

---

*Custodial  
Education  
Savings  
Account  
Agreement  
and  
Coverdell  
ESA  
Custodial  
Agreement*

# COVERDELL ESA Education Savings Account

## Plan Establishment:

Forms needed to establish a **Coverdell ESA**:

1. Coverdell ESA Account Application (*Important: The signature of the Responsible Individual should be obtained if someone other than the Depositor will be the Responsible Individual.*)
2. Authorization to Transfer Plan Assets to Successor Custodian (complete only if appropriate).

Send completed forms along with initial contribution check(s) to your personal broker. All forms should have original signatures and checks should be made payable to **Penson Financial Services, Inc.**

**NOTE:** An individual cash account will be opened with Penson Financial Services, Inc. The term "beneficiary" used throughout this document refers to the student or child. The title of this account will be:

*Child's Name (Beneficiary)*  
**Education Savings Account**  
*Guardian's Name (Guardian)*  
**Penson Financial Services, Inc., Custodian**

---

*(Address)*

---

*(Address)*

## Eligibility:

Any Individuals who fall within certain income limits may make contributions up to \$2,000 per year on behalf of a child under the age of 18. • Single tax filers with annual adjusted gross income (AGI) up to \$95,000 or married couples with AGI up to \$190,000 are eligible to make the maximum annual contribution to a Coverdell ESA. The amount that may be contributed is gradually reduced to zero at AGI levels between \$95,000 and \$110,000 for single filers and between \$190,000 and \$220,000 for joint filers.

## Tax Deferred Earnings / Tax Free Withdrawals:

While contributions are not tax deductible, the earnings in the account grow on a tax deferred basis and distributions are tax free if used to pay qualified higher education expenses. • Qualified higher education expenses include college level tuition, fees, books, equipment, and basic room and board. • Any withdrawals not used for qualified education expenses are subject to both income taxes and a 10% IRS penalty and must be distributed to the Designated Beneficiary within 30 days of their 30th birthday.

**BEFORE EXECUTING THESE FORMS YOU SHOULD CONSULT WITH YOUR ATTORNEY OR TAX ADVISOR TO DETERMINE WHETHER THIS ESA WILL ACCOMPLISH YOUR GOALS.**

# COVERDELL EDUCATION SAVINGS ACCOUNT

## Penson Financial Services, Inc., Custodial ESA Account Agreement

ACCOUNT NUMBER

**1. ESA Designated Beneficiary**  
(Student/ Child)

Please print. All information must be completed in order for your account to be processed.

FULL NAME OF BENEFICIARY (First/ Middle/ Last)

SOCIAL SECURITY NUMBER      DATE OF BIRTH

HOME ADDRESS (P.O. Box is not sufficient)

CITY/ STATE/ ZIP CODE      HOME TELEPHONE NUMBER      EMAIL ADDRESS

**2. Depositor**

FULL NAME

ADDRESS      SOCIAL SECURITY NUMBER

CITY/ STATE/ ZIP CODE      TELEPHONE NUMBER      EMAIL ADDRESS

BUSINESS ADDRESS

CITY/ STATE/ ZIP CODE      BUSINESS TELEPHONE NUMBER

PLEASE INDICATE THE ADDRESS TO WHICH ALL MAIL SHOULD BE SENT  
 Home     Business     P.O. Box

P.O. BOX/ CITY/ STATE/ ZIP CODE

NAME OF YOUR BANK      BANK ACCOUNT NUMBER

COUNTRY OF CITIZENSHIP      COUNTRY OF LEGAL RESIDENCE

OCCUPATION      EMPLOYER

IF YOU ARE AFFILIATED WITH OR WORK FOR A SECURITIES FIRM, PLEASE SPECIFY COMPANY.

IF YOU ARE A DIRECTOR, 10% SHAREHOLDER OR POLICY-MAKING OFFICER OF A PUBLICLY TRADED COMPANY, PLEASE SPECIFY THE COMPANY.

HAVE YOU GRANTED TRADING AUTHORIZATION TO ANOTHER PARTY?    IF YES, REQUEST TRADING AUTHORIZATION FORM AND PROVIDE NAME OF AGENT  
 Yes     No

If you do not want your name, address and security position released to requesting companies in which you hold securities, please check here.

3. Investment Profile	INVESTMENT OBJECTIVE	INVESTMENT EXPERIENCE	ANNUAL INCOME (from all sources)	LIQUID NET WORTH (cash & liquid investments only)	ESTIMATED NET WORTH (excluding residence)	RISK TOLERANCE
	<input type="checkbox"/> Capital Preservation (05)	<input type="checkbox"/> None (00)	<input type="checkbox"/> Under \$25,000 (01)	<input type="checkbox"/> Under \$50,000 (01)	<input type="checkbox"/> Under \$50,000 (01)	<input type="checkbox"/> Low
	<input type="checkbox"/> Income (04)	<input type="checkbox"/> Limited (01)	<input type="checkbox"/> \$25,001 to \$50,000 (02)	<input type="checkbox"/> \$50,001 to \$100,000 (02)	<input type="checkbox"/> \$50,001 to \$100,000 (02)	<input type="checkbox"/> Medium
	<input type="checkbox"/> Growth (03)	<input type="checkbox"/> Good (02)	<input type="checkbox"/> \$50,001 to \$100,000 (03)	<input type="checkbox"/> \$100,001 to \$200,000 (22)	<input type="checkbox"/> \$100,001 to \$200,000 (22)	<input type="checkbox"/> High
	<input type="checkbox"/> Speculation (06)	<input type="checkbox"/> Extensive (03)	<input type="checkbox"/> \$100,001 to \$200,000 (23)	<input type="checkbox"/> \$200,001 to \$500,000 (23)	<input type="checkbox"/> \$200,001 to \$500,000 (23)	
	<input type="checkbox"/> Other (08)		<input type="checkbox"/> \$200,001 to \$300,000 (24)	<input type="checkbox"/> \$500,001 to \$1,000,000 (24)	<input type="checkbox"/> \$500,001 to \$1,000,000 (24)	
	TAX BRACKET      %		<input type="checkbox"/> \$300,001 to \$500,000 (25)	<input type="checkbox"/> \$1,000,001 to \$5,000,000 (25)	<input type="checkbox"/> \$1,000,001 to \$5,000,000 (25)	
			<input type="checkbox"/> \$500,001 to \$1,200,000 (26)			
			<input type="checkbox"/> Over \$1,200,001 (27)			

**4. Contribution Type**

(Check One)  
 Regular     Transfer     Rollover

**5. Depositor Authorization**

I understand that I have the right to direct the initial investment of contributions to the Education IRA and hereby appoint the following brokerage firm as my agent to execute my directions, as Broker under the terms of the Custodial Agreement.

BROKERAGE FIRM

ACCOUNT NUMBER

<b>6. Responsible Individual</b>	<b>A Responsible Individual must be designated below and must be a parent or legal guardian of Designated Beneficiary</b>			
	FULL NAME OF RESPONSIBLE INDIVIDUAL ( <i>First/ Middle/ Last</i> )			
	SOCIAL SECURITY NUMBER		DATE OF BIRTH	
	HOME ADDRESS ( <i>P.O. Box is not sufficient</i> )			
	CITY/ STATE/ ZIP CODE		TELEPHONE NUMBER	EMAIL ADDRESS
	<p><i>Answer "Yes" or "No" to each of the following questions by checking the appropriate box. If a box is not checked for a question, the answer will be deemed to be "No".</i></p> <p><input type="checkbox"/> <b>Yes</b>    <input type="checkbox"/> <b>No</b>    The Responsible Individual may change the beneficiary designated under this agreement to another member of the Designated Beneficiary's family described in Section 529(e)(2) in accordance with the Custodian's procedures.</p> <p><input type="checkbox"/> <b>Yes</b>    <input type="checkbox"/> <b>No</b>    The Responsible Individual shall continue to serve as the Responsible Individual for the custodial account after the Designated Beneficiary attains the age of majority under state law and until such time as all assets have been distributed from the custodial account and the custodial account terminates. If the Responsible Individual becomes incapacitated or dies after the Designated Beneficiary reaches the age of majority under state law, the Responsible Individual shall be the Designated Beneficiary.</p> <p>I understand that I have the power to redirect the investment of contributions to the Education Savings Account and hereby appoint the following brokerage firm as my agent to execute my directions, as Broker under the terms of the Custodial Agreement.</p>			
BROKERAGE FIRM				
ACCOUNT NUMBER				
<b>7. Successor Responsible Individual</b>	In the event of the death or legal incapacity of the Responsible Individual while the Designated Beneficiary is a minor under state law, the following shall become the Responsible Individual. If no successor is named, the Successor Responsible Individual shall be the Designated Beneficiary's remaining parent or successor guardian			
	FULL NAME		RELATIONSHIP	SOCIAL SECURITY NUMBER
	ADDRESS		TELEPHONE NUMBER	EMAIL ADDRESS
<b>8. Signature Section</b>	<p><b>Please read the following ESA Account Terms and sign where indicated.</b></p> <p>1. I acknowledge, by signing this agreement, that I have received, read, understand and agree to the terms and conditions as described in the Penson Financial Services, Inc. "Disclosure Statement" and "Custodial Agreement". I understand the eligibility requirements for the type of deposit I am making and state that I do qualify to make the deposit.</p> <p><b>2. BY SIGNING THIS APPLICATION, I(W E) ACKNOWLEDGE THE FOLLOWING: (1) THAT, PAGE 3 PARAGRAPH #10.12 OF THE CUSTODIAL ACCOUNT AGREEMENT CONTAINS A PREDISPUTE ARBITRATION CLAUSE AND IN ACCORDANCE WITH THIS AGREEMENT I (WE) AGREE IN ADVANCE TO ARBITRATE ANY CONTROVERSIES WHICH MAY ARISE BETWEEN OR AMONG ME (US), MY BROKER, AND/OR CLEARING FIRM, (2) RECEIPT OF A COPY OF THE CUSTODIAL ACCOUNT AGREEMENT FOLLOWING THIS APPLICATION AND MY (OUR) AGREEMENT WITH THE TERMS THEREIN AND (3) THE INFORMATION PROVIDED ABOVE IS ACCURATE.</b></p> <p>3. I certify that, under penalty of perjury, my Social Security number on this application is correct.</p> <p>4. I assume complete responsibility for the following:</p> <p>a.) Determining that I am eligible to contribute to an Education Savings Account each year I make a contribution.</p> <p>b.) Insuring that all contributions I make are within the limits set forth by the tax laws.</p> <p>c.) Certify that I am qualified to assume the responsibilities of the Responsible Individual as set forth in this Agreement, if I am designated on this Application as the Responsible Individual.</p> <p>d.) Managing and administering the account and authorizing transactions involving contributions and distributions, if I am designated on this Application as the Responsible Individual.</p> <p>5. I have read and understand the Investment Objective Definitions: <b>Capital Preservation</b> - a conservative investment strategy characterized by a desire to avoid risk of loss; <b>Income</b> - strategy focused on current income rather than capital appreciation; <b>Growth</b> - investing in stocks with strong earnings and/or revenue growth or potential; <b>Speculation</b> - taking larger risks, usually by frequent trading, with hope of higher than-average gain. All strategies involve various types and levels of risk, the most common of which are market, credit, inflation, business and interest rate.</p>			
	ESA DEPOSITOR			DATE
ESA RESPONSIBLE INDIVIDUAL			DATE	
BRANCH APPROVAL			DATE	
<b>For Office Use Only</b>	FIRST TRADE	DATE OPENED	INTRODUCING BROKER / DEALER	CUSTOMER ID VERIFIED ( <i>Must be Completed</i> ) <input type="checkbox"/> Yes <input type="checkbox"/> No
	ACCOUNT NO.	INTRODUCING REP. SIGNATURE		APPROVED BY

