converted amounts are treated first as coming from amounts that were included in gross income upon conversion, and then from the nontaxable funds rolled over.

## *What are my withdrawal options?*

You may select one of the following distribution options:

- Lump-sum, which means disbursement of the entire balance of the Roth IRA to you;
- Over a period not extending beyond your life expectancy;
- Over a period not extending beyond the joint life expectancy of you and your beneficiary;
- Over your life; or
- Over the lives of both you and your designated beneficiaries.

Distributions may be taken yearly, quarterly or monthly. In the case of death, distributions will go to your beneficiary. If no beneficiary has been designated by you or if no beneficiary can be located by the Custodian, assets in your Roth IRA will be distributed to your surviving spouse, or if none, to your children in equal shares per stirpes, or if none, to your estate.

### *How do I establish a Roth IRA account at Bear Stearns?*

To establish an account you need to fill out the Roth IRA Application provided in this booklet. Please read the enclosed Roth IRA Disclosure Statement and the Custodial Agreement carefully before signing your application. Review them with your attorney and/or tax advisor, then refer to the instructions on page 18 to complete the application. Forward the completed documents to your Account Executive or advisor.

### *What are my costs and fees?*

There is no setup fee to establish your Roth IRA account. There is an annual custodial account maintenance fee. This fee is not considered part of your contribution, and is therefore tax deductible as a miscellaneous expense if paid by separate check. Normal brokerage commissions and other securities transaction-related charges, which vary with the type and the size of transaction, will be charged to your Roth IRA. A termination fee will be charged when an account is closed, along with the annual maintenance fee. Fees are not prorated. Fee details are provided in the enclosed application.

# BEAR, STEARNS SECURITIES CORP. DISCLOSURE STATEMENT FOR ROTH INDIVIDUAL RETIREMENT ACCOUNTS (ROTH IRA)

## 1. Introduction

The Internal Revenue Service requires that individuals establishing or maintaining a Roth Individual Retirement Account (a "Roth IRA") be given a Disclosure Statement to aid in the understanding of their rights and obligations. The following statement is only a general discussion of the restrictions and limitations concerning Roth IRAs. Further information concerning Roth IRAs may be obtained from any District Office of the Internal Revenue Service. The following does not consider state or local income tax treatment of a Roth IRA. Because the tax treatment of Roth IRAs is complex, you should contact your own tax or legal advisor for additional information and advice on your specific situation. BEAR STEARNS DOES NOT ACT AS YOUR TAX, LEGAL, OR INVESTMENT ADVISOR FOR THIS ROTH IRA.

## 2. Summary

A Roth IRA is a type of custodial account established in the United States for the exclusive benefit of either the individual who creates it or the individual's beneficiaries. Your interest in the balance of the account is nonforfeitable. Currently, the Internal Revenue Code permits an individual who qualifies to contribute each year to all of the individual's IRAs (including a Roth IRA as well as an IRA which meets the requirements of section 408 of the Internal Revenue Code (a "standard IRA")) an amount not exceeding the lesser of \$4,000<sup>(1)</sup> or 100% of the individual's gross annual compensation. The Internal Revenue Code provides for an increase in the annual maximum contribution amount to \$5,000 for any tax year beginning in 2008 and beyond. This amount is scheduled to increase thereafter for cost-of-living adjustments. The Internal Revenue Code also permits an individual who is age 50 or older by the end of the tax year to make additional "catch-up" contributions to his or her IRAs of \$500 for the 2005 tax year and \$1,000 for any tax year beginning in 2006 and beyond.<sup>(2)</sup> No portion of a contribution to a Roth IRA is deductible from gross income on your federal income tax return.

## 3. Revoking Your Roth IRA—Within 7 Days

(a) *General Rule.* If you have not received this Disclosure Statement at least seven (7) days prior to the establishment of your Roth IRA, the law permits you to revoke your Roth IRA within seven (7) days after its establishment. To revoke your Roth IRA, you must, within that seven (7)-day period, provide both oral notification to your Account Executive and deliver or mail written notice of revocation to the Custodian, Bear, Stearns Securities Corp., IRA Department, 383 Madison Avenue, New York, New York 10179. Revocation shall be deemed to have been mailed on the date post-marked (or if sent by certified or registered mail, on the date of registration or certification). Revocation requires the Custodian to return your entire contribution to the Roth IRA without penalty, service charges, administrative expenses or any other reduction.

(b) *Material Changes.* If a material adverse change is made to the Disclosure Statement or to the Roth IRA when you

(1) A combined contribution of twice the annual maximum contribution amount (\$8,000 for 2005) or 100% of the spouses' combined compensation is permitted if a Roth IRA is established for a nonworking or lower paid spouse. Neither spouse's Roth IRA may receive more than the annual maximum contribution amount in any one taxable year. There is no limitation on the amount that can be rolled over to a Roth IRA.

(2) A "catch-up" contribution may also be made for each spouse who qualifies if a Roth IRA is established for a nonworking or lower paid spouse. For 2005, an additional "catch-up" contribution of \$500 is permitted if only one spouse is age 50 or older, and a combined additional "catch-up" contribution of \$1,000 is permitted if both spouses are age 50 or older. For 2006 and beyond, an additional "catch-up" contribution of \$1,000 is permitted if only one spouse is age 50 or older, and a combined additional "catch-up" of \$2,000 is permitted if both spouses are age 50 or older. 9

still have the right to revoke the Roth IRA, the Custodian will inform you of the change, and you shall be permitted to revoke the Roth IRA in the manner described in paragraph 3(a) of this Disclosure Statement for a period of seven (7) days from your receipt of the notice of the change.

#### 4. Contributions

(a) *Basic Rule.* Except in the case of a “rollover” contribution (as defined in section 5 of this Disclosure Statement) from a previously established Roth IRA or standard IRA or a “recharacterization” (as defined in paragraph 4(c) of this Disclosure Statement), no contribution will be accepted unless it is in cash. Bear, Stearns Securities Corp., as your Roth IRA Custodian, will not accept contributions (other than rollover contributions) for a Roth IRA in excess of the annual maximum contribution amount or such other amount as the Internal Revenue Code may be amended to provide for in any taxable year.

(b) *Deductibility and Eligibility to Make Contributions to a Roth IRA.* No deduction from gross income will be allowed on your federal income tax return for contributions to a Roth IRA. If you file an individual return, the maximum contribution that can be made to a Roth IRA is phased out between \$95,000 and \$110,000 of adjusted gross income. If you and your spouse file a joint tax return, the maximum contribution that can be made to a Roth IRA is phased out between \$150,000 and \$160,000 of adjusted gross income. If you and your spouse file separate returns, the maximum contribution to a Roth IRA is phased out between \$0 and \$10,000 of adjusted gross income.

(c) *Recharacterization of Roth IRA Contributions.* You can recharacterize all or any portion of Roth IRA contributions or rollovers as contributions to a standard IRA by transferring the contributed funds plus earnings attributable to those funds to a standard IRA by the due date for your tax return (including extensions) for the year of the contribution. The contributed amount will be treated as if it initially was made to the standard IRA and not the Roth IRA. This feature is especially useful if you unexpectedly exceed the gross income limitations for contributions or rollovers to your Roth IRA (see the discussion of these limitations in the preceding paragraph) and wish to avoid the penalties discussed below in paragraph (f).

(d) *Recharacterization of Standard IRA Contributions.* You can recharacterize all or any portion of an annual contribution to a standard IRA as an annual contribution to your Roth IRA by transferring the contributed funds plus earnings attributable to those funds to a Roth IRA by the due date for your tax return (including extensions) for the year of the contribution. The contributed amount will be treated as if it initially was made to the Roth IRA and not the standard IRA.

