



WILL SOON BECOME



**First Merchants Bank**

First Merchants Bank N.A. as successor to Citizens Financial Bank



# WELCOME GUIDE FOR PERSONAL CLIENTS

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***Welcome to the First Merchants family!***

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THE STRENGTH  
OF BIG,  
THE SERVICE  
OF SMALL,  
SINCE 1893.

#### CORPORATE HEADQUARTERS

First Merchants Corporation  
200 East Jackson Street  
Muncie, Indiana 47305  
765.747.1500  
Stock Symbol: NASDAQ: FRME

## About First Merchants

With nearly 100 banking locations throughout 26 Indiana counties as well as two in both Illinois and Ohio, we provide our customers with broad financial services delivered locally by bankers who are known and trusted in their communities. First Merchants Corporation is the 105th largest financial services company in the country, as well as the largest financial services holding company headquartered in Central Indiana. For 120 years, our focus has been, and remains on building deep, lifelong relationships.

Our family includes:

#### **First Merchants Bank, N.A.**

Serves Adams, Brown, Delaware, Fayette, Hamilton, Hendricks, Henry, Howard, Jay, Johnson, Lake, Madison, Miami, Morgan, Porter, Randolph, Shelby, Union, Wabash, and Wayne counties in Indiana, Cook and DuPage counties in Illinois, and Butler County in Ohio.

#### **Lafayette Bank & Trust, A Division of First Merchants Bank, N.A.**

Serves Tippecanoe, Carroll, Jasper, White, Montgomery, and Clinton counties in Indiana.

#### **Commerce National Bank, A Division of First Merchants Bank, N.A.**

Serves Franklin County in Ohio.

#### **First Merchants Trust Company, A Division of First Merchants Bank, N.A.**

One of the largest trust companies in the state of Indiana; provides a full complement of trust and investment services.

#### **First Merchants Insurance Group**

Offers an extensive line of commercial insurance products complemented by personal insurance and employee benefit packages.

Trust and insurance products are not bank deposits and are not FDIC insured.



# CEO WELCOME



WILL SOON BECOME



Dear Valued Client:

Welcome to First Merchants! We are excited that the legal merger of Citizens Financial Bank into First Merchants Bank is complete. Our focus now is to ensure your smooth transition into First Merchants, which is scheduled to occur February 22 and 23, 2014.

Upon completion, you will have access to expanded product and service offerings including trust, wealth management and insurance services, while still enjoying community banking service delivered by people you know and trust. You will also have access to nearly 100 banking locations throughout 26 Indiana counties as well as two counties in both Illinois and Ohio.

Like Citizens, First Merchants shares a commitment to local decision-making, personal service, long-term relationships and community involvement. We believe these core values are fundamental to community banking.

The good news is that your account features and benefits will remain the same with only a few exceptions. The enclosed booklet, and other targeted mailings you will receive in the future, have been developed to provide you with easy to understand information regarding any changes we have identified.

If you have questions, as always, please feel free to contact your local banker for assistance, or call Customer Service at 1.800.205.3464. We will post regular updates on our website, and encourage you to visit [www.firstmerchants.com/citizens](http://www.firstmerchants.com/citizens) for up-to-date information.

We appreciate your relationship and business, and look forward to the continued opportunity to earn your business each and every day.

Personally yours,

Daryl D. Pomranke  
Regional President



Michael C. Rechin  
President and CEO



800.205.3464



# VISION, MISSION & VALUES

## VISION

A financial services company focused on building deep, lifelong client relationships and providing maximum shareholder value