This Customer Account Agreement (the "Agreement") sets forth the respective rights and obligations of Penson Financial Services, Inc. ("you" or "your" or "Penson") and the Customer's (as defined below) brokerage firm (the "Introducing Broker"), and the customer(s) identified on the New Account Application (the "Customer") in connection with the Customer's brokerage account with the Introducing Broker ("the Account"). The Customer hereby agrees as follows with respect to the Account, which the Customer has established with the Introducing Broker for the purchase, sale or carrying of securities or contracts relating thereto and/or the borrowing of funds, which transactions are cleared through you. To help the government fight the funding of terrorism and money laundering, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. In order to open an account, the Customer will provide information that will allow you to identify the Customer including, but not limited to, the Customer's name, address, date of birth, and the Customer's driver's license or other identifying documents.

**1. Applicable Rules and Regulations.** All transactions for the Account shall be subject to the constitution, rules, regulations, customs and usages of the exchange or market and its clearing house, if any, upon which such transactions are executed, except as otherwise specifically provided in this Agreement.

**2. Definitions. "Obligations"** means all indebtedness, debit balances, liabilities or other obligations of any kind of the Customer to you, whether now existing or hereafter arising. **"Securities and other property"** shall include, but shall not be limited to, money, securities, commodities or other property of every kind and nature and all contracts and options relating thereto, whether for present or future delivery.

**2A. Investment Objective Definitions. "Capital Preservation"** - a conservative investment strategy characterized by a desire to avoid risk of loss; **"Income"** - strategy focused on current income rather than capital appreciation; **"Growth"** - investing in stocks with strong earnings and/or revenue growth or potential; **"Speculation"** - taking larger risks, usually by frequent trading, with hope of higher than-average gain. All strategies involve various types and levels of risk, the most common of which are market, credit, inflation, business and interest rate.

**3. Breach; Security Interest.** Whenever in your discretion you consider it necessary for your protection, or for the protection of the Customer's Introducing Broker or in the event of, but not limited to; (i) any breach by the Customer of this or any other agreement with you or (ii) the Customer's failure to pay for securities and other property purchased or to deliver securities and other property sold, you may sell any or all securities and other property held in any of the Customer's accounts (either individually or jointly with others), cancel or complete any open orders for the purchase or sale of any securities and other property, and/or borrow or buy-in any securities and other property required to make delivery against any sale, including a short sale, effected for the Customer, all without notice or demand for deposit of collateral, other notice of sale or purchase, or other notice or advertisement, each of which is expressly waived by the undersigned, and/or you may require the Customer to deposit cash or adequate collateral to the Customer's account prior to any settlement date in order to assure the performance or payment of any open contractual commitments and/or unsettled transactions. You have the right to refuse to execute securities transactions for the Customer at any time and for any reason. Any and all securities and other property belonging to the Customer or in which the Customer may have an interest held by you or carried in any of the Customer's accounts with you (either individually or jointly with others) shall be subject to a first and prior security interest and lien for the discharge of the Customer's obligations to you, wherever or however arising and without regard to whether or not you have made advances with respect to such securities and other property, and you are hereby authorized to sell and/or purchase any and all securities and other property in any of the Customer's accounts, and/or to transfer any such securities and other property among any of the Customer's accounts to the fullest extent of the law and without notice where allowed. The losses, costs and expenses, including but not limited to reasonable attorneys' fees and expenses, incurred and payable or paid by you in the (i) collection of a debit balance and/or any unpaid deficiency in the accounts of the Customer with you or (ii) defense of any matter arising out of the Customer's securities transactions, shall be payable to you by the Customer. The Customer understands that because of circumstances beyond broker-dealers control, its customers' voting rights may be impaired. For example, if the stock of a company that another customer has purchased has not yet been received from the seller(s), then other customers' abilities to vote that company's stock could be impaired until those shares are received. In addition, if the stock of a company that the Customer has purchased has not yet been received from the seller(s), then payments received by the Customer from the Introducing Broker, in lieu of the dividends on that stock not yet received, may receive tax treatment less favorable than that accorded to dividends.

**4. Cancellation.** You are authorized, in your discretion, should you for any reason whatsoever deem it necessary for your protection, without notice, to cancel any outstanding order, to close out the accounts of the Customer, in whole or in part, or to close out any commitment made on behalf of the Customer.

**5. Payment of Indebtedness Upon Demand.** The Customer shall at all times be liable for the payment upon demand of any obligations owing from the Customer to you, and the Customer shall be liable to you for any deficiency remaining in any such accounts in the event of the liquidation thereof (as contemplated in Paragraph 3 of this Agreement or otherwise), in whole or in part, by you or by the Customer; and the Customer shall make payment of such obligations upon demand. If Customer also holds a futures account with your futures division ("Penson Futures"), Customer hereby authorizes you, without prior notice, to transfer from any account held with you to any account held with Penson Futures, any assets that Penson Futures represents to you are reasonably required to avoid the calling of margins for such Penson Futures account or the payment of any obligations owed to Penson Futures by the Customer. Customer also authorizes you to request from Penson Futures assets held by Penson Futures that in your judgment may be reasonably required to avoid the calling of margins for an account held with you or the payment of any obligations owed to you by Customer.

**6. Accounts Carried as Clearing Broker.** The Customer understands that you are carrying the accounts of the Customer as clearing broker by arrangement with the Customer's Introducing Broker through whose courtesy the account of the Customer has been introduced to you. Until receipt from the Customer of written notice to the contrary, you may accept from and rely upon the Customer's Introducing Broker for (a) orders for the purchase or sale in said account of securities and other property, and (b) any other instructions concerning the Customer's accounts. The Customer represents that the Customer understands that you act only to clear trades introduced by the Customer's Introducing Broker and to effect other back office functions for the Customer's introducing broker. The Customer confirms to you that the Customer is relying for any advice concerning the Customer's accounts solely on the Customer's Introducing Broker. The Customer understands that all representatives, employees and other agents with whom the Customer communicates concerning the Customer's account are agents of the Introducing Broker, and not your representatives, employees or other agents and the

Customer will in no way hold you liable for any trading losses that the Customer may incur. The Customer understands that you are not a principal or partner with, and do not control in any way, the Introducing Broker or its representatives, employees or other agents. The Customer understands that you will not review the Customer's accounts and will have no responsibility for trades made in the Customer's accounts. You shall not be responsible or liable for any acts or omissions of the Introducing Broker or its representatives, employees or other agents. Notwithstanding the foregoing, in the event that the Customer initiates a claim against you in your capacity as clearing broker and does not prevail, the Customer shall be responsible for the costs and expenses associated with your defense of such claim. The Customer understands you shall be entitled to exercise and enforce directly against the Customer all rights granted to the Introducing Broker.

**6A. Accounts Carried as Custodian.** In some cases the Customer's account is being carried by arrangement with the Customer's Investment Advisor or Investment Manager, who uses you as their Broker-Dealer custodian. The Customer acknowledges that your role as custodian is to hold or custody account assets, distribute or collect funds on behalf of the Customer's account, execute and clear trades under instruction of the Customer's Investment Advisor or Investment Manager, generate account statements and provide other custodial services as may be mandated by various regulatory standards and requirements. The Customer understands that in the capacity as custodian, you will not offer investment advice, review the Customer's accounts, and will have no responsibility for trades made in the Customer's accounts. Additionally, in your capacity as custodian, you will not verify the accuracy of management fees that the Customer pays to Investment Advisors or Investment Managers pursuant to the terms of the Investment Management Agreement executed between the Customer and the Investment Advisor or Investment Manager. Notwithstanding the foregoing, in the event that the Customer initiates a claim against you in your capacity as custodial broker and does not prevail, the undersigned shall be responsible for the costs and expenses associated with your defense of such claim.

**7. Communications.** You may send communications to the Customer at the Customer's address on the New Account Application or at such other address as the Customer may hereafter give you in writing, and all communications so sent, whether by mail, telegraph, or otherwise, shall be deemed given to the Customer personally, whether actually received or not. Reports of execution of orders and statements of accounts of the Customer shall be conclusive if not objected to in writing to you, the former within five (5) days and the latter within ten (10) days, after forwarding by you by mail or otherwise. In consideration of your sending any mail to me in care of a Post Office Box Address or a third party, I hereby agree that "all correspondence of any nature whatsoever" sent to me in such address will have the same force and effect as if it had been delivered to me personally.

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

- a. 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 FORM IN WHICH A CLAIM IS FILED;
- b. ARBITRATION AWARDS ARE GENERALLY FINAL AND BINDING; A PARTY'S ABILITY TO HAVE A COURT REVERSE OR MODIFY AN ARBITRATION AWARD IS VERY LIMITED.
- c. THE ABILITY OF THE PARTIES TO OBTAIN DOCUMENTS, WITNESS STATEMENTS AND OTHER DISCOVERY IS GENERALLY MORE LIMITED IN ARBITRATION THAN IN COURT PROCEEDINGS;
- d. THE ARBITRATORS DO NOT HAVE TO EXPLAIN THE REASON(S) FOR THEIR AWARD UNLESS, IN AN ELIGIBLE CASE, A JOINT REQUEST FOR AN EXPLAINED DECISION HAS BEEN SUBMITTED BY ALL PARTIES TO THE PANEL AT LEAST 20 DAYS PRIOR TO THE FIRST SCHEDULED HEARING DATE.
- e. THE PANEL OF ARBITRATORS WILL TYPICALLY INCLUDE A MINORITY OF ARBITRATORS WHO WERE OR ARE AFFILIATED WITH THE SECURITIES INDUSTRY.
- f. 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.
- g. THE RULES OF THE ARBITRATION FORUM IN WHICH THE CLAIM IS FILED, AND ANY AMENDMENTS THERETO, SHALL BE INCORPORATED INTO THIS AGREEMENT.