(e) *Separate Accounts.* Contributions to a Roth IRA must be maintained in a separate custodial account from contributions to a standard IRA. The custodian account must be clearly designated as a Roth IRA at the time of establishment.

(f) *Excess Contributions.* Contributions that exceed the maximum permitted by the Internal Revenue Code are subject to a nondeductible cumulative penalty tax of 6% of the amount of such excess. This penalty tax is not only for the year in which the excess contribution is made, it also attaches for each following year until corrected either by withdrawal from the Roth IRA or, in years subsequent to the year in which the initial penalty tax is imposed, by foregoing Roth IRA contributions up to the limitations permissible at that time. A contribution made at a time when you are not eligible to make such contribution is also deemed an excess contribution. The 6% penalty tax may be avoided completely if the excess contribution plus any earnings attributed to it are withdrawn prior to the due date for filing your federal income tax return, including extensions.

(g) *Spousal Contributions.* The Internal Revenue Code authorizes a combined contribution to all of your IRAs (including both Roth IRAs and standard IRAs) and those that are set up for your spouse if your spouse has lower or no compensation during the taxable year. The annual maximum combined contribution is the lesser of twice the annual maximum contribution amount or 100% of the compensation includible in the spouses' combined taxable income for the year. No more than the annual maximum contribution amount may be contributed to each spouse's IRA. An additional "catch-up" contribution may be made for each spouse who qualifies. For 2005, the maximum combined contribution is the lesser of \$8,000 if neither spouse is age 50 or older (\$8,500 if only one spouse is age 50 or older or \$9,000 if both spouses are age 50 or older) or 100% of the compensation includible in the spouses' combined taxable income for the year. For 2006 the \$8,500 and \$9,000 are adjusted to \$9,000 and \$10,000, respectively.

Joint ownership of an individual or spousal Roth IRA is prohibited. However, each spouse may have, if designated, a right of survivorship in the other's Roth IRA.

The receipt of compensation by the taxpayer's spouse does not mean that the couple is excluded from the IRA program for the taxable year. Each member of a working couple can make contributions to his or her own Roth IRA. Of course, each of them must meet the requirements of the Internal Revenue Code individually, and contributions by each to his or her own Roth IRA are limited to the lesser of the annual contribution amount or 100% of compensation. Earnings of each separate Roth IRA shall be credited to said Roth IRA.

(h) *Contributions to Another IRA.* The maximum amount that an individual can contribute to a Bear Stearns Roth IRA for a tax year is reduced by any contributions that the individual makes to another IRA.

(i) *Age 70½ Rule.* Unlike standard IRAs, you may make contributions to a Roth IRA after you have attained age 70½.

(j) *Deadline for Contributions.* In order to count as a contribution for the prior calendar year, a Roth IRA may be established and a contribution made up to the due date for filing your federal income tax return, not including extensions (generally, April 15).

(k) *Tax Credit for Contributions.* For the 2005 and 2006 tax years, you may be eligible to receive a tax credit on your IRA contributions equaling a percentage of your qualified retirement savings contributions not exceeding \$2,000. This credit will be allowed in addition to any tax deduction that may apply, and may not exceed \$1,000 in a given year. You may be eligible for this tax credit if you are (i) age 18 or older as of the close of the taxable year, (ii) not a dependent of another taxpayer, and (iii) not a full-time student.

The credit is based upon your income (see chart below) and will range from 0% to 50% of eligible contributions. In order to determine the amount of your qualified retirement savings contributions, add the contributions made to all of your IRAs (including both standard IRAs and Roth IRAs) and reduce these contributions by any distributions that you have taken during the testing period. The testing period begins two years prior to the year for which the credit is sought and ends on the tax return due date (including extensions) for the year for which the credit is sought. In order to determine your tax credit, multiply the applicable percentage from the chart below by the amount of your contributions that do not exceed \$2,000.

## DISCLOSURE STATEMENT

Adjusted Gross Income*						Applicable Percentage
Joint Return		Head of a Household		All Other Cases		
Over	Not Over	Over	Not Over	Over	Not Over	
	\$30,000		\$22,500		\$15,000	50
\$30,000	\$32,500	\$22,500	\$24,375	\$15,000	\$16,250	20
\$32,500	\$50,000	\$24,375	\$37,500	\$16,250	\$25,000	10
\$50,000		\$37,500		\$25,000		0

\*Adjusted gross income includes foreign earned income and income from Guam, American Samoa, North Mariana Islands and income from Puerto Rico in excess of \$50,000.

### 5. Rollover Roth IRAs

(a) *General Rule for Rollovers to Roth IRAs.* A “rollover” is a deposit by you of cash or other assets distributed from an IRA into another IRA. You may roll over distributions from one Roth IRA to another Roth IRA. You may also roll over distributions from a standard IRA to a Roth IRA if your income does not exceed certain limitations, but you may not roll over a distribution from a tax-qualified retirement plan to a Roth IRA. A rollover contribution to a Roth IRA is not subject to the annual maximum contribution limitations described above in Section 4 of this Disclosure Statement. The following requirements must be satisfied to roll over assets to a Roth IRA: (1) the rollover must be made within 60 days after you have received the distribution and (2) if the distribution includes property, you must roll over the same property to the Roth IRA.

(b) *Rollovers from Standard IRAs to Roth IRAs.* If you file an individual or joint return and your adjusted gross income does not exceed \$100,000<sup>(3)</sup>, you may roll over assets from a standard IRA to a Roth IRA. If you are married and you and your spouse file separate returns, then you may not roll over assets from a standard IRA to a Roth IRA regardless of your income level.

If you roll over assets from a standard IRA to a Roth IRA, the amount rolled over that is attributable to deductible contributions and untaxed earnings of your standard IRA (and, thus, would have been included in gross income if distributed from the standard IRA) is generally includible in income in the year of the rollover. Amounts rolled over are not subject to the additional 10% penalty tax for premature distributions.

If you transfer amounts contributed to a standard IRA (and any earnings allocated to such amounts) to a Roth IRA by the due date for filing your return (not including extensions), the amounts are not included in your income to the extent that no deduction was allowed for the contribution.

If you transfer funds from a standard IRA to a Roth IRA, but you later determine that your adjusted gross income exceeds the \$100,000 limitation (or you and your spouse do not file a joint tax return), you may transfer the funds plus the earnings attributable to the funds back to the standard IRA. If these funds are transferred back to the standard IRA prior to the date your tax return for the year is due (including extensions), you will be treated as if you never transferred the funds from the standard IRA to the Roth IRA.

(c) *Rollovers from One Roth IRA to Another Roth IRA.* You may, regardless of your income, withdraw all or part of the balance of a Roth IRA without tax or penalty, and recontribute all of the amount withdrawn to another Roth IRA. Any portion retained generally will be treated as a premature distribution if the you have not attained age 59½ or if the distribution was made within the five-year period beginning with the first taxable year for which you made a contribution to the Roth IRA. Rollovers from one Roth IRA to another Roth IRA are permitted only once in a period of 12 months.

(3) Beginning in 2005, required minimum distributions from a standard IRA are excluded from the calculation of adjusted gross income for this purpose.

(d) *Inherited IRAs.* Distributions received by a beneficiary from a standard IRA or a Roth IRA, other than by a surviving spouse, cannot be rolled over to a Roth IRA.

