

**COVERDELL ESA TRUST APPLICATION PACKET
(FORM 2500E-T)**

GRANTOR'S INFORMATION
(Person Who Initially Sets Up the Coverdell ESA)

Grantor's Name (First, Initial, Last)	Street Address	Apt#
Social Security Number	Mailing Address if Different from Street Address	
	City, State, ZIP	

DESIGNATED BENEFICIARY'S INFORMATION
(Child for Whom the Coverdell ESA is being Established)

CUID (Credit union will complete.)	Account Number	Street Address	Apt#
Designated Beneficiary's Name (First, Initial, Last)		Mailing Address if Different from Street Address	
Social Security Number	Designated Beneficiary's Birth Date (MM/DD/YYYY) (required for processing)	City, State, ZIP	
<input type="checkbox"/> Check here if address is the same as the grantor's. If different, please provide to the right.			

RESPONSIBLE INDIVIDUAL'S INFORMATION
(Parent or Legal Guardian of Designated Beneficiary)

Name of Responsible Individual (First, Initial, Last) (must be parent or legal guardian of designated beneficiary)	Street Address	Apt#
	Mailing Address if Different from Street Address	
	City, State, ZIP	
<input type="checkbox"/> Check here if address is the same as the designated beneficiary's. If different, please provide to the right.		

(See reverse side for complete instructions.)

NOTE: The responsible individual may name a death beneficiary. To name a death beneficiary, please complete a Coverdell ESA Death Beneficiary Designation/Change form.

I instruct the credit union to invest this Coverdell ESA in the following investment: _____

ELECTION OF RESPONSIBLE INDIVIDUAL

(Please check one of the two boxes. If neither box is checked, the account will be administered as if the second box had been checked.)

1. The responsible individual shall continue to serve as the responsible individual for the trust after the designated beneficiary attains the age of majority under state law and until such time as all assets have been distributed from the trust and the trust terminates. If the responsible individual becomes incapacitated or dies after the designated beneficiary reaches the age of majority under state law, the designated beneficiary shall become the responsible individual.
2. When the designated beneficiary attains the age of majority under state law, the designated beneficiary becomes the responsible individual.

GRANTOR'S SIGNATURE

I am establishing a Coverdell Education Savings Account (ESA) under Internal Revenue Code section 530 for the benefit of the designated beneficiary whose name appears above exclusively to pay for the qualified education expenses, within the meaning of section 530(b)(2), of such designated beneficiary. I acknowledge receipt of the "Credit Union Coverdell ESA Disclosure Statement." I also accept the terms and conditions of the "Credit Union Coverdell ESA Trust Agreement."

X _____
Grantor's Signature

_____ Date (MM/DD/YYYY)

ACCEPTANCE OF TRUSTEE (for credit union use only):

The credit union hereby establishes a Coverdell ESA for the above designated beneficiary under the terms of the "Credit Union Coverdell ESA Trust Agreement."

Credit Union Name	X Authorized Credit Union Signature
Credit Union Mailing Address (include street address, city, state, and ZIP)	Date (MM/DD/YYYY)

Identifying the Parties Involved with the Account

The grantor is the person who initially sets up the Coverdell Education Savings Account (ESA). The grantor completes the application form and makes the first contribution to the account (which cannot exceed \$2,000). The grantor can also serve as the responsible individual if he or she is the parent or guardian of the designated beneficiary. There can be only one grantor for a Coverdell ESA.

The designated beneficiary is the child for whom the Coverdell ESA is being established. The funds in the account will be used to pay the educational expenses of this child. There can be only one designated beneficiary for a Coverdell ESA at any time, although this person may change upon the death of the original designated beneficiary.

The responsible individual is the person who will be responsible for making future decisions about how the money in the account will be invested and spent. This person may name a primary and a secondary death beneficiary and may change the death beneficiary at any time. The initial responsible individual must be a parent or legal guardian of the designated beneficiary and may be the same person as the grantor. After the designated beneficiary becomes an adult, he or she can become the responsible individual. There can be only one responsible individual for a Coverdell ESA serving at any time, although this person may change over time.

Election of Responsible Individual

Check one of the two boxes on the bottom half of the application:

1. If you check the first box, then the designated beneficiary's parent or guardian will continue to serve as the responsible individual even after the designated beneficiary reaches the age of majority. (This is at age 18 in most states.)
2. If you check the second box, then the designated beneficiary will control the account after reaching the age of majority under state law.

You may amend this election at a later date. An amendment from box 2 to box 1 must be made before the designated beneficiary reaches the age of majority. An amendment from box 1 to box 2 can be made at any time.