THE FOLLOWING ARBITRATION AGREEMENT SHOULD BE READ IN CONJUNCTION WITH THE DISCLOSURES ABOVE. ANY AND ALL CONTROVERSIES, DISPUTES OR CLAIMS BETWEEN THE CUSTOMER AND YOU, OR THE INTRODUCING BROKER, OR THE AGENTS, REPRESENTATIVES, EMPLOYEES, DIRECTORS, OFFICERS OR CONTROL PERSONS OF YOU OR THE INTRODUCING BROKER, ARISING OUT OF, IN CONNECTION WITH, FROM OR WITH RESPECT TO (a) ANY PROVISIONS OF OR THE VALIDITY OF THIS AGREEMENT OR ANY RELATED AGREEMENTS, (b) THE RELATIONSHIP OF THE PARTIES HERETO, OR (c) ANY CONTROVERSY ARISING OUT OF YOUR BUSINESS, THE INTRODUCING BROKER'S BUSINESS OR THE CUSTOMER'S ACCOUNTS, SHALL BE CONDUCTED PURSUANT TO THE CODE OF ARBITRATION PROCEDURE OF THE FINANCIAL INDUSTRY REGULATORY AUTHORITY ("FINRA"). ARBITRATION MUST BE COMMENCED BY SERVICE OF A WRITTEN DEMAND FOR ARBITRATION OR A WRITTEN NOTICE OF INTENTION TO ARBITRATE. THE DECISION AND AWARD OF THE ARBITRATOR(S) SHALL BE CONCLUSIVE AND BINDING UPON ALL PARTIES, AND ANY JUDGMENT UPON ANY AWARD RENDERED MAY BE ENTERED IN A COURT HAVING JURISDICTION THEREOF, AND NEITHER PARTY SHALL OPPOSE SUCH ENTRY.

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; or (ii) the class is de-certified; 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.

**9. Representations.** The Customer represents that the Customer is of majority age, that the Customer is not an employee of any exchange, or of any corporation of which any exchange owns a majority of the capital stock, or of a member of any exchange, or of a member firm or member corporation registered on any exchange or of a bank, trust company, insurance company or of any corporation, firm or individual engaged in the business dealing either as broker or as principal in securities, bills of exchange, acceptances or other forms of commercial paper. If the Customer is a corporation, partnership, trust or other entity, the Customer represents that its governing instruments permit this Agreement, that this Agreement has been authorized by all applicable persons and that the signatory on the New Account Application is authorized to bind the Customer. The Customer represents that the Customer shall comply with all applicable laws, rules and regulations in connection with the Customer's account. The Customer further represents that no one except the Customer has an interest in the account or accounts of the Customer with you.

**10. Joint Accounts.** If the New Account Application indicates that the Account shall consist of more than one person, the Customer's obligations under this Agreement shall be joint and several. References to the "Customer" shall include each of the customers identified on the New Account Application. You may rely on transfer or other instructions from any one of the Customers in a joint account, and such instructions shall be binding on each of the Customers. You may deliver securities or other property to, and send confirmations; notices, statements and communications of every kind, to any one of the Customers, and such action shall be binding on each of the Customers. Notwithstanding the foregoing, you are authorized in your discretion to require joint action by the joint tenants with respect to any matter concerning the joint account, including but not limited to the giving or cancellation of orders and the withdrawal of money, securities, futures or commodities. In the case of Tenants by the Entirety accounts, joint action will be required for all matters concerning the joint account. Tenants by Entirety is not recognized in certain jurisdictions, and, where not expressly allowed, will not be a permitted designation of the account.

**11. Other Agreements.** If the Customer trades any options, the Customer agrees to be bound by the terms of your **Customer Option Agreement**. The Customer understands that copies of these agreements are available from you and, to the extent applicable, are incorporated by reference herein. The terms of these other agreements are in addition to the provisions of this Agreement and any other written agreements between you and the Customer.

**12. Data Not Guaranteed.** The Customer expressly agrees that any data or online reports is provided to the Customer without warranties of any kind, express or implied, including but not limited to, the implied warranties of merchantability, fitness of a particular purpose or non-infringement. The Customer acknowledges that the information contained in any reports provided by you is obtained from sources believed to be reliable but is not guaranteed as to its accuracy or completeness. Such information could include technical or other inaccuracies, errors or omissions. In no event shall you or any of your affiliates be liable to the Customer or any third party for the accuracy, timeliness, or completeness of any information made available to the Customer or for any decision made or taken by the Customer in reliance upon such information. In no event shall you or your affiliated entities be liable for any special incidental, indirect or consequential damages whatsoever, including, without limitation, those resulting from loss of use, data or profits, whether or not advised of the possibility of damages, and on any theory of liability, arising out of or in connection with the use of any reports provided by you or with the delay or inability to use such reports.

**13. Payment for Order Flow Disclosure.** Depending on the security traded and absent specific direction from the Customer, equity and option orders are routed to market centers (i.e., broker-dealers, primary exchanges or electronic communication networks) for execution. Routing decisions are based on a number of factors including the size of the order, the opportunity for price improvement and the quality of order executions, and decisions are regularly reviewed to ensure the duty of best execution is met. You or the Introducing Broker may receive compensation or other consideration for the placing of orders with market centers for execution. The amount of the compensation depends on the agreement reached with each venue. The source and nature of compensation relating to the undersigned's transactions will be furnished upon written request.

**14. Credit Check.** You are authorized, in your discretion, should you for any reason deem it necessary for your protection to request and obtain a consumer credit report for the Customer.

**15. Miscellaneous.** If any provision of this Agreement is held to be invalid or unenforceable, it shall not affect any other provision of this Agreement. The headings of each section of this Agreement are descriptive only and do not modify or qualify any provision of this Agreement. This Agreement and its enforcement shall be governed by the laws of the state of Texas and shall cover individually and collectively all accounts which the Customer has previously opened, now has open or may open or reopen with you, or any introducing broker, and any and all previous, current and future transactions in such accounts. Except as provided in this Agreement, no provision of this Agreement may be altered, modified or amended unless in writing signed by your authorized representative. This Agreement and all provisions shall inure to the benefit of you and your successors, whether by merger, consolidation or otherwise, your assigns, the Introducing Broker, and all other persons specified in Paragraph 8. You shall not be liable for losses caused directly or indirectly by any events beyond your reasonable control, including without limitation, government restrictions, exchange or market rulings, suspension of trading or unusually heavy trading in securities, a general change in economic, political or financial conditions, war or strikes. You may transfer the accounts of the Customer to your successors and assigns. This Agreement shall be binding upon the Customer and the heirs, executors, administrators, successors and assigns of the Customer. Failure to insist on strict compliance with this Agreement is not considered a waiver of your rights under this Agreement. At your discretion, you may terminate this Agreement at anytime on notice to the Customer, the Customer will continue to be responsible for any obligation incurred by the Customer prior to termination. The Customer may not assign the Customer's rights or delegate the Customer's obligations under this Agreement, in whole or in part, without your prior consent.

**16. Account Protection.** As a member of the Securities Investor Protection Corporation (SIPC), funds are available to meet customer claims up to a ceiling of \$500,000, including a maximum of \$250,000 for cash claims. For additional information regarding SIPC coverage, including a brochure, please contact SIPC at (202) 371-8300 or visit [www.sipc.org](http://www.sipc.org). Penson has purchased an additional insurance policy through a group of London Underwriters (with Lloyd's of London Syndicates as the Lead Underwriter) to supplement SIPC protection. This additional insurance policy becomes available to customers in the event that SIPC limits are exhausted and provides protection for securities and cash up to an aggregate of \$600 million. This is provided to pay amounts in addition to those returned in SIPC liquidation. This additional insurance policy is limited to a combined return to any customer from a Trustee, SIPC and London Underwriters of \$150 million, including cash of up to \$2.15 million. Similar to SIPC protection, this additional insurance does not protect against a loss in the market value of securities.