(e) *Conversions.* An individual may also convert one Roth IRA to another Roth IRA, or a standard IRA to a Roth IRA, without actually taking a distribution. In order to convert your existing standard IRA or Roth IRA to a Bear Stearns Roth IRA, you should contact your Account Executive at Bear Stearns and complete a Roth IRA Account Application. The conversion of a standard IRA to a Roth IRA will have the same tax consequences as a rollover of assets from a standard IRA to a Roth IRA, as described above in Section 5(b) of this Disclosure Statement.

(f) *Recharacterizations.* Given the complicated rules governing standard IRAs and Roth IRAs, it is easy to make a mistaken contribution or conversion. For instance, you may make an ineligible conversion from a standard IRA to a Roth IRA or you may make an ineligible contribution to a Roth IRA. Federal tax law provides you the opportunity to “change your mind” if you determine that it would have been better to make a contribution to another type of IRA. You may “recharacterize” your contributions (or conversions) with no adverse tax consequences via a trustee-to-trustee transfer of the contribution (or conversion amount) if you do so on or before the due date on your federal income tax return (generally, April 15), including extensions, for the year in which the contribution or conversion is made.

If allowed, you may recharacterize the contribution (or conversion) you made to one IRA (“First IRA”) as being made to another IRA (“Second IRA”) by moving all or part of the contribution or conversion from the First IRA to the Second IRA if the following requirements are met:

- i. The movement of money must be directly from the First IRA to the Second IRA; you cannot take possession of the money.
- ii. Earnings on the amount of the contribution (or conversion) being moved from the First IRA to the Second IRA also must be moved from the First IRA to the Second IRA. If you have losses on the contribution (or conversion), the contribution (or conversion) must move net of losses.
- iii. The movement must take place on or before the due date (including extensions) of your tax return for the year for which you made the contribution or conversion.
- iv. If you make a contribution to a standard IRA and move all or part of that contribution (plus earnings) to a Roth IRA, you cannot take a deduction for the amount of the contribution you move to the Roth IRA.
- v. The contribution to the First IRA that is being recharacterized as a contribution to the Second IRA is treated as if it originally had been contributed to the Second IRA on the same date and for the same taxable year that the contribution was made to the First IRA.
- vi. To effect a recharacterization, you must notify the custodian or trustee of both the First IRA and the Second IRA before the due date of your tax return (including extensions) for the year of the contribution or conversion, and supply both custodians/trustees with certain information. You must report the recharacterization on your tax return, and once the transfer has taken place, you cannot revoke the recharacterization. If you recharacterize a contribution or conversion, you will receive a Form 1099-R reporting the transfer from the First IRA and a Form 5498 reporting the transfer to the Second IRA.

(g) *Acceptance of Assets.* Bear, Stearns Securities Corp. will accept assets other than cash resulting from a rollover, conversion or recharacterization only if such assets are compatible with Bear, Stearns Securities Corp.’s administrative or operational requirements and regular business practices.

### 6. Distributions

(a) *In General.* You may request that all or part of your IRA funds be paid to you at any time. Any amount paid to you or your beneficiaries is called a distribution. For purposes of the distribution rules, all of an individual's Roth IRA accounts are considered as if they are one account.

(b) *"Qualified" Distributions from a Roth IRA.* Qualified distributions from your Roth IRA are not includible in gross income on your tax return. A qualified distribution is one made either after you attain age 59½, on account of your death or permanent disability, or for a "first-time" home purchase (subject to a lifetime maximum of \$10,000). The "first time" home purchase exception applies even if you previously owned a home, as long as neither you nor your spouse had an ownership interest in a principal residence in the prior two years. No distribution is qualified if it is made within the five-year period beginning with the first taxable year for which you made an annual contribution or conversion to any Roth IRA. Distributions which are not qualified are taxable to the extent of earnings on your contributions; for this purpose, distributions are treated as made from contributions first, then from conversion contributions on a first-in, first-out basis, and finally from earnings.

(c) *Determining the Five-Taxable Year Period.* The five-taxable year period begins on the first day of the tax year in which you made your first contribution to any Roth IRA or, if earlier, the first day of the tax year in which you made your first conversion contribution to any Roth IRA. However, a different rule applies for the purpose of determining whether the 10% penalty tax on premature distributions (see Section 6(d) of this Disclosure Statement) applies to distributions attributable to converted amounts. If your spouse treats an inherited Roth IRA as his or her own, the beginning of the five-taxable year period is not redetermined. Accordingly, the five-taxable year period includes the period that the Roth IRA was held by you.

(d) *Penalty Tax on Taxable Distributions.* The taxable portion of a nonqualified distribution from a Roth IRA is also subject to a 10% penalty tax. This penalty tax does not apply to a distribution payable as a result of your death or permanent disability, to a distribution that does not exceed the amount of your deductible medical expenses for the year, to a distribution made after you receive unemployment compensation for 12 consecutive weeks and that you use to pay medical insurance premiums, to a distribution that you use to pay for higher education expenses incurred by you or your spouse, child or grandchild, to a distribution that you use for a first-time home purchase (subject to a lifetime maximum of \$10,000), or to distributions paid in substantially equal periodic payments made (not less frequently than annually) over your (and your beneficiaries') life expectancy(ies) or life(ves).

Distributions of amounts that are properly allocable to a previously taxable conversion from a standard IRA that are made within five tax years of the conversion, beginning with the year of the conversion, are subject to the 10% penalty tax as if they were taxable distributions (provided, no other exceptions to the 10% penalty tax apply).

A distribution of any excess contribution made during a tax year is not subject to the additional 10% penalty tax if the excess is distributed to you on or before the due date for filing your federal income tax return, including extensions, and the distribution includes any earnings attributable to the excess contribution. However, earnings on the excess contribution are includible in your taxable income for the year in which the excess contribution is made and are subject to the 10% penalty tax on premature distributions (unless an exception applies).

If the time for filing your federal income tax return, including extensions, has passed, you can still withdraw any excess contribution without incurring the 10% additional income tax. Under these circumstances, you would not have to withdraw any earnings attributable to the excess contribution. The individual, however, would be liable for the payment of a 6% nondeductible cumulative penalty tax on excess contributions until the excess is withdrawn or eliminated.

(e) *Minimum Required Distributions from a Roth IRA.* Unlike a standard IRA, there are no lifetime required minimum distributions from a Roth IRA. Thus, you need not begin to withdraw funds from your Roth IRA by April 1 of the year following the year in which you reach age 70½.

If you die before your entire interest from your Roth IRA is distributed to you, the remaining interest will be paid to your designated beneficiary. Distribution of the remaining interest will be made (i) over the life expectancy of your beneficiary starting no later than December 31 of the year following the year of your death or (ii) at your election (or at the election your beneficiary if you have not so elected) by December 31 of the year containing the fifth anniversary of your death. In order to determine the minimum annual payment for each year under method 6(e)(i), divide the balance of the account as of the close of business on December 31 of the preceding year by the life expectancy of the designated beneficiary using the attained age of the designated beneficiary as of the beneficiary's birthday in the year distributions are required to commence and subtract 1 for each subsequent year.

(f) *Continuation of Roth IRA by Spouse.* If upon your death your beneficiary is your surviving spouse, he or she may elect to treat the account as his or her own Roth IRA. If your surviving spouse so elects, he or she will not be required to take distributions from the Roth IRA at the times described above in Section 6(e) of this Disclosure Statement.