CREDIT UNION COVERDELL ESA TRUST AGREEMENT (rev. 12/2006)

1. CONTRIBUTIONS

The trustee 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 (MAGI) of \$95,000 and \$110,000. For married individuals filing jointly, the phase-out occurs between MAGI of \$190,000 and \$220,000. MAGI is defined in section 530(c)(2).

2. INVESTMENT LIMITATIONS

No part of the trust account funds may be invested in life insurance contracts, nor may the assets of the trust 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)).

3. REQUIRED DISTRIBUTIONS

3.1 At Age 30. 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.

3.2 Following Death. Any balance to the credit of the designated beneficiary shall be distributed within 30 days of his or her death unless the 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.

4. INVESTMENT DIRECTIONS

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

5. RESPONSIBLE INDIVIDUAL

The responsible individual named by the grantor shall be a parent or guardian of the designated beneficiary. The trust 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. If a family member under the age of majority under state law becomes the designated beneficiary by reason of being a death beneficiary, the responsible individual shall be such designated beneficiary's parent or guardian.

6. CHANGING THE DESIGNATED BENEFICIARY

The responsible individual may not change the beneficiary designated under this agreement to another member of the designated beneficiary's family described in section 529(e)(2).

7. REPORTING

7.1 The grantor agrees to provide the trustee with the information necessary for the trustee to prepare any reports required under section 530(h).

7.2 The trustee agrees to submit to the Internal Revenue Service (IRS) and responsible individual the reports prescribed by the IRS.

8. CONTROLLING SECTIONS

Notwithstanding any other articles which may be added or incorporated, the provisions of Articles 1 through 3 will be controlling. Any additional articles inconsistent with section 530 and the related regulations will be invalid.

9. AMENDMENTS

This agreement will be amended from time to time to comply with the provisions of the Code and related regulations. Other amendments may be made with the consent of the grantor and trustee whose signatures appear on the application form.

The trustee may also amend this agreement at any time by sending the responsible individual a copy of the amendment. An amendment will become effective 30 days after it is mailed to the responsible individual, unless the trustee receives an objection to the amendment from the responsible individual.

The grantor may amend the election on whether the designated beneficiary becomes the responsible individual when reaching the age of majority. An amendment to prevent this from happening must be made before the designated beneficiary reaches the age of majority. An amendment to cause this to happen can be made at any time.

10. GENERAL PROVISIONS

10.1 Forms, Notices, and Reports. The responsible individual will mail notices to the trustee or to an agent specified by the trustee. The responsible individual will notify the trustee of any change in the name and address of the designated beneficiary or the responsible individual. The trustee may require the responsible individual to use the trustee's forms. A copy of the application when attached to a copy of this agreement (including amendments) will be considered an original agreement. The trustee will mail notices and reports to the last known address of the recipient according to its records. If the trustee does not receive a notice that information in a report appears to be inaccurate within 60 days after mailing the report, it may treat the information contained in the report as accurate for all purposes.

10.2 Trustee's Liability. The trustee will not be liable for any loss or damage unless it is

caused by a violation of an express provision of this agreement or by a lack of good faith in acting in compliance with this agreement.

10.3 Trustee's Fees. The trustee may charge reasonable fees for its services and deduct such fees from the assets of the Coverdell ESA.

10.4 Change of Trustee. The trustee can substitute a successor trustee, and it will do so if it receives notice from the IRS that such substitution is required to protect the tax status of this Coverdell ESA. If the trustee resigns without substituting another trustee or the trustee is removed by the governmental agency that regulates it, then CUNA Mutual Group, Madison, Wisconsin, will appoint a successor trustee and notify the responsible individual of the change. A successor trustee will have all of the same duties and rights granted to the original trustee under this agreement. A successor trustee will not be liable for any act or omission of a predecessor trustee.

10.5 Termination. The trustee may terminate this Coverdell ESA upon 30 days' notice to the responsible individual. In such event this Coverdell ESA will be paid out to the responsible individual, unless during this 30-day period the responsible individual instructs the trustee to transfer it directly to another Coverdell ESA.

10.6 Security Interest Waiver. The trustee waives the provisions of any written contract that grants it a security interest in this Coverdell ESA.

10.7 Controlling Law. Payments to a minor or a person who is legally incompetent will be controlled by the laws of the state in which that person resides. In all other cases, the administration of this Coverdell ESA will be governed by the laws in effect at our office that primarily serves the designated beneficiary.