BRANCH/REP CODE NUMBER

ACCOUNT NUMBER

<b>Customer Information</b>	<b>Please Provide the Following Information as Applicable. We Cannot Approve Your Account Without It.</b>			
	TITLE OF ACCOUNT		EMPLOYER NAME (If Unemployed, Source of Income)	
	OCCUPATION/ POSITION OR TYPE OF BUSINESS	DATE OF BIRTH	EMPLOYER ADDRESS	
	MARTIAL STATUS <input type="checkbox"/> M <input type="checkbox"/> S <input type="checkbox"/> D <input type="checkbox"/> W	SPOUSE'S NAME	SPOUSE'S EMPLOYER	NUMBER OF DEPENDENTS
<b>INVESTMENT OBJECTIVE</b>	<b>ANNUAL INCOME</b> (from all sources)	<b>SPOUSE'S INCOME</b> (from all sources)	<b>LIQUID NET WORTH</b> (cash & liquid investments only)	<b>TOTAL NET WORTH</b> (excluding residence)
<input type="checkbox"/> Capital Preservation (05) <input type="checkbox"/> Income (04) <input type="checkbox"/> Growth (03) <input type="checkbox"/> Speculation (06) <input type="checkbox"/> Other (08)	<input type="checkbox"/> Under \$25,000 (01) <input type="checkbox"/> \$200,001 to \$300,000 (24) <input type="checkbox"/> \$25,000 to \$50,000 (02) <input type="checkbox"/> \$300,001 to \$500,000 (25) <input type="checkbox"/> \$50,001 to \$100,000 (03) <input type="checkbox"/> \$500,001 to \$1,200,000 (26) <input type="checkbox"/> \$100,001 to \$200,000 (23) <input type="checkbox"/> Over \$1,200,001 (27)	<input type="checkbox"/> Under \$25,000 (01) <input type="checkbox"/> \$200,001 to \$300,000 (24) <input type="checkbox"/> \$25,000 to \$50,000 (02) <input type="checkbox"/> \$300,001 to \$500,000 (25) <input type="checkbox"/> \$50,001 to \$100,000 (03) <input type="checkbox"/> \$500,001 to \$1,200,000 (26) <input type="checkbox"/> \$100,001 to \$200,000 (23) <input type="checkbox"/> Over \$1,200,001 (27)	<input type="checkbox"/> Under \$50,000 (01) <input type="checkbox"/> \$50,001 to \$100,000 (02) <input type="checkbox"/> \$100,001 to \$200,000 (22) <input type="checkbox"/> \$200,001 to \$500,000 (23) <input type="checkbox"/> \$500,001 to \$1,000,000 (24) <input type="checkbox"/> \$1,000,001 to \$5,000,000 (25)	<input type="checkbox"/> Under \$50,000 (01) <input type="checkbox"/> \$50,001 to \$100,000 (02) <input type="checkbox"/> \$100,001 to \$200,000 (22) <input type="checkbox"/> \$200,001 to \$500,000 (23) <input type="checkbox"/> \$500,001 to \$1,000,000 (24) <input type="checkbox"/> \$1,000,001 to \$5,000,000 (25)
<b>Prior Investment Experience</b>	NAME OF FIRM(S)			NUMBER OF YEARS
	STILL OPEN?		ESTIMATED VALUE \$	
	TYPE OF ACCOUNT (Indicate number of trades per year)		ANTICIPATED TYPES OF TRADES	
	<input type="checkbox"/> Stocks _____ <input type="checkbox"/> Corporate Bonds _____ <input type="checkbox"/> Municipal Bonds _____ <input type="checkbox"/> Government Bonds _____ <input type="checkbox"/> Funds _____	<input type="checkbox"/> Options _____ <input type="checkbox"/> Commodities _____ <input type="checkbox"/> Tax Shelters _____ <input type="checkbox"/> Margin Account _____	<input type="checkbox"/> <b>Level 1 covered calls, including:</b> Covered calls sold against stocks held long in your brokerage account Buy-writes (simultaneously buying a stock and writing a covered call) Covered call roll-ups/roll-downs  <input type="checkbox"/> <b>Level 2 All Level 1 strategies, plus:</b> Long Calls                      Long Straddles Long Puts                      Long Strangles Covered puts (short stock and short put position)	
PLEASE LIST ANY OTHER RELEVANT FINANCIAL INFORMATION		<input type="checkbox"/> <b>Level 3 All Levels 1 and 2 strategies, plus:</b> Equity credit spreads      Equity calendar/diagonal spreads Equity debit spreads      Index calendar/diagonal spreads Index debit spreads Index credit spreads  <input type="checkbox"/> <b>Level 5 All Level 1, 2, 3, and 4 strategies plus:</b> Naked equity calls  <input type="checkbox"/> <b>Level 6 All Level 1, 2, 3, 4 and 5 strategies plus:</b> Naked index calls      Naked index puts		
<b>Signatures</b>	I hereby confirm that I have read the provisions of this option agreement and understand the contents hereof. I hereby expressly confirm all the information contained in the Customer Information section, especially those concerning income, net worth and investment objectives, and will advise you of any changes in such information which could be deemed to affect the suitability of executing options transactions for my account.			
	<b>BY SIGNING THIS APPLICATION, I (WE) ACKNOWLEDGE THE FOLLOWING: (1) THAT, PAGE 3 PARAGRAPH 9 OF THE ATTACHED AGREEMENT CONTAINS A PREDISPUTE ARBITRATION CLAUSE AND IN ACCORDANCE WITH THIS AGREEMENT I (WE) AGREE IN ADVANCE TO ARBITRATE ANY CONTROVERSIES WHICH MAY ARISE BETWEEN OR AMONG ME (US), MY BROKER, AND/OR CLEARING FIRM, (2) RECEIPT OF A COPY OF THE AGREEMENT FOLLOWING THIS APPLICATION AND MY (OUR) AGREEMENT WITH THE TERMS THEREIN AND (3) THE INFORMATION PROVIDED ABOVE IS ACCURATE.</b>			
	APPLICANT'S SIGNATURE ▷			DATE
SIGNATURE OF CO-APPLICANT ▷			DATE	
<b>For Office Use Only</b> (Must be filled in before Person can accept)	Please note date of delivery on the items listed below:		INTRODUCING BROKER APPROVAL	
	Characteristics and Risk of Standard Options:		Registered Representative Signature	
	Special Statement for Uncovered Option Writers:		Option Principal Signature	
	Approved for Option Trading as follows:		Registered Principal Signature	
<input type="checkbox"/> Option Level 1 <input type="checkbox"/> Option Level 2 <input type="checkbox"/> Option Level 3 <input type="checkbox"/> Option Level 4 <input type="checkbox"/> Option Level 5 <input type="checkbox"/> Option Level 6		DATE		
		DATE		
		DATE		

In connection with any transactions in options which have been or may be purchased, sold, exercised or endorsed for the undersigned's account with an introducing broker(s) which clears through Penson Financial Services, Inc., the undersigned agrees as follows:

**1. Definitions.** "Introducing broker" means any brokerage firm which introduces security transactions on behalf of the undersigned, which transactions are cleared through Penson, whether one or more. "Obligations" means all indebtedness, debit balances, liabilities or other obligations of any kind of the undersigned to Penson, whether now existing or hereafter arising. "Options" means all types of options, including puts, calls, equity, debt, index or otherwise. "Securities and other property" shall include, but shall not be limited to money, securities, commodities or other property of every kind and nature and all contracts and options relating thereto, whether for present or future delivery. "Penson" refers to Penson Financial Services, Inc.

**2. Limits.** The undersigned shall not, acting alone or in concert with others, exceed the position/exercise limits set forth by any exchange or market or by any other regulatory authority having jurisdiction.

**3. Authority, Execution of Orders, Security Interest.** The undersigned hereby authorizes Penson in its discretion, should Penson deem it necessary for Penson's protection for any reason, including death of the undersigned, to buy, sell, or sell short for the undersigned's account any risk, puts, calls or other forms of option and/or to buy, sell or sell short any part or all of the underlying shares represented by options endorsed by Penson for the undersigned's account. Any and all expenses incurred by Penson in connection with such transactions shall be reimbursed by the undersigned to Penson. The undersigned understands and acknowledges that when transactions on the undersigned's behalf are to be executed and the options are traded in more than one marketplace Penson may use its discretion in selecting the market in which to enter the undersigned's order unless the undersigned specifically instructs otherwise. All monies, securities, or other property which Penson may hold in any account of the undersigned shall be held subject to a general lien for the discharge of the undersigned's obligations to Penson under this Agreement or otherwise. The decision to enter into options transactions was made entirely by the undersigned without any investment advice from Penson or the introducing broker.

**4. Notice, Exercise, Random Allocation.** The undersigned is aware of Penson's requirements and time limitations for accepting an exercise notice and expiration date. The undersigned understands that the undersigned may not receive actual notice of exercise until the week following exercise. The undersigned bears full responsibility for taking action to exercise or sell valuable options; however, in the absence of the undersigned notifying the introducing broker to exercise a valuable options contract by 3 p.m. Central Standard Time on the last business day prior to the expiration date of the options contract, and the introducing broker instructing Penson to sell valuable options on the undersigned's behalf within such time, the undersigned agrees that Penson may exercise the options contract on the undersigned's behalf. In the event of such exercise, the profit in excess of commission costs created thereby will be credited to the undersigned's account. In the event that the commissions to be charged for such an expiration transaction exceeds the proceeds to be realized, the undersigned agrees and hereby relinquishes the undersigned's ownership in said option to Penson, and Penson may exercise such option for its own account. If the undersigned does not instruct the introducing broker to exercise the valuable option by the time stated above, and Penson for whatever reason, does not exercise such option on the undersigned's behalf, the undersigned hereby waives any and all claims for damage or loss which the undersigned might at the time or any time thereafter have against Penson arising out of the fact that the option was not exercised. The undersigned is aware that Penson utilizes a random method of allocation for all option(s) assignments received from the Option Clearing Corporation. Exercise assignment notices for options contracts are allocated among all customers' short positions within that series. This is accomplished by a manual procedure, which randomly selects from among all customer short positions, including positions established on the day of assignment, those contracts which are subject to exercise. All American short positions are liable for assignment at any time. The undersigned understands that a more detailed description of this procedure is available upon request by the undersigned.

**5. Uncovered Options.** The undersigned agrees that in connection with any uncovered options(s) for the undersigned's account, uncovered options are prohibited in IRA accounts. The undersigned agrees not to sell, during the life of the options in the account, the underlying securities collateralizing such options, including any cash or securities which may accrue on the underlying covered securities until such options are closed, exercised or expired or the undersigned has met the collateral requirements established by Penson and/or the introducing broker for carrying uncovered options. The undersigned also agrees that the introducing broker and/or Penson, in its respective sole discretion, may refuse any order to sell such underlying securities received from the undersigned or by means of a "give up" basis through another firm unless, prior to such sale, the undersigned has met the collateral requirements established by Penson and/or the introducing broker for carrying uncovered options. Penson has the right, in its sole discretion, to permit the undersigned to apply the proceeds of such sale to such collateral requirements.

**6. Risks.** The undersigned is aware of the high degree of risk involved in options transactions and has given the introducing broker, in strict confidence, information to demonstrate that this account and the trading anticipated in connection therewith is not unsuitable for the undersigned in light of the undersigned's investment objectives, financial situation and needs, experience and knowledge. The undersigned agrees to advise the introducing broker of any changes in the undersigned's investment objectives, financial situation or other circumstances that may be deemed to materially affect the suitability of executing options transactions for the undersigned's account.

**7. Options Account Form, Disclosure Documents.** The undersigned has reviewed the contents of the options account form and represents that they are accurate. Although certain types of transactions are indicated as anticipated, Penson and the introducing broker may execute any other types of transactions for the undersigned's account upon the undersigned's instructions. The undersigned has received an Options Disclosure Document relating to options on the categories of underlying securities which the undersigned has been approved for trading.

**8. Accounts Carried as Clearing Broker.** The undersigned understands that Penson is carrying the accounts of the undersigned as clearing broker by arrangement with the undersigned's introducing broker through whose courtesy the account of the undersigned has been introduced to Penson. Until receipt from the undersigned of written notice to the contrary, Penson may accept and rely upon the introducing broker for (a) orders for the purchase or sale in said account of securities and other property, and (b) any other instructions concerning the undersigned's accounts. The undersigned represents that the undersigned understands that Penson acts only to clear trades introduced by the undersigned's introducing broker and to effect other back office functions for the undersigned's introducing broker. The undersigned confirms to Penson that the undersigned is relying for any advice concerning the undersigned's accounts solely on the undersigned's introducing broker. The undersigned understands that all representatives, employees and other agents with whom the undersigned communicates concerning the undersigned's account are agents of the introducing broker, and not Penson's representatives, employees or other agents. The undersigned understands that Penson will not review the undersigned's accounts and will have no responsibility for trades made in the undersigned's accounts, including but not limited to for appropriateness or suitability. Penson shall not be responsible or liable for any acts or omissions of the introducing broker or its representatives, employees or other agents. The execution of any such trades shall not be deemed to be an approval of such trades.