(g) *Designation of Beneficiary or Beneficiaries.* The assets remaining in your Roth IRA will be distributed upon your death to the designated beneficiary or beneficiaries named by you on record with the Custodian. Your designated beneficiary or beneficiaries may be confirmed to you periodically by the Custodian, and, upon your request may be changed by you in a form and manner acceptable to the Custodian. If there is no designated beneficiary for your Roth IRA in the records of the Custodian, your Roth IRA will be paid in the following order of preference: (a) to your surviving spouse, if any, or if none, (b) to your children in equal shares per stirpes, or if none, (c) to your estate. Unless you designate otherwise, if a primary beneficiary you designated predeceases you, the shares for that deceased beneficiary will be divided equally among the surviving primary beneficiary or beneficiaries. If there is no primary beneficiary living at the time of your death, payment of your Roth IRA will be made to the surviving contingent beneficiary or beneficiaries designated by you. Unless otherwise specified in your designation, if a beneficiary does not predecease you but dies before receiving his or her entire interest in the Roth IRA, the remaining assets will be distributed to the beneficiary or beneficiaries designated by the deceased beneficiary. If there is no beneficiary designation of the deceased beneficiary on file with the Custodian, his or her remaining interest in the Roth IRA will be paid to the survivors of the deceased beneficiary in the following order of preference: (a) the deceased beneficiary's surviving spouse, if any, and if none, (b) the deceased beneficiary's estate. For the rules governing mandatory distributions see paragraph 6(e) of this Disclosure Statement.

(h) *Excise Tax for Failure to Meet Minimum Distribution Requirements.* If the minimum distribution requirements which apply following your death are not met, then the beneficiary may be subject to a 50% penalty tax on the required amount that was not distributed.

(i) *IRS Regulations.* Currently, distributions from Roth IRAs are governed by regulations promulgated by the IRS. In the future, there may be changes to these rules or additional rules issued by the IRS.

(j) *Withholding on Taxable Distributions.* Taxable distributions from your Roth IRA are subject to the rules governing withholding of federal income taxes. As Custodian, Bear, Stearns Securities Corp. is required to withhold income taxes at the rate of 10% from taxable lump-sum distributions, unless you elect not to have these rules apply. The Custodian is generally required to withhold from taxable distributions that are in the form of an annuity or other periodic form of distribution an amount based on your marital status and the number of withholding allowances claimed on your Form W-4P, unless you elect not to have these rules apply. The Custodian will provide you with

written notice and appropriate forms so that you may elect whether or not to have the withholding rules apply to your distributions. If you elect not to have tax withheld from your distributions, or if you do not have enough federal income tax withheld from your distributions, you may be responsible for payment of estimated taxes. You also may incur estimated tax penalties if your withholding and estimated tax payments are not sufficient.

### 7. Using your Roth IRA as Security for a Loan

If you pledge all or a portion of the assets of your Roth IRA as security for a loan, that part of the Roth IRA assets pledged will be treated as a distribution and may be taxed unless you meet the requirements for a qualified distribution.

### 8. Prohibited Transactions

A Roth IRA can lose its exemption from federal income tax if the individual establishing the Roth IRA or the beneficiary engages in so called “prohibited transactions.” Prohibited transactions include any direct or indirect:

- (a) Sale, exchange or lease of any property between the Roth IRA and a disqualified person;
- (b) Lending of money or any extension of credit between the Roth IRA and a disqualified person;
- (c) Furnishing of goods, services or facilities between the Roth IRA and a disqualified person;
- (d) Transfer to, or use by or for the benefit of, a disqualified person of the income or assets of the Roth IRA;
- (e) Act by a disqualified person who is a fiduciary whereby he or she deals with the income or assets of the Roth IRA in his or her own interest or for his or her own account; and
- (f) Receipt of any consideration for the personal account of any disqualified person who is a fiduciary dealing with the Roth IRA in connection with a transaction involving the income or assets of the Roth IRA.

In general, the term “disqualified person” includes the individual establishing the Roth IRA, any designated beneficiary of the Roth IRA, and any person who is a fiduciary or who provides services to the Roth IRA.

### 9. Roth IRA Disqualification Penalties

If the Roth IRA loses its tax exemption, unless you meet the requirements for a qualified distribution from your Roth IRA, any earnings on your contributions to the Roth IRA must be included in your gross income for the taxable year in which the loss of the exemption occurs. An additional income tax of 10% of the amount included in your gross income as a result of such loss of exemption may be imposed if the Roth IRA is disqualified before you attain age 59½.

### 10. Investments

A Bear Stearns Roth IRA is “self-directed,” which means that you are solely responsible for selecting the investments for your Roth IRA Account and you provide your Account Executive or advisor with the instructions for implementing your investment decisions. This gives you flexibility in choosing your investment instruments. You can choose from a variety of equity and fixed income investments offered by, or available through, Bear Stearns, subject to any rules that Bear Stearns may establish. These investments include:

- Common stocks and/or preferred stocks;
- Interest-earning investments such as corporate bonds, Treasuries, GNMA's and/or certificates of deposit.

Note that certain restrictions exist on the type of investments and transactions permissible for Roth IRA funds. For example, no Roth IRA funds may be used to purchase life insurance contracts or certain collectibles. Cash will not be held uninvested for a period that is longer than reasonably necessary to effect the cash sweep election that you have made or to implement any other investment transaction that you direct. If you do not select an available sweep fund for your Roth IRA, any uninvested cash in your Roth IRA will not be paid any interest by Bear Stearns. Roth IRA property will not be commingled with other property and will be clearly identified as yours. BEAR, STEARNS SECURITIES CORP. (OR ANY AFFILIATE) DOES NOT GUARANTEE OR PROJECT ANY INCREASE IN THE VALUE OF YOUR ROTH IRA.

### 11. Fees and Commissions

Bear, Stearns Securities Corp. currently charges an annual custodial account maintenance fee. This fee will be charged against the Roth IRA unless you choose to pay the fee directly to the Custodian upon receipt of your annual bill. This fee may be changed from time to time by the Custodian on at least 90 days' prior written notice to you. Brokerage commissions and other securities transaction related charges attributable to the acquisition or disposition of Roth IRA assets will be charged to the Roth IRA. Dividends, interest or other income will be credited to the Roth IRA and invested as you direct. Finally, a termination fee will be charged when your Roth IRA is closed, along with the annual maintenance fee. Upon account termination, applicable fees will be automatically charged against your Roth IRA at that time. Specific fee details are provided in the Bear Stearns Roth IRA Account Application (enclosed).

Bear Stearns receives payments or other remuneration from the advisers, distributors or other affiliates of certain of the mutual funds available through Bear Stearns. Such payments or remuneration are for administrative, technological or other services provided in connection with fund accounts and are generally calculated based on the amount of assets held in the accounts. Such payments or other remuneration are in addition to shareholder servicing and distribution fees that Bear Stearns may receive. Funds whose affiliates do not make payments to Bear Stearns, including funds that may pay a higher or lower return, may be available to you.

### 12. Estate Taxes

Distributions from a Roth IRA to your beneficiary do not qualify for exemption from federal estate taxes. However, amounts payable to your spouse as beneficiary of your Roth IRA may be deductible for estate tax purposes.

### 13. Other Information

As Custodian, Bear, Stearns Securities Corp. will determine annually the fair market value of the assets in your Roth IRA and send you a written notice of such valuation. Form 5329 Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts must be filed with your federal income tax return only if you owe any of the IRA penalty taxes.

The form of the Bear, Stearns Securities Corp. Roth IRA is intended to meet the requirements of section 408A of the Internal Revenue Code. This intention, however, does not represent a determination of the Roth IRA's investment merits.