10.8 Disclosure of Account Information. The trustee may use third-party service providers to assist in administering the Coverdell ESA. The trustee may release nonpublic personal information regarding the Coverdell ESA to third-party service providers as necessary to provide the products and services made available under this agreement; to evaluate the trustee's business operations; and to analyze potential product, service, or process improvements.

11. DEATH BENEFICIARIES

11.1 Naming Your Death Beneficiaries. The responsible individual may name a primary and a secondary death beneficiary, and may change the death beneficiaries at any time. The original selection and any subsequent changes can only be made by completing and signing a death beneficiary selection form that we will provide upon request, and we will not be responsible for following instructions on signature cards or on any other documents. A death beneficiary selection remains effective after the amendment of the terms of this agreement.

11.2 No Named Death Beneficiaries. If none of the named death beneficiaries are alive following the death of the designated beneficiary or if the trustee has not received a death beneficiary selection form, then: (a) The designated beneficiary's spouse will be the death beneficiary, or (b) if the designated beneficiary is not survived by a spouse, then the assets of this Coverdell ESA will be distributed to the designated beneficiary's estate.

CREDIT UNION COVERDELL ESA DISCLOSURE STATEMENT (continued)

Q16: What are "qualified elementary and secondary education expenses"?

A16: Qualified elementary and secondary education expenses are the total of the following:

- (1) expenses for tuition, fees, academic tutoring, books, supplies, equipment and special needs services (for a special needs beneficiary) incurred in connection with enrollment or attendance of the designated beneficiary as an elementary or secondary school student at a public, private, or religious school as determined under state law;
- (2) expenses for room and board, uniforms, transportation, and supplementary items and services (e.g., extended day programs) required or provided by a school in connection with enrollment or attendance; and
- (3) purchase of computer technology or equipment or Internet access to be used by the beneficiary and his or her family while the beneficiary is in elementary or secondary school, except that this does not include software for sports, games, or hobbies unless the software is predominantly educational.

Q17: What are "qualified higher education expenses"?

A17: Qualified higher education expenses are the expenses for tuition, fees, books, supplies, and equipment required for the enrollment or attendance of the designated beneficiary at an eligible higher educational institution.

Qualified higher education expenses also include amounts contributed to a qualified state tuition program.

Qualified higher 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:

- (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
- (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.

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 the Higher Education Act and set forth in 34 C.F.R. section 674.2(b).

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

Q18: What happens if the designated beneficiary does not have any qualified education expenses in the year in which there is a distribution?

A18: Except as noted in answer 19 for rollovers, if the designated beneficiary does not have any qualified education expenses during the year in which money is distributed from the account, a portion of the distribution is subject to income tax. The taxable portion is the portion that represents earnings that have accumulated tax-deferred in the account. The taxable portion of the distribution is also subject to a 10 percent additional tax unless an exception applies.

Q19: Is a distribution from a Coverdell ESA taxable if the distribution is contributed to another Coverdell ESA?

A19: 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 children and their descendants, stepchildren and their descendants, siblings and their children,

parents and grandparents, stepparents, spouses of all the foregoing, and first cousins of the designated beneficiary. For example, if there is \$5,000 left in a daughter's Coverdell ESA when she graduates from college, the responsible individual can roll the \$5,000 balance over into a Coverdell ESA for her brother. The distribution from the daughter's Coverdell ESA is not subject to tax, and the contribution to the son's Coverdell ESA does not affect the \$2,000 annual limit on contributions to the son's Coverdell ESA.

Q20: What happens to the assets remaining in a Coverdell ESA after the designated beneficiary finishes his/her postsecondary education?

A20: The responsible individual can have the trustee transfer the remaining assets directly to a Coverdell ESA for a member of the designated beneficiary's family. The responsible individual can also withdraw the money and within 60 days contribute the amount withdrawn to a Coverdell ESA for a member of the designated beneficiary's family. The tax laws impose limits on the family members that qualify.

The responsible individual can also withdraw the money and turn it over to the designated beneficiary. The designated beneficiary will be subject to income tax on the portion of the withdrawal representing earnings inside the account to the extent that distributions during the year exceed the designated beneficiary's qualified education expenses.

Q21: Rather than rolling over money from one Coverdell ESA to another, may the designated beneficiary of the account be changed from one child to another without triggering a tax?

A21: No, not under the Credit Union Coverdell ESA Trust Agreement.

Q22: 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?

A22: Yes, but expenses used to claim the Hope Scholarship Credit and Lifetime Learning Credit may not also be used to take a tax-free withdrawal from a Coverdell ESA.

Q23: May contributions be made to both a qualified tuition program and a Coverdell ESA on behalf of the same designated beneficiary in the same taxable year?

A23: Yes.