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

**a. 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 FORM IN WHICH A CLAIM IS FILED;**

**b. ARBITRATION AWARDS ARE GENERALLY FINAL AND BINDING; A PARTY'S ABILITY TO HAVE A COURT REVERSE OR MODIFY AN ARBITRATION AWARD IS VERY LIMITED.**

**c. THE ABILITY OF THE PARTIES TO OBTAIN DOCUMENTS, WITNESS STATEMENTS AND OTHER DISCOVERY IS GENERALLY MORE LIMITED IN ARBITRATION THAN IN COURT PROCEEDINGS;**

**d. THE ARBITRATORS DO NOT HAVE TO EXPLAIN THE REASON(S) FOR THEIR AWARD UNLESS, IN AN ELIGIBLE CASE, A JOINT REQUEST FOR AN EXPLAINED DECISION HAS BEEN SUBMITTED BY ALL PARTIES TO THE PANEL AT LEAST 20 DAYS PRIOR TO THE FIRST SCHEDULED HEARING DATE.**

**e. THE PANEL OF ARBITRATORS WILL TYPICALLY INCLUDE A MINORITY OF ARBITRATORS WHO WERE OR ARE AFFILIATED WITH THE SECURITIES INDUSTRY.**

**f. 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.**

**g. THE RULES OF THE ARBITRATION FORUM IN WHICH THE CLAIM IS FILED, AND ANY AMENDMENTS THERETO, SHALL BE INCORPORATED INTO THIS AGREEMENT.**

**THE FOLLOWING ARBITRATION AGREEMENT SHOULD BE READ IN CONJUNCTION WITH THE DISCLOSURES ABOVE.**

**ANY AND ALL CONTROVERSIES, DISPUTES OR CLAIMS BETWEEN THE CUSTOMER AND YOU, OR THE INTRODUCING BROKER, OR THE AGENTS, REPRESENTATIVES, EMPLOYEES, DIRECTORS, OFFICERS OR CONTROL PERSONS OF YOU OR THE INTRODUCING BROKER, ARISING OUT OF, IN CONNECTION WITH, FROM OR WITH RESPECT TO (a) ANY PROVISIONS OF OR THE VALIDITY OF THIS AGREEMENT OR ANY RELATED AGREEMENTS, (b) THE RELATIONSHIP OF THE PARTIES HERETO, OR (c) ANY CONTROVERSY ARISING OUT OF YOUR BUSINESS, THE INTRODUCING BROKER'S BUSINESS OR THE CUSTOMER'S ACCOUNTS, SHALL BE CONDUCTED PURSUANT TO THE CODE OF ARBITRATION PROCEDURE OF THE FINANCIAL INDUSTRY REGULATORY AUTHORITY ("FINRA"). ARBITRATION MUST BE COMMENCED BY SERVICE OF A WRITTEN DEMAND FOR ARBITRATION OR A WRITTEN NOTICE OF INTENTION TO ARBITRATE. THE DECISION AND AWARD OF THE ARBITRATOR(S) SHALL BE CONCLUSIVE AND BINDING UPON ALL PARTIES, AND ANY JUDGMENT UPON ANY AWARD RENDERED MAY BE ENTERED IN A COURT HAVING JURISDICTION THEREOF, AND NEITHER PARTY SHALL OPPOSE SUCH ENTRY.**

**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; or (ii) the class is de-certified; 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.

**10. Other Agreements.** The undersigned agrees to be bounded by the terms of Penson's **Retirement Custodial Account Agreement, Penson's Customer Account Agreement and/or Penson's Customer Margin and Short Account Agreement.** The undersigned understands that copies of this agreement are available from Penson and, to the extent applicable, are incorporated by reference herein. The terms of this other agreement is in addition to the provisions of this Agreement and any other written agreements between Penson and the undersigned.

**11. Data Not Guaranteed.** The undersigned expressly agrees that any data or online reports is provided to the undersigned without warranties of any kind, express or implied, including but not limited to, the implied warranties of merchantability, fitness of a particular purpose or non-infringement. The undersigned acknowledges that the information contained in any reports provided by Penson are obtained from sources believed to be reliable but is not guaranteed as to its accuracy or completeness. Such information could include technical or other inaccuracies, errors or omissions. In no event shall Penson or any of Penson's affiliates be liable to the undersigned or any third party for the accuracy, timeliness, or completeness of any information made available to the undersigned or for any decision made or taken by the undersigned in reliance upon such information. In no event shall Penson or Penson's affiliated entities be liable for any special incidental, indirect or consequential damages whatsoever, including, without limitation, those resulting from loss of use, data or profits, whether or not advised of the possibility of damages, and on any theory of liability, arising out of or in connection with the use of any reports provided by Penson or with the delay or inability to use such reports.

**12. Credit Check.** Penson is authorized, in Penson's discretion, should Penson for any reason deem it necessary for Penson's protection to request and obtain a consumer credit report for the undersigned.

**13. Miscellaneous.** The undersigned is aware of and agrees that this Agreement and all transactions in the undersigned's accounts shall be governed by the constitution, rules, regulations, customs, usages and bylaws of the Options Clearing Corporation and the Financial Industry Regulatory Authority, and all exchanges or other facilities upon which options are traded for the account of the undersigned. If any provisions of this Agreement are held to be unenforceable, it shall not affect any other provisions of this Agreement. The headings of each sections of this Agreement are descriptive only and do not modify or qualify any provision of this Agreement. This Agreement and its enforcement shall be governed by the law of the state of Texas and shall cover individually and collectively all accounts which the undersigned has previously opened, now has open or may open or reopen with Penson, or any introducing broker, and any and all previous, current and future transactions in such accounts. Except as provided in this Agreement, no provision of this Agreement may be altered, modified or amended unless executed in writing by Penson's authorized representative. This Agreement and all provisions shall insure to the benefit of Penson and Penson's successors, whether by merger, consolidation or otherwise, Penson's assigns, the undersigned's introducing broker, and all other persons specified in Paragraph 9. Penson shall not be liable for losses caused directly or indirectly by any events beyond Penson's reasonable control, including without limitation, government restrictions, exchange or market rulings, and suspension of trading or unusually heavy trading in securities, a general change in economic, political or financial conditions, war or strikes. Penson may transfer the accounts of the undersigned to Penson's successors and assigns. This Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the undersigned.

## SUPPLEMENTAL PROVISIONS

**A. Pledging.** The undersigned understands that under Section 408(e)(4) of the Internal Revenue Code of 1986, as amended, if the undersigned pledges any portion of the undersigned's IRA as collateral for a loan, the amount so pledged will be treated as a distribution, and may be included in the undersigned's gross income for the taxable year in which the undersigned pledges the assets to the extent it represents earnings or be subject to excise taxes.

**B. Prohibited Transactions.** The undersigned understands that the extension of credit through margin, short selling positions, and uncovered options are not permitted in IRA accounts. If the undersigned or the undersigned's beneficiary engage in a prohibited transaction with the undersigned's IRA, as described in Section 4975 of the Internal Revenue Code of 1986, as amended, the undersigned's IRA may lose its tax-deferred or tax-exempt status, and the undersigned must generally include the value of the earnings in the undersigned account in gross income for the taxable year the undersigned engages in the prohibited transactions.

**C. ERISA.** The undersigned hereby represents, warrants, and covenants that the undersigned's IRA is not subject to the Employee Retirement Income Security Act of 1974, as amended, and the undersigned will not engage in any transaction in the undersigned's IRA that involves any extension of credit by Penson.

**D. No Advice.** The undersigned has been provided with an opportunity to consult with the undersigned's tax adviser regarding the advisability of holding options or conducting options strategies in the undersigned's IRA account. The undersigned has not and will not, rely on Penson for legal or tax advice in connection with engaging in options transactions in the undersigned's IRA. The undersigned will not hold Penson responsible for any adverse tax consequences or penalties that the undersigned or the undersigned's IRA may incur in connection with options transactions.

**E. Obligations.** The undersigned understands that the undersigned is solely responsible for ensuring that sufficient assets are maintained in the undersigned's IRA to cover all potential obligations arising from the holding of options and conducting any options strategies, including any potential assignment and exercise. The undersigned acknowledges responsibility for not conducting options transactions that can result in liabilities or obligations in excess of the undersigned's IRA account balance. Penson shall not be responsible for the dishonor of any transaction due to an insufficient balance in the undersigned IRA. If an assignment creates a short position or debit balance, Penson is authorized to immediately cover deficit in the undersigned's IRA with other assets in the undersigned IRA account.

**F. Indemnification.** By signing this Agreement, the undersigned hereby agrees to indemnify and hold Penson, Penson's affiliates, and their respective officers, directors, employees and agents, and their respective successors and assigns, harmless from and against any and all losses (including but not limited to consequential damages), liabilities, tax consequences (including excise taxes, penalties and interest), demands, claims and expenses, attorneys' fees, damages (including consequential, incidental, special or exemplary) arising out of any actions or omissions by Penson, or Penson's agents in connection herewith, which are not caused by Penson's gross negligence or willful misconduct. This provision shall survive the termination of this Agreement and shall be binding upon, and inure to the benefit of, each party's respective successors, assigns, heirs, and personal representatives.

## G. Option Levels

- Level 1 Covered calls, including:  
Covered calls sold against stocks held long in your brokerage account  
Buy-writes (simultaneously buying a stock and writing a covered call)  
Covered call roll-ups/roll-downs
- Level 2 All Level 1 strategies, plus:  
Married puts  
Long calls  
Long puts  
Long straddles  
Long strangles  
Covered puts (short stock and short put position)
- Level 3 All Levels 1 and 2 strategies, plus:  
Equity debit spreads  
Equity credit spreads  
Equity calendar/diagonal spreads  
Index debit spreads  
Index credit spreads  
Index calendar/diagonal spreads
- Level 4 All Level 1, 2, and 3 strategies, plus:  
Naked equity puts
- Level 5 All Level 1, 2, 3, and 4 strategies, plus:  
Naked equity calls
- Level 6 All Level 1, 2, 3, 4 and 5 strategies, plus:  
Naked index calls  
Naked index puts

# COVERDELL ESA CUSTODIAL ACCOUNT

Form 5305-EA Under Section 530 of the Internal Revenue Code

FORM (REV. MARCH 2002)

The Depositor whose name appears on the Application is establishing a Coverdell Education Savings Account under Section 530 for the benefit of the Designated Beneficiary whose name appears on the Application exclusively to pay for the qualified elementary, secondary, and higher education expenses, within the meaning of Section 530(b)(2), of such Designated Beneficiary.