Additional information about Roth IRAs may be obtained from any District Office of the Internal Revenue Service.

### *INSTRUCTIONS FOR OPENING A ROTH IRA*

An individual should consult with his or her attorney and/or tax advisor before completing the forms described below and in consideration of designating a beneficiary.

#### **New Accounts**

Complete and return the Bear Stearns Roth IRA Application Form provided in this brochure. If transferring a Roth IRA to Bear Stearns, also complete an additional transfer form<sup>(4)</sup>.

#### **Change of Beneficiary**

Complete where appropriate on the Bear Stearns Roth IRA Application Form enclosed in this brochure.

#### **Roth IRA Application (enclosed)**

##### **Item 1**

Please provide all of the information requested in this item.

##### **Item 2a**

If this is an initial contribution, fill out the amount of the contribution and the tax year for which it is being made; or

##### **Item 2b**

If applicable, check the appropriate box to indicate that the Roth IRA is a Conversion/Rollover or a Roth Transfer. See Section 5 of the Roth IRA Disclosure Statement for an explanation of a Conversion/Rollover and a Roth Transfer.

##### **Item 3**

You must designate a beneficiary. Please provide all of the information requested in this item.

##### **Item 4**

Complete the information if you elect to choose an additional primary beneficiary or a contingent beneficiary.

##### **Item 5**

If you are completing this form in order to change the beneficiary listed in the original application on file at Bear Stearns, check the box and insert date of change.

##### **Item 7**

Please date and sign.

Return application and transfer form (if applicable) to your Account Executive or advisor. Do not return the custodian agreement, which is solely for your information. For additional information and/or forms, please contact your Account Executive or advisor.

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(4) If you wish to transfer the cash or other assets in an existing Roth IRA (or certain other retirement programs) from a current trustee or custodian directly to Bear Stearns, please also complete a Bear Stearns Transfer Form, available upon request from your Account Executive or advisor in addition to the Roth IRA Account Application Form.

NOTE: THIS FORM NEED NOT BE COMPLETED.  
THE ROTH IRA APPLICATION IS BEAR STEARNS EVIDENCE OF OUR AGREEMENT.

IRS Form 5305-RA  
(March 2002)

Bear Stearns Roth IRA Account No. \_\_\_\_\_

## *ROTH INDIVIDUAL RETIREMENT CUSTODIAL ACCOUNT AGREEMENT*

(Under section 408A of the Internal Revenue Code)

Depositor's name: \_\_\_\_\_

Depositor's date of birth: \_\_\_\_\_

Depositor's Social Security Number: \_\_\_\_\_

Depositor's address: \_\_\_\_\_

\_\_\_\_\_

Spouse's name (if spousal Roth IRA): \_\_\_\_\_

Custodian's name and address:           Bear, Stearns Securities Corp.  
  383 Madison Avenue  
  New York, New York 10179

The Depositor whose name appears above is establishing a Roth Individual Retirement Account ( Roth IRA) under section 408A to provide for his or her retirement and for the support of his or her beneficiaries after death.

The Custodian named above has given the Depositor the disclosure statement required under Regulations section 1.408-6.

The Depositor assigned the custodial account \_\_\_\_\_ dollars (\$ \_\_\_\_\_) in cash.

## CUSTODIAL AGREEMENT

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The Depositor and the Custodian make the following agreement:

### Article I

Except in the case of a rollover contribution described in section 408A(e), a recharacterized contribution described in section 408A(d)(6), or an IRA conversion contribution, the Custodian will accept only cash contributions and only up to the maximum amount of \$3,000 for any tax year of the Depositor beginning in 2002 through 2004. The annual contribution limit is increased to \$4,000 for any tax year beginning in 2005 through 2007 and \$5,000 for any tax year beginning in 2008. For individuals who have reached the age of 50 before the close of the tax year, the annual contribution limit is increased to \$3,500 for the Depositor beginning in 2002 through 2004, \$4,500 for 2005, \$5,000 for 2006 and 2007, and \$6,000 for any tax year beginning in 2008. For tax years beginning after 2008, the above limits will be increased to reflect a cost-of-living adjustment, if any.

### Article II

The annual contribution limit described in Article I is gradually reduced to \$0 for certain levels of adjusted gross income (AGI). For a single Depositor, the annual contribution limit is phased out between AGI of \$95,000 and \$110,000; for a married Depositor who files jointly, between AGI of \$150,000 and \$160,000; and for a married Depositor who files separately, between \$0 and \$10,000. In the case of a conversion, the Custodian will not accept IRA conversion contributions in a tax year if the Depositor's AGI for that tax year exceeds \$100,000 or if the Depositor is married and files a separate return. Adjusted gross income is defined in section 408A(c)(3) and does not include IRA conversion contributions.

### Article III

The Depositor's interest in the balance in the custodial account is nonforfeitable.

### Article IV

1. No part of the custodial 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 common investment fund (within the meaning of section 408(a)(5)).
2. No part of the custodial funds may be invested in collectibles (within the meaning of section 408(m)) except as otherwise permitted by section 408(m)(3), which provides an exemption for certain gold, silver, and platinum coins, coins issued under the laws of any state, and certain bullion.

### Article V

1. If the Depositor dies before his or her entire interest is distributed to him or her and the Depositor's surviving spouse is not the designated beneficiary, the entire remaining interest will be distributed in accordance with method 1(a) below, or, at the election of the Depositor (or if the Depositor has not so elected, at the election of the beneficiary or beneficiaries) in accordance with method 1(b) below:

- (a) The entire remaining interest will be distributed over the life expectancy of the designated beneficiary starting no later than December 31 of the year following the year of the Depositor's death.

(b) The entire remaining interest will be distributed by December 31 of the year containing the fifth anniversary of the Depositor's death.

If there is no designated beneficiary, the entire remaining interest will be distributed in accordance with method 1(b) above.

2. In the case of distribution method 1(a) above, to determine the minimum annual payment for each year, divide the Depositor's entire interest in the custodial account as of the close of business on December 31 of the preceding year by the life expectancy (as provided in the single life table in Regulations section 1.401(a)(9)-9) of the designated beneficiary using the attained age of the designated beneficiary as of the beneficiary's birthday in the year distributions are required to commence and subtract 1 for each subsequent year.

3. If the Depositor's spouse is the designated beneficiary on the Depositor's date of death, such spouse will then be treated as the Depositor.

## ARTICLE VI

1. The Depositor agrees to provide the Custodian with information necessary for the Custodian to prepare any report required under sections 408(i) and 408A(d)(3)(E), Regulations sections 1.408-5 and 1.408-6, and under guidance published by the Internal Revenue Service.

2. The Custodian agrees to submit to the Internal Revenue Service and the Depositor reports prescribed by the Internal Revenue Service.

## ARTICLE VII

Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through IV and this sentence will be controlling. Any additional articles that are not consistent with section 408A, the related regulations, and other published guidance will be invalid.

## ARTICLE VIII

This agreement will be amended from time to time to comply with the provisions of the Code, related regulations, and other published guidance. Other amendments may be made with the consent of the persons whose signatures appear on the Roth IRA Application.

## ARTICLE IX

### Excess Contributions

1. The Depositor is responsible for the determination of any excess contributions and the timely withdrawal thereof.

2. If the Internal Revenue Service or the Depositor notifies the Custodian in writing that the contributions to the Roth IRA have exceeded the contribution limitations described above in Articles I and II, the Custodian shall, within two (2) months from the date of such written notification, distribute from the Roth IRA to the Depositor the amount of such excess contribution and any income attributable thereto. The Depositor may, within forty-five (45) days from the date of his or her notice, revoke such notice in writing if the Internal Revenue Service has not notified the Custodian of its determination that the excess contribution was willfully made by the Depositor. The Custodian, at the request

of the Depositor, may credit, as a contribution for the current taxable year, the amount shown in the notice of the Depositor revoking his or her prior notification.