The Depositor has assigned the custodial account the sum indicated on the Application.

The Depositor and the Custodian make the following agreement:

## ARTICLE I

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

## ARTICLE II

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

## ARTICLE III

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

## ARTICLE IV

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

## ARTICLE V

The Responsible Individual named by the Depositor shall be a parent or guardian of the Designated Beneficiary. The custodial account shall have only one Responsible Individual at any time. If the Responsible Individual becomes incapacitated or dies while the Designated Beneficiary is a minor under state law, the successor Responsible Individual shall be the person named to succeed in that capacity by the preceding Responsible Individual in a witnessed writing or, if no successor is so named, the successor Responsible Individual shall be the Designated Beneficiary's other parent or successor guardian. Unless otherwise directed by checking the option on the Application, at the time that the Designated Beneficiary attains the age of majority under state law, the Designated Beneficiary becomes the Responsible Individual. If a Family Member under the age of majority under state law becomes the Designated Beneficiary by reason of being a named death beneficiary, the Responsible Individual shall be such Designated Beneficiary's parent or guardian.

## ARTICLE VI

*(See the Application and Section 10.04 of this agreement for information regarding the Responsible Individual's ability to change the Designated Beneficiary named by the Depositor.)*

## ARTICLE VII

1. The Depositor agrees to provide the Custodian with all information necessary to prepare any reports required by Section 530(h).
2. The Custodian agrees to submit to the Internal Revenue Service (IRS) and Responsible Individual the reports prescribed by the IRS.

## ARTICLE VIII

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

## ARTICLE IX

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

## ARTICLE X

10.01 *Notices And Change Of Address:* Any required notice regarding this Coverdell ESA will be considered effective when the Custodian mails it to the last address of the intended recipient which the Custodian has in its records. Any notice to be given to the Custodian will be considered effective when the Custodian actually receives it. The Responsible Individual must notify the Custodian of any change of address.

10.02 *Representations And Responsibilities:* The Depositor and the Responsible Individual represent and warrant to the Custodian that any information the Depositor and Responsible Individual have given or will give the Custodian with respect to this agreement is complete and accurate. Further, the Depositor and the Responsible Individual agree that any directions they give the Custodian, or action they take will be proper under this agreement and that the Custodian is entitled to rely upon any such information or directions. The Custodian shall not be liable for acting upon any instructions given by the Responsible Individual named on the Application prior to the time the Custodian receives appropriate written notice that the Designated Beneficiary has met the requirements for assuming control of the Coverdell ESA, or that a new Responsible Individual has been appointed. The Custodian shall not be responsible for losses of any kind that may result from the Depositor's and Responsible Individual's directions to it or the Depositor's and Responsible Individual's actions or failures to act. The Depositor and Responsible Individual agree to reimburse the Custodian for any loss the Custodian may incur as a result of such directions, actions or failures to act. The Custodian has no duty to determine whether the contributions or distributions with respect to this Coverdell ESA comply with the Code, regulations, rulings or this agreement and shall not be responsible for any penalties, taxes, judgments or expenses of the Designated Beneficiary or any Depositor to this Coverdell ESA.

Notwithstanding anything in this agreement to the contrary, the Custodian may establish a policy permitting someone other than the Designated Beneficiary's parent or legal guardian to serve as Responsible Individual, provided the individual is not prohibited by law from serving in that capacity and fulfilling his or her obligations under this agreement.

10.03 *Service Fees:* The Custodian has the right to charge an annual service fee or other designated fees (for example, a transfer, rollover or termination fee) for maintaining this Coverdell ESA. In addition, the Custodian has the right to be reimbursed for all reasonable expenses incurred in connection with the administration of this Coverdell ESA. The Custodian may charge the Designated Beneficiary separately for any fees or expenses or may deduct the amount of the fees or expenses from the assets in this Coverdell ESA at the Custodian's discretion. The Custodian reserves the right to charge any additional fee upon 30 days notice to the Responsible Individual that the fee will be effective.

Any brokerage commissions attributable to the assets in the Coverdell ESA will be charged to the Coverdell ESA. The Responsible Individual, Depositor or Designated Beneficiary cannot reimburse the Coverdell ESA for those commissions.

#### 10.04 *Investment of Amounts in the Coverdell ESA:*

a. **Direction of Investment** – Except for the limited investment rights granted to the Depositor in Article V of this agreement, the Responsible Individual has the exclusive responsibility for and control over the investment of the assets of the Coverdell ESA. The Responsible Individual shall direct all investment transactions, including earnings and the proceeds from securities sales. The selection of investments, however, shall be limited to any investment vehicle approved and obtainable by the Custodian that the Custodian is capable of holding in the ordinary course of business. For example, investments may include but shall not be limited to common stocks, government and corporate bonds, mutual funds, the purchase of put options on existing positions and writing of covered listed call options. Investments not generating confirmations must be accompanied by additional written instructions. The Custodian shall act as a stockbroker or dealer whenever such services are required.

In the absence of instructions from the Responsible Individual or if the instructions are not in a form acceptable to the Custodian, the Custodian shall hold any uninvested amounts in cash and shall have no responsibility to invest uninvested cash unless and until directed by the Responsible Individual.

All transactions shall be subject to any and all applicable Federal and State laws and regulations and the rules, regulations, customs and usages of any exchange, market or clearing house where the transaction is executed and to the Custodian's policies and practices.

After the Responsible Individual's death, the Successor Responsible Individual (Designated Beneficiary, if applicable) shall have the right to direct the investment of Coverdell ESA assets, subject to the same conditions that applied to the Responsible Individual during his or her lifetime under this agreement (including, without limitation, Section 10.02).

b. **Investment Powers and Duties of the Custodian** – The Custodian shall have no discretion to direct any investment in this Coverdell ESA. The Custodian assumes no responsibility for rendering investment advice with respect to the Coverdell ESA, nor will the Custodian offer any opinion or judgment on matters concerning the value or suitability of any investment or proposed investment for this Coverdell ESA. The Custodian shall exercise the voting rights and other shareholder rights with respect to securities in the Coverdell ESA but only in accordance with the instructions provided by the Responsible Individual or an investment advisor appointed by the Responsible Individual.

The Responsible Individual shall have the power and authority in the administration of this agreement to do all acts, including by way of illustration but not in limitation of the powers conferred by law, the following:

- (1) Pursuant to the direction of the Responsible Individual or a properly appointed agent's direction, to invest and reinvest all or any part of the assets in securities obtainable through the Custodian and to invest in any lawful investment which is administratively acceptable to the Custodian without any duty to diversify and without regard to whether such property is authorized by the laws of any jurisdiction for investment by the Custodian;
- (2) Pursuant to the direction of the Responsible Individual or a properly appointed agent's direction, to hold part or all of the uninvested assets or to place the same in a savings account approved by the Responsible Individual or purchase a Certificate of Deposit with an institution approved by the Responsible Individual;
- (3) To employ suitable agents and counsel and to pay them reasonable expenses and compensation;
- (4) Pursuant to the directions of the Responsible Individual or a properly appointed agent's direction, to vote in person or by proxy with respect to securities held by the Custodian and to delegate its discretionary power;
- (5) Pursuant to the directions of the Responsible Individual or a properly appointed agent's direction (and subject to approval of Custodial Account for option trading privileges), to write covered listed call options against existing positions, to liquidate or close such option contracts, and to purchase put options on existing long positions (the same securities cannot be used to simultaneously cover more than one position);
- (6) Pursuant to the direction of the Responsible Individual or a properly appointed agent's direction, to consent to or participate in dissolutions,

reorganizations, consolidations, mergers, sales, leases, mortgages, and transfers or other changes affecting securities held by the Custodian;

- (7) To leave any securities or cash for safekeeping or on deposit, with or without interest, with such banks, brokers and other custodians as the Custodian may select, and to hold any securities in bearer form or in the name of these banks, brokers and any other custodians or in the name of the custodian without qualification or description or in the name of any nominee; and
- (8) Prior to the entry of any orders to purchase or sell securities in the Coverdell ESA account, the Responsible Individual or his or her agent shall approve beforehand all such orders and direct the Custodian to implement such instructions. Selling short and executing purchases in an amount greater than available cash are prohibited. All investments outside of the cash account shall be accompanied by additional written instructions.

c. **Delegation of Investment Responsibility** – The Custodian may, but is not required to, permit the Responsible Individual to delegate investment responsibility for the Coverdell ESA to another party acceptable to the Custodian by giving written notice of the delegation in a format prescribed by the Custodian. Any such delegation of investment responsibility shall be to an investment advisor under the Investment Advisors Act of 1940. If the assets of the Coverdell ESA are to be directed by an investment advisor, the Responsible Individual shall deliver to the Custodian a copy of the instruments appointing the investment advisor evidencing the investment advisor's acceptance of such appointment, an acknowledgment by the investment advisor that it is a fiduciary, and a certificate evidencing the investment advisor's current registration under said Act. The Custodian shall be fully protected in relying upon such instruments and certificate until otherwise notified in writing by the Responsible Individual. The Custodian shall follow the direction of any such party who is properly appointed and shall be under no duty to review or question, nor be responsible for, any of that party's directions, actions or failures to act.

The investment advisor at any time may issue orders for the purchase or sale of securities directly to a broker; and in order to facilitate such transaction, upon request the Custodian shall execute and deliver appropriate trading authorizations. Written notification of the issuance of each order shall be confirmed by written advice via confirms or otherwise to the Custodian by the investment advisor.

The Responsible Individual hereby agrees to fully indemnify the Custodian and hold the Custodian harmless from and against any claim or liability which may be asserted against the Custodian by reason of its acting or not acting pursuant to any direction from the investment advisor or failing to act in the absence of any such direction.

#### 10.05 *Beneficiary(ies):*

1. Unless indicated otherwise on the Application, the Responsible Individual may not change the Designated Beneficiary. If the Depositor has indicated on the Application that the Responsible Individual may change the beneficiary designated under this agreement and the Responsible Individual chooses to do so, the Responsible Individual must designate a member of the family (as defined in Section 529(e)(2)) of the existing Designated Beneficiary. This designation can only be made on a form prescribed by the Custodian.
2. The Depositor or Responsible Individual may name one or more person or entity as death beneficiary of this Coverdell ESA. This designation can only be made on a form prescribed by the Custodian and it will only be effective when it is filed with the Custodian during the lifetime of the Designated Beneficiary. Each beneficiary designation filed with the Custodian will cancel all previous ones unless the beneficiary designation specifies otherwise. The consent of a death beneficiary shall not be required in order to revoke a death beneficiary designation. If a death beneficiary is not designated with respect to this Coverdell ESA, the Designated Beneficiary's estate will be the death beneficiary.

10.06 *Termination:* Either the Custodian or the Responsible Individual may terminate this agreement at any time by giving written notice to the other. The Custodian can resign as Custodian at any time effective 30 days after mailing written notice of its resignation to the Responsible Individual. Upon receipt of that notice, the Responsible Individual must make arrangements to transfer the Coverdell ESA to another financial organization. If the Responsible Individual does not complete a transfer of the Coverdell ESA within 30 days from the date the Custodian mails the notice to the Responsible Individual, the Custodian has the right to transfer the Coverdell ESA assets to a successor Coverdell ESA trustee or custodian that the Custodian chooses in its sole discretion or the Custodian may pay the Coverdell ESA balance to the Designated Beneficiary in a single sum. The Custodian shall not be liable for any actions or failures to act on the

part of any successor trustee or custodian nor for any tax consequences the Designated Beneficiary may incur that result from the transfer or distribution of the Coverdell ESA assets pursuant to this section.

If this agreement is terminated, the Custodian may hold back from the Coverdell ESA a reasonable amount of money that it believes is necessary to cover any one or more of the following:

- \* any fees, expenses or taxes chargeable against the Coverdell ESA;
- \* any penalties associated with the early withdrawal of any savings instrument or other investment in the Coverdell ESA.

If the Custodian is merged with another organization (or comes under the control of any Federal or State agency) or if the entire organization (or any portion which includes the Coverdell ESA) is bought by another organization, that organization (or agency) shall automatically become the trustee or custodian of the Coverdell ESA, but only if it is the type of organization authorized to serve as a Coverdell ESA trustee or custodian and the following contingency is fulfilled. The resignation, removal or merger of the Custodian shall not be effective until: The transfer of assets shall be made coincidentally with an accounting by the resigned or removed Custodian and such resigned or removed Custodian shall endorse, transfer, convey and deliver to the successor Custodian all of the funds, securities or other property then held by it under this agreement, together with such records as may be reasonably required in order that the successor Custodian may properly administer the agreement.

If the Custodian is required to comply with Section 1.408-2(e) of the Treasury Regulations and fails to do so, or the Custodian is not keeping the records, making the returns or sending the statements as are required by forms or regulations, the IRS may, after notifying the Responsible Individual or the Designated Beneficiary, require that a substitute trustee or custodian be appointed.

- 10.07 *Amendments:* The Custodian shall have the right to amend this agreement at any time. Any amendment the Custodian makes to comply with the Code and related regulations does not require the Responsible Individual's consent. Other amendments may be made with the consent of the Responsible Individual. The Responsible Individual will be deemed to have consented to any other amendment unless, within 30 days from the date the Custodian mails the amendment, the Responsible Individual notifies the Custodian in writing that the Responsible Individual does not consent.
- 10.08 *Transfers From Other Plans:* The Custodian can receive amounts transferred to the Coverdell ESA from the custodian or trustee of another Coverdell ESA.
- 10.09 *Liquidation Of Assets:* The Custodian has the right to liquidate assets in the Coverdell ESA if necessary to make distributions or to pay fees, expenses or taxes properly chargeable against the Coverdell ESA. If the Responsible Individual fails to direct the Custodian as to which assets to liquidate, the Custodian will decide in its complete and sole discretion and the Responsible Individual agrees not to hold the Custodian liable for any adverse consequences that result from the Custodian's decision.
- 10.10 *Restrictions On The Fund:* Neither the Responsible Individual, the Designated Beneficiary (nor anyone acting on behalf of the Designated Beneficiary), the Depositor nor any contributor may sell, transfer or pledge any interest in the Coverdell ESA in any manner whatsoever, except as provided by law or this agreement.

The assets in the Coverdell ESA shall not be responsible for the debts, contracts or torts of the Responsible Individual, the Designated Beneficiary, the Depositor or any person entitled to distributions under this agreement.

- 10.11 *What Law Applies:* This agreement is subject to all applicable Federal and State laws and regulations. If it is necessary to apply any State law to interpret and administer this agreement, the law of the State of North Carolina shall govern. Any court accounting shall be in the courts of North Carolina.

If any part of this agreement is held to be illegal or invalid, the remaining parts shall not be affected. Neither the Responsible Individual's nor the Custodian's failure to enforce at any time or for any period of time any of the provisions of this agreement shall be construed as a waiver of such provisions, or the parties' right thereafter to enforce each and every such provision.

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

**a. 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 FORM IN WHICH A CLAIM IS FILED;**

**b. ARBITRATION AWARDS ARE GENERALLY FINAL AND BINDING; A PARTY'S ABILITY TO HAVE A COURT REVERSE OR MODIFY AN ARBITRATION AWARD IS VERY LIMITED.**

**c. THE ABILITY OF THE PARTIES TO OBTAIN DOCUMENTS, WITNESS STATEMENTS AND OTHER DISCOVERY IS GENERALLY MORE LIMITED IN ARBITRATION THAN IN COURT PROCEEDINGS;**

**d. THE ARBITRATORS DO NOT HAVE TO EXPLAIN THE REASON(S) FOR THEIR AWARD UNLESS, IN AN ELIGIBLE CASE, A JOINT REQUEST FOR AN EXPLAINED DECISION HAS BEEN SUBMITTED BY ALL PARTIES TO THE PANEL AT LEAST 20 DAYS PRIOR TO THE FIRST SCHEDULED HEARING DATE.**

**e. THE PANEL OF ARBITRATORS WILL TYPICALLY INCLUDE A MINORITY OF ARBITRATORS WHO WERE OR ARE AFFILIATED WITH THE SECURITIES INDUSTRY.**

**f. 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.**

**g. THE RULES OF THE ARBITRATION FORUM IN WHICH THE CLAIM IS FILED, AND ANY AMENDMENTS THERETO, SHALL BE INCORPORATED INTO THIS AGREEMENT.**

**THE FOLLOWING ARBITRATION AGREEMENT SHOULD BE READ IN CONJUNCTION WITH THE DISCLOSURES ABOVE. ANY AND ALL CONTROVERSIES, DISPUTES OR CLAIMS BETWEEN THE CUSTOMER AND YOU, OR THE INTRODUCING BROKER, OR THE AGENTS, REPRESENTATIVES, EMPLOYEES, DIRECTORS, OFFICERS OR CONTROL PERSONS OF YOU OR THE INTRODUCING BROKER, ARISING OUT OF, IN CONNECTION WITH, FROM OR WITH RESPECT TO (a) ANY PROVISIONS OF OR THE VALIDITY OF THIS AGREEMENT OR ANY RELATED AGREEMENTS, (b) THE RELATIONSHIP OF THE PARTIES HERETO, OR (c) ANY CONTROVERSY ARISING OUT OF YOUR BUSINESS, THE INTRODUCING BROKER'S BUSINESS OR THE CUSTOMER'S ACCOUNTS, SHALL BE CONDUCTED PURSUANT TO THE CODE OF ARBITRATION PROCEDURE OF THE FINANCIAL INDUSTRY REGULATORY AUTHORITY ("FINRA"). ARBITRATION MUST BE COMMENCED BY SERVICE OF A WRITTEN DEMAND FOR ARBITRATION OR A WRITTEN NOTICE OF INTENTION TO ARBITRATE. THE DECISION AND AWARD OF THE ARBITRATOR(S) SHALL BE CONCLUSIVE AND BINDING UPON ALL PARTIES, AND ANY JUDGMENT UPON ANY AWARD RENDERED MAY BE ENTERED IN A COURT HAVING JURISDICTION THEREOF, AND NEITHER PARTY SHALL OPPOSE SUCH ENTRY.**

**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; or (ii) the class is de-certified; 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.**

- 10.13 *Accounting:* Within 90 days from the close of each Custodial Account Year, the Custodian shall render an accounting (valuing the assets fair market value) to the Responsible Individual, which accounting may consist of copies of regularly issued broker-dealer statements to the Custodian. In the absence of the filing in writing with the Custodian of exceptions or objections to any such accounting, within 30 days after the mailing of such accounting, the Responsible Individual and the Designated Beneficiary shall be deemed to have approved such accounting. In such case, or upon the Responsible Individual's written approval, the Custodian shall be released, relieved and discharged with respect to all matters and things set forth in such accounting as though such accounting had been settled by the decree of a court of competent jurisdiction. No person other than the Responsible Individual may require an accounting or bring any action against the Custodian with respect to this agreement or the Custodian's actions.

The Custodian reserves the right to apply to a court of competent jurisdiction for judicial settlement of its accounts, for determination of any questions of construction which may arise or for instructions. The Responsible Individual shall be the only necessary party defendant to such action except the Custodian may, if it so elects, bring in as a party defendant any other person or persons.

10.14 *Payment For Order Flow / Order Routing:* "Payment for order flow" is a common and widespread industry practice whereby a brokerage firm receives monetary or non-monetary remuneration in return for the routing of customer orders to a designated exchange, market maker, dealer or market center for execution. PFSI receives payment for order flow on certain transactions in the form of rebates, monetary compensation or an inter-company transfer of funds. Payment for order flow is considered to be compensation to PFSI. Your broker, the introducing firm that clears its trades through PFSI, may or may not be compensated for such orders. The source and nature of any compensation received in connection with a specific transaction will be furnished upon written request of the customer.

Absent specific instructions from customers, PFSI automatically routes orders in over-the-counter ("OTC") securities to selected OTC market makers. Selected exchange-traded securities may be routed to affiliated specialists, regional exchanges or designated third-market dealers. All orders are routed to an exchange, market-maker, dealer or market center that matches or improves upon the displayed national best bid or offer for the particular security at the time the order is processed. Price improvement opportunities, or execution at prices superior to the displayed national best bid or offer, may be available for certain transactions in NASDAQ and listed securities from execution destinations to which orders are routed.

## INSTRUCTIONS

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

### PURPOSE OF FORM

Form 5305-EA is a model custodial account agreement that meets the requirements of Section 530(b)(1) and has been pre-approved by the IRS. A Coverdell Education Savings Account (ESA) is established after the form is fully executed by both the Depositor and the Custodian. This account must be created in the United States for the exclusive purpose of paying the qualified elementary, secondary, and higher education expenses of the Designated Beneficiary.

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

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

### DEFINITIONS

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

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

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

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

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

### IDENTIFICATION NUMBERS

The Depositor's and Designated Beneficiary's social security numbers will serve as their identification numbers. If the Depositor is a nonresident alien and does not have an identification number, write "Foreign" in the block where the number is requested. The Designated Beneficiary's social security number is the identification number of his or her Coverdell ESA. If the Designated Beneficiary is a nonresident alien, the Designated Beneficiary's individual taxpayer identification number is the identification number of his or her Coverdell ESA. An employer identification number (EIN) is required only for a Coverdell ESA for which a return is filed to report unrelated business income. An EIN is required for a common fund created for Coverdell ESAs.