3. If the Internal Revenue Service deems that any excess contribution to the Roth IRA was willfully made by, or on behalf of, the Depositor, the assets of the Roth IRA shall be distributed to the Depositor with notification that the Custodian will not accept any contribution for the Roth IRA of the Depositor for the year in which the Internal Revenue Service determination was made and for five (5) succeeding years.

### Rollover Contributions

1. If directed by the Depositor, the Custodian shall open and maintain a separate account for a rollover contribution described in section 408A(c)(3)(B), 408A(c)(6) or 408A(e) of the Code.

2. If a Depositor desires to roll over or have transferred to his or her Roth IRA assets other than cash, the Custodian shall accept such assets only if they are compatible with the Custodian's administrative or operational requirements and regular business practices. The Custodian agrees to follow the Depositor's instructions to sell such assets.

### Investments

1. Each contribution to the Depositor's custodial account shall be invested as the Depositor directs the Custodian and any assets acquired pursuant to such directions shall be credited to the Roth IRA. The Depositor shall limit his or her investment instructions to securities obtainable through the Custodian. The Custodian shall under no circumstances invest any amount in the Depositor's custodial account in the absence of instructions from the Depositor.

2. The selection of investments for the Depositor's custodial account shall be made solely by the Depositor. The Custodian shall not be under any duty to question any direction of the Depositor with respect to investments, to review any securities or other property held in the Depositor's custodial account, or to make suggestions to the Depositor with respect to investments. The Custodian shall not be liable for any loss that may result by reason of investments made by it in accordance with the directions of the Depositor. Unless the Custodian and the Depositor enter into a written agreement providing otherwise, the Custodian and any person providing services to the Depositor's custodial account on behalf of the Custodian will not provide investment advice as defined in Internal Revenue regulation 54-4975.9 and will have no discretionary authority or responsibility with respect to the management or administration of the custodial account.

3. An individual may place each contribution in one or more of the investment alternatives offered by the Custodian for Roth individual retirement accounts, subject to any rules the Custodian may reasonably establish. The Custodian may at any time require liquidation of any asset held in the custodial account if the Custodian determines that maintaining custody of any such asset is no longer compatible with the Custodian's administrative or operational requirements and regular business practices. The assets of the custodial account will not be commingled with other property except in a common trust fund or a common investment fund.

4. All proxy and solicitation materials, notices of shareholders' meetings, current prospectus and other annual or regular shareholder reports shall, to the extent furnished to the Custodian by the issuers of the securities in the Roth IRA, be sent by the Custodian to the Depositor. The Custodian is expressly precluded from taking any action or rendering any advice to the Depositor with respect to the voting of proxies. The Depositor expressly retains the authority and responsibility with respect to voting proxies or will delegate discretion with respect to voting proxies to a third party.

5. Confirmation will be sent by the Custodian to the Depositor concerning each transaction or distribution of benefits in the Roth IRA.
6. Interest, dividends and other income from the assets in the Depositor's custodial account shall be credited to such account and will be reinvested as the Depositor directs the Custodian. Funds not otherwise invested or reinvested may be held in cash.
7. Securities shall be held without qualification or description in the name of any nominee of the Custodian whenever it is practicable to do so or, if not, in safekeeping for the Depositor's custodial account.
8. After the Depositor's death, the Depositor's Beneficiary shall be considered the Depositor for the purposes of custodial account investment matters.
9. *Investment Advisors.* Regardless of any other provision of this Agreement to the contrary, the Depositor may also appoint an investment advisor or other person to act as the Depositor's representative with authority to direct the Custodian with respect to the investment of assets in the custodial account. The appointment, however, will be effective only if (a) the Custodian has received an executed copy of an agreement between the Depositor and the representative in a form and manner acceptable to the Custodian which specifies the authority of the representative to act on behalf of the Depositor and (b) the Custodian does not object to acting on the directions of that person, which objection the Custodian may assert for any reason at any time. If the Depositor appoints a representative, as provided for above, references to the "Depositor" in the "Investments" section of this Agreement (other than in Section 8 and in the last sentence of this Section 9) and in Section 3 of the "Powers and Responsibilities of Custodian" section of this Agreement (insofar as pertinent to securities with respect to which the representative has investment authority) are also to that representative. The Depositor may revoke the authority of any representative at any time by notifying the Custodian in a form and manner acceptable to the Custodian. However, all references in this Agreement to the individual whose custodial account is involved and to the making of contributions and the receipt of distributions are only to the Depositor.

## Distributions

1. The Depositor may withdraw all or part of his or her custodial account at any time by providing directions to the Custodian in a form and manner provided by or acceptable to the Custodian for withdrawal of such assets and the Custodian agrees to distribute promptly such assets in accordance with the directions of the Depositor.
2. *Required Distributions.* The Depositor is not required to take a distribution from his or her Roth IRA prior to his or her death. However, at the death of the Depositor, his or her designated beneficiary or beneficiaries must begin taking distributions unless the sole beneficiary of the custodial account is the Depositor's spouse and the spouse elects to delay distributions until the Depositor would have attained age 70½, or the spouse elects to treat the custodial account as his or her own Roth IRA.
3. *Beneficiaries.* Following the death of the Depositor, the balance of the Depositor's custodial account shall be distributed to the Depositor's designated beneficiary or beneficiaries, if any, in accordance with the provisions of Article V of the Plan and in accordance with the Custodian's administrative or operational requirements and regular business practices. A Depositor may designate a beneficiary or beneficiaries of the custodial account at any time, and any such designation may be changed or revoked at any time, by written designation executed by the Depositor in a form and manner prescribed by or acceptable to, and filed with, the Custodian. Such designation, change or revocation shall be effective only upon receipt by the Custodian, and only if such receipt shall be during the Depositor's lifetime. The latest such designation, change or revocation shall control. If there is no beneficiary des-

ignation on file with the Custodian, or if the designated beneficiary has not survived the Depositor, the Custodian shall distribute the custodial account to the survivors of the Depositor in the following order of preference:

- (a) the Depositor's surviving spouse, if any,
- (b) the Depositor's children, if any, in equal shares per stirpes, and, if none,
- (c) the Depositor's estate.

If the Depositor designates more than one primary or contingent beneficiary but does not specify the percentages to which such beneficiary or beneficiaries are entitled, payment will be made to the surviving beneficiary or beneficiaries in equal shares. Unless otherwise designated by the Depositor in a form and manner acceptable to the Custodian, if a primary or contingent beneficiary designated by the Depositor predeceases the Depositor, the custodial account will be divided equally among the surviving beneficiary or beneficiaries. Unless otherwise designated by the Depositor in a form and manner acceptable to the Custodian, if there is no primary beneficiary or beneficiaries living at the time of the Depositor's death, payment of the Depositor's custodial account upon his or her death will be made to the surviving contingent beneficiary or beneficiaries designated by the Depositor. Unless otherwise specified in the Depositor's Designation of Beneficiary, if a beneficiary does not predecease the Depositor but dies before receiving his or her entire interest in the custodial account, his or her remaining interest in the custodial account shall be paid to the beneficiary or beneficiaries designated by the deceased beneficiary. If there is no beneficiary designation of the deceased beneficiary on file with the Custodian, the Custodian shall distribute the custodial account to the survivors of the deceased beneficiary in the following order of preference:

- (a) the deceased beneficiary's surviving spouse, if any, and,
- (b) the deceased beneficiary's estate.

If the Custodian is unable to make a distribution to a Depositor, a designated beneficiary, or other distributee because the Custodian cannot ascertain such distributee's whereabouts by writing to the last known mailing address shown on the Custodian's records, if any, the Custodian may hold the proceeds in a non-interest-bearing account until such funds escheat by operation of law. The designated beneficiary or beneficiaries are responsible to ensure that distributions are made in accordance with Article V of the Plan.

4. *Liability.* The Custodian shall not be responsible for the purpose, sufficiency or propriety of any distribution. The Custodian is only authorized to make distributions in accordance with instructions of the Depositor, or after his or her death, the Depositor's Beneficiary, or as otherwise provided for in this Agreement. Such instructions must be given in a form and manner acceptable to the Custodian.

### Liability and Indemnification of Custodian

The Depositor agrees to indemnify fully the Custodian for any liability arising whatsoever in connection with the operation of the Roth IRA, except that such indemnification shall not apply to any liability arising from a breach of the Custodian's obligations as set forth in this agreement or as otherwise provided by law. The Depositor shall furnish the Custodian with written instructions. The Custodian shall be fully protected in acting upon any instrument, certificate, or other paper believed by it to be genuine and to be properly executed, and the Custodian shall be under no duty to make any inquiry as to any statement contained in any such document but may accept the document as conclusive evidence of the accuracy of such statement.

## Custodial Fees

1. The Custodian's annual maintenance fee shall be charged to each Roth IRA unless the Depositor chooses to pay the fee directly to the Custodian upon receipt of an annual bill. The Custodian reserves the right to modify the annual fee on at least 90 days' written notice to the Depositor. The Depositor shall be deemed to have consented to such modification upon the failure of the Depositor to furnish the Custodian, within 30 days of such notice, instructions, in a form and manner acceptable to the Custodian, to terminate the Roth IRA. Any administrative expenses, including fees for legal and/or accounting services, incurred by the Custodian at the request of or necessitated by the actions of a Depositor or Beneficiary, including, but not by way of limitation, the direction of investment or custodial account assets in an investment that causes the custodial account to realize unrelated business taxable income within the meaning of section 512 of the Code that are over and above the services set forth in the Custodian's fee schedule shall be paid by the Depositor and the Depositor hereby covenants and agrees to pay the same. Fees or other administrative expenses not paid by the Depositor directly to the Custodian when due may be charged to the custodial account. The Custodian reserves the right to liquidate any assets of the custodial account to collect any charge for which payment may at any time be past due. Finally, a termination fee, along with the annual maintenance fee, will be automatically charged to each IRA at the time the Depositor terminates the Roth IRA. Specific fee details are provided in the Bear Stearns Roth IRA Application.

2. *Taxes.* Any taxes of any kind whatsoever that may be levied or assessed upon any custodial account or that the Custodian may otherwise be charged with the responsibility of collecting shall be paid from the assets of the custodial account involved.

## Brokerage Commissions

The Roth IRA will be charged brokerage commissions and other securities transaction-related charges for the transactions in the custodial account.

## Powers and Responsibilities of Custodian

1. *In General.* The Custodian acts only as a passive Custodian and shall have only such powers and responsibilities with respect to the custodial account as are set forth in this Agreement.

2. *Instructions.* Any instructions required in this Agreement must be in the form acceptable to the Custodian. The Custodian shall be fully protected in acting upon any instruction from the Depositor that is in the form and manner prescribed by and/or acceptable to the Custodian, or any other notice, request, consent, certificate or other instrument or paper believed by it to be genuine or properly executed, or to take or omit any action, so long as the Custodian acts in good faith.

3. *Investment Instructions.* Investment instructions of the Depositor shall be accepted by the Custodian in accordance with its established customs and procedures. The Custodian shall not be liable for holding all or part of the custodial account uninvested in cash in the absence of any investment instructions from the Depositor or the Depositor's legal representative. In general, all transactions directed by the Depositor shall be subject to the rules, regulations, customs and usages of the exchanges, market or clearinghouse where made, applicable federal and state laws, and policies and procedures of the Custodian.

4. *Records.* The Custodian shall keep accurate records of all receipts, investments, distributions, disbursements and other transactions with respect to the custodial account. Separate records will be maintained for the interest of each Depositor.

5. *Right to Request Judicial Assistance.* The Custodian shall have the right at any time to apply to a court of competent jurisdiction for judicial settlement of its accounts or for determination of any questions of construction that may arise or for instructions. The only necessary party defendant to any such action shall be the Depositor, but the Custodian may join any other person or persons as a party defendant. The cost, including attorney's fees, of any such proceeding shall be charged as an administrative expense under Article IX, "Custodial Fees" section of this Agreement.

6. *Scope of Custodian's Liability.* The Custodian shall not be liable for any loss of any kind which may result from any action taken by it in accordance with the directions of the Depositor or his or her designated agent or attorney in fact or from any failure to act because of the absence of any such directions. The Custodian shall not be responsible for determining whether any contribution or rollover contribution satisfies the requirements of the Code. The Custodian shall not be liable for any taxes (or interest thereon) or penalties incurred by the Depositor in connection with any custodial account or in connection with any contribution to or distribution from the custodial account. The Custodian is entitled to act upon any instrument, certificate, or form it believes is genuine and believes is executed or presented by the proper person or persons, and the Custodian need not investigate or inquire as to any statement contained in such document but may accept it as true and accurate. The Custodian is not liable for any losses directly or indirectly caused by acts of war, acts of terrorism, labor disputes, exchange or market decisions including the suspension of trading, market volatility, trade volume, or by government restriction. The Depositor shall duly indemnify and hold harmless the Custodian from any liability that may arise hereunder except liability arising from the gross negligence or willful misconduct of the Custodian.

### Termination

The Roth IRA may be terminated:

- (a) by either the Custodian or the Depositor upon thirty (30) days' written notice to the other party;
- (b) upon the death of the Depositor; or
- (c) for failure of the Roth IRA to maintain its status under section 408A of the Code.

### Transfer and Distribution Procedures

In the case of resignation or removal of the Custodian, the Depositor shall appoint a successor custodian or trustee which successor shall be a "bank" as defined in section 408(n) of the Code or such other person authorized by the Secretary of the Treasury or his or her delegate to act in such capacity. The Custodian shall transfer to the successor all Roth IRA assets and pertinent records upon receipt by the Custodian of the successor custodian's or trustee's acceptance of such appointment in a form and manner acceptable to the Custodian. Upon termination, any securities in the Roth IRA shall be transferred into the name of the successor custodian or trustee or into the name of the Depositor. The Depositor authorizes the Custodian to retain such sums as the Custodian may deem reasonably necessary for payment for all its fees, compensation, costs and any expenses, or for payment of any other liabilities which might constitute a charge to either the Roth IRA or the Custodian. The balance of any such reserve remaining after the payment of the above items shall be paid to the successor custodian or trustee. The Custodian shall have the right to designate the successor custodian or trustee upon the failure of the Depositor to designate a successor custodian or trustee willing to accept such appointment within twenty (20) days after the resignation or removal of the Custodian. In the alternative, the Custodian may terminate the Roth IRA and distribute its assets to

the Depositor. The Custodian's liability shall cease upon completion of the transfer to the successor custodian or trustee or upon completion of the termination distribution. Any taxes of any kind whatsoever that may be levied or assessed upon or in respect to the Roth IRA, except for taxes imposed by sections 4973, 4974 and 4975 of the Code, shall be paid from the assets of the Roth IRA.