## SPECIFIC INSTRUCTIONS

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

*Article X:* Article X and any that follow may incorporate additional provisions that are agreed to by the Depositor and Custodian to complete the agreement. They may include, for example, provisions relating to: definitions, investment powers, voting rights, exculpatory provisions, amendment and termination, removal of the Custodian, Custodian's fees, state law requirements, treatment of excess contributions, and prohibited transactions with the Depositor, Designated Beneficiary, or Responsible Individual, etc. Attach additional pages as necessary.

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

# DISCLOSURE STATEMENT

## REQUIREMENTS OF A COVERDELL ESA

- A. **CASH CONTRIBUTIONS** – A Coverdell ESA contribution must be in cash.
- B. **MAXIMUM CONTRIBUTION** – The total amount that may be contributed to any and all Coverdell ESAs on behalf of a Designated Beneficiary is \$2,000 per year, excluding rollover and transfer contributions.

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

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

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

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

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

- C. **ELIGIBLE CUSTODIANS** – The Custodian of the Coverdell ESA must be a bank, savings and loan association, credit union, or person approved by the Secretary of the Treasury.
- D. **COMMINGLING ASSETS** – The assets of the Coverdell ESA cannot be commingled with other property except in a common trust fund or common investment fund.
- E. **LIFE INSURANCE** – No portion of the Coverdell ESA may be invested in life insurance contracts.
- F. **COLLECTIBLES** – The assets of the Coverdell ESA may not be invested in collectibles (within the meaning of Internal Revenue Code (IRC) Sec. 408(m)). A collectible is defined as any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or other tangible personal property specified by the Internal Revenue Service (IRS). However, specially minted United States gold and silver bullion coins and certain state-issued coins are permissible investments. Beginning January 1, 1998, platinum coins and certain gold, silver, platinum or palladium bullion (as described in IRC Sec. 408(m)(3)) are also permitted as Coverdell ESA investments.
- G. **REQUIRED DISTRIBUTIONS** – Except in the case of a special needs beneficiary, the assets of the Coverdell ESA are required to be distributed to the Designated Beneficiary within 30 days of the Designated Beneficiary's attainment of age 30. The Designated Beneficiary will be subject to both income tax and an additional 10 percent tax on the portion of the distribution that represents earnings, if the Designated Beneficiary does not have any qualified education expenses in that year.

Any balance remaining in the Coverdell ESA upon the death of the Designated Beneficiary shall be distributed within 30 days of the Designated Beneficiary's death, unless a death beneficiary is named and the death beneficiary is a qualified family member under age 30. If the death beneficiary is a qualified family member under age 30, that individual will become the Designated Beneficiary as of the date of death.

H. **RESPONSIBLE INDIVIDUAL** – The Responsible Individual is generally the parent or guardian of the Designated Beneficiary. However, the financial organization may establish a policy that permits someone other than the Designated Beneficiary's parent or legal guardian to serve as the Responsible individual. Unless otherwise indicated on the Application, the Responsible Individual may not change the Designated Beneficiary. If the Depositor has indicated on the Application that the Responsible Individual may change the Designated Beneficiary, the Responsible Individual may change the Designated Beneficiary to another member of the Designated Beneficiary's family. The Responsible Individual shall perform the following duties.

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

## INCOME TAX CONSEQUENCES OF ESTABLISHING A COVERDELL ESA

- A. **CONTRIBUTIONS NOT DEDUCTED** – No deduction is allowed for Coverdell ESA contributions, including transfer and rollover contributions.
- B. **TAX-DEFERRED EARNINGS** – The investment earnings of the Coverdell ESA are not subject to federal income tax as they accumulate in the Coverdell ESA. In addition, distributions of the Coverdell ESA earnings will be free from federal income tax if the distributions are taken to pay for qualified education expenses, as discussed below.
- C. **TAXATION OF DISTRIBUTIONS** – The taxation of distributions from the Coverdell ESA depends on whether or not the distributions are used for qualified education expenses.

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

In most cases of a nonqualified distribution, the taxable portion of a Coverdell ESA distribution is also subject to an additional 10 percent tax. There are several exceptions to the 10 percent tax including distributions made payable

- a. to a designated death beneficiary of the Coverdell ESA or to the estate of the Designated Beneficiary following the death of the Designated Beneficiary;
  - b. to the Designated Beneficiary if the Designated Beneficiary is disabled;
  - c. to the Designated Beneficiary if the Designated Beneficiary received a qualified scholarship, an educational assistance allowance or an excludable payment exception, but only to the extent the distribution is not more than the amount of the scholarship, allowance or excludable payment, and
  - d. to the Designated Beneficiary as a removal of excess along with the net income attributable.
3. **Hope or Lifetime Learning Credits** – A Designated Beneficiary may claim the Hope Credit or the Lifetime Learning Credit on his or her federal income tax return in the same taxable year that a tax-free distribution from a Coverdell ESA is claimed, as long as the distribution(s) does not cover the same expenses claimed for the Hope Credit or Lifetime Learning Credit.

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

1. **Coverdell ESA to Coverdell ESA Rollovers** – Funds distributed from a Coverdell ESA may be rolled over to another Coverdell ESA of the same Designated Beneficiary or that of a qualifying family member if the requirements of IRC Sec. 530(d)(5) are met. A proper Coverdell ESA to Coverdell ESA rollover is completed if all or part of a distribution is rolled over not later than 60 days after the distribution is received. The Responsible Individual may not have completed another rollover from the distributing Coverdell ESA during the 12 months preceding the date the distribution was received. Further, the Responsible Individual may roll the same dollars or assets only once every 12 months.

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

E. **CARRYBACK CONTRIBUTIONS** – A contribution is deemed to have been made on the last day of the preceding taxable year if it is made by the deadline for filing the Depositor's income tax return (not including extensions), and the Depositor designates that contribution as a contribution for the preceding taxable year. For example, if the Depositor is a calendar year filer and makes a Coverdell ESA contribution on or before April 15, the contribution is considered to have been made for the previous tax year if the Depositor designates it as such.

#### LIMITATIONS AND RESTRICTIONS

A. **PROHIBITED TRANSACTIONS** – If the Responsible Individual engages in a prohibited transaction with the Coverdell ESA as described in IRC Sec. 4975, the Coverdell ESA will lose its tax-exempt status and the Designated Beneficiary must generally include the value of the earnings in his or her account in his or her gross income for the year.

B. **PLEDGING** – If the Responsible Individual pledges any portion of the Coverdell ESA as collateral for a loan, the amount so pledged will be treated as a distribution and may be included in the Designated Beneficiary's gross income for that year to the extent that it represents earnings.

C. **ESTATE AND GIFT TAX** – Transfers of Coverdell ESA assets to a death designated beneficiary made during the Designated Beneficiary's life and at his or her request or because of the Designated Beneficiary's failure to instruct otherwise, may be subject to federal gift tax under IRC Sec. 2501 if made after October 22, 1986.

D. **INCOME TAX TREATMENT** – Any withdrawal from the Coverdell ESA is not subject to federal income tax withholding.

#### FEDERAL TAX PENALTIES

A. **EXCESS CONTRIBUTION PENALTY** – An excise tax of 6 percent is imposed upon any excess contribution made to a Coverdell ESA. This tax will apply each year in which an excess remains in the Coverdell ESA. An excess contribution is any contribution amount which exceeds the contribution limit, excluding rollover and direct transfer amounts. The contribution limit is \$2,000 per Designated Beneficiary per year. The contribution limit may be further limited by the Depositor's MAGI as discussed previously. The excess contribution should be removed by the Responsible Individual and made payable to the Designated Beneficiary.

B. **PENALTY REPORTING** – The Designated Beneficiary must file form 5329 with the Internal Revenue Service to report and remit any penalties for excise taxes.

#### OTHER

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

B. **ADDITIONAL INFORMATION** – You may obtain further information on Coverdell ESAs from your District Office of the IRS. In particular, you may wish to obtain IRS Publication 970, *Tax Benefits For Higher Education*, by calling 1-800-TAX-FORM, or by visiting [www.irs.gov](http://www.irs.gov) on the Internet.

C. **IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT** – To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial organizations to obtain, verify, and record information that identifies each person who opens an account. What this means for you: When you open an account, you are required to provide your name, residential address, date of birth, and identification number. We may require other information that will allow us to identify you.

# IRA DEPOSIT SLIP

(For IRA Deposits Only)

## Instructions:

1. Fill out the Deposit Slip completely. Make checks payable to: Penson Financial Services Inc. and write your account number(s) on the face of your check.
2. If you are making an IRA contribution, fill out the appropriate section completely.
3. Penson Financial Services Inc. generally does not accept 3rd Party Checks, Credit Card Checks, or Line of Credit Checks. A 3rd Party Check is any check drawn on an account other than that of the owner of the account serviced by Penson Financial Services Inc. All deposits will be held for 10 business days before available to be disbursed.

Penson Account Number

\$ \_\_\_\_\_  
Deposit Amount

Name on Penson Account

### Check One

<input type="checkbox"/> <b>Regular Contribution</b>	Contribution for Tax Year _____ (If left blank will be deposited for current year.)
<input type="checkbox"/> <b>Employer Contribution</b>	Contribution for Tax Year _____ (If left blank will be deposited for current year.) Note: All SEP contributions are reported the year of deposit)
<input type="checkbox"/> <b>Employee Contribution</b>	Contribution for Tax Year _____ (If left blank will be deposited for current year.)
<input type="checkbox"/> <b>Direct Transfer</b>	Transferred from another firm where it was held with identical account type and or title.
<input type="checkbox"/> <b>Rollover</b>	Qualifying Direct Rollover from my Employer's Plan ex. 401(k), 403(b), Profit Sharing Plan, Money Purchase Pension Plan, etc or 60 Day Rollover. For 60 Day Rollover, the assets and account type must match as they were distributed less than 60 days ago. Account Owner attests to the following: that the funds deposited as an Irrevocable Qualifying Rollover do not contain any amounts from a Required Minimum Distribution; that these funds are being deposited within the allowable sixty day time period; and that the Account Owner is allowed only one rollover per twelve month period. Account owner further agrees to be bound the election of this deposit as an Irrevocable Qualifying Rollover.
<input type="checkbox"/> <b>Fee Payment</b>	This is to offset fees charged due to administrative fees charged by the trustee only.