### Notices

Notice shall be deemed effective if sent by regular mail to the Depositor or the Depositor's beneficiaries at the last address shown on the records for the Custodian. The last address of the Depositor on the records of the Custodian will be the address used for any tax withholding, disbursement and reporting required by taxing authorities. The Depositor shall promptly notify the Custodian of any change in his or her name or address.

### Spousal Accounts

1. The terms of this Agreement shall also apply to a Roth IRA established by the Depositor for his or her spouse.
2. No contributions may be made to a spousal Roth IRA unless the compensation received by the Depositor's spouse for services rendered during the taxable year is less than the compensation received by the Depositor or the Depositor's spouse elects to have compensation disregarded for Roth IRA purposes.

### Amendments to this Agreement

The Custodian shall have the right to amend any part of this Agreement and the terms and conditions of the Roth IRA upon 90 days' written notice to the Depositor. The Depositor shall be deemed to have consented to any such amendment upon the failure of the Depositor to furnish the Custodian, within 30 days of such notice, with instructions in a form and manner acceptable to the Custodian to terminate the Roth IRA maintained with the Custodian. Anything contained herein to the contrary notwithstanding, the Custodian shall have the right to amend this Agreement retroactively or otherwise (and without advance notice to the Depositor) to the extent such amendment is required to preserve the Roth IRA's status as such under section 408A of the Code.

### IRS Approval as to Form

This Roth IRA Custodial Agreement has been approved by the Internal Revenue Service as to form. This is not an endorsement of the plan in operation or of the investment offered.

### Miscellaneous

1. Notwithstanding any other provision of this Agreement, the Custodian, the Depositor and all other persons and institutions are prohibited from directly or indirectly engaging in any transaction prohibited by section 4975 of the Code.
2. The terms and conditions of this Roth IRA shall be applicable without regard to the community property laws of any state.
3. All contributions to the Roth IRA shall be deemed to take place in the State of New York.
4. This Agreement shall be construed, administered and enforced according to the laws of the State of New York except to the extent preempted by federal law.

5. THIS AGREEMENT CONTAINS A PREDISPUTE ARBITRATION CLAUSE. BY SIGNING AN ARBITRATION AGREEMENT THE PARTIES AGREE AS FOLLOWS:

- ALL PARTIES TO THIS AGREEMENT ARE GIVING UP THE RIGHT TO SUE EACH OTHER IN COURT, INCLUDING THE RIGHT TO A TRIAL BY JURY, EXCEPT AS PROVIDED BY THE RULES OF THE ARBITRATION FORUM IN WHICH A CLAIM IS FILED.
- ARBITRATION AWARDS ARE GENERALLY FINAL AND BINDING; A PARTY'S ABILITY TO HAVE A COURT REVERSE OR MODIFY AN ARBITRATION AWARD IS VERY LIMITED.
- THE ABILITY OF THE PARTIES TO OBTAIN DOCUMENTS, WITNESS STATEMENTS AND OTHER DISCOVERY IS GENERALLY MORE LIMITED IN ARBITRATION THAN IN COURT PROCEEDINGS.
- THE ARBITRATORS DO NOT HAVE TO EXPLAIN THE REASON(S) FOR THEIR AWARD.
- THE PANEL OF ARBITRATORS WILL TYPICALLY INCLUDE A MINORITY OF ARBITRATORS WHO WERE OR ARE AFFILIATED WITH THE SECURITIES INDUSTRY.
- THE RULES OF SOME ARBITRATION FORUMS MAY IMPOSE TIME LIMITS FOR BRINGING A CLAIM IN ARBITRATION. IN SOME CASES, A CLAIM THAT IS INELIGIBLE FOR ARBITRATION MAY BE BROUGHT IN COURT.
- THE RULES OF THE ARBITRATION FORUM IN WHICH THE CLAIM IS FILED, AND ANY AMENDMENTS THERETO, SHALL BE INCORPORATED INTO THIS AGREEMENT.
- NO PERSON SHALL BRING A PUTATIVE OR CERTIFIED CLASS ACTION TO ARBITRATION, NOR SEEK TO ENFORCE ANY PRE DISPUTE ARBITRATION AGREEMENT AGAINST ANY PERSON WHO HAS INITIATED IN COURT A PUTATIVE CLASS ACTION OR WHO IS A MEMBER OF A PUTATIVE CLASS WHO HAS NOT OPTED OUT OF THE CLASS WITH RESPECT TO ANY CLAIMS ENCOMPASSED BY THE PUTATIVE CLASS ACTION UNTIL:
  - (i) THE CLASS CERTIFICATION IS DENIED;
  - (ii) THE CLASS IS DECERTIFIED; OR
  - (iii) THE CUSTOMER IS EXCLUDED FROM THE CLASS BY THE COURT. SUCH FORBEARANCE TO ENFORCE AN AGREEMENT TO ARBITRATE SHALL NOT CONSTITUTE A WAIVER OF ANY RIGHTS UNDER THIS AGREEMENT EXCEPT TO THE EXTENT STATED HEREIN.
- BY SIGNING THIS AGREEMENT YOU AND BEAR STEARNS AGREE, THAT CONTROVERSIES ARISING UNDER OR RELATING TO THIS AGREEMENT OR ANY ACTIVITY BETWEEN YOU AND BEAR STEARNS, ITS PREDECESSORS, AND ANY OF THEIR RESPECTIVE SUCCESSORS, ASSIGNS, AND ANY OF THEIR DIRECTORS, EMPLOYEES, AND ANY OTHER CONTROL PERSONS AND ANY OF THEIR AGENTS, WHETHER ARISING PRIOR TO, ON OR SUBSEQUENT TO THE DATE HEREOF, SHALL BE DETERMINED BY ARBITRATION. ANY ARBITRATION UNDER THIS AGREEMENT SHALL BE HELD ONLY AT THE FACILITIES OF, BEFORE AN ARBITRATION PANEL APPOINTED BY, AND PURSUANT TO THE RULES OF THE NEW YORK STOCK EXCHANGE, INC., OR THE NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC. YOU MAY ELECT ONE OF THE FOREGOING FORUMS FOR ARBITRATION, BUT IF YOU FAIL TO MAKE SUCH ELECTION BY REGISTERED MAIL OR TELEGRAM ADDRESSED TO BEAR, STEARNS SECURITIES CORP., 383 MADISON AVENUE, NEW YORK, NEW YORK 10179, ATTENTION: CHIEF LEGAL OFFICER (OR ANY OTHER ADDRESS OF WHICH YOU ARE ADVISED IN WRITING), BEFORE THE EXPIRATION OF TEN DAYS AFTER RECEIPT OF A WRITTEN REQUEST FROM BEAR STEARNS TO MAKE SUCH

ELECTION, THEN BEAR STEARNS MAY MAKE SUCH ELECTION. THE AWARD OF THE ARBITRATORS, OR OF THE MAJORITY OF THEM, SHALL BE FINAL, AND JUDGMENT UPON THE AWARD RENDERED MAY BE ENTERED IN ANY COURT, STATE OR FEDERAL, HAVING JURISDICTION.

6. At the time of the creation of this Roth IRA or subsequent thereto, at the sole discretion of the Custodian, the Depositor and the Custodian may add any provision that is not inconsistent with the applicable requirements of New York state law and the Internal Revenue Code.

Bear, Stearns Securities Corp.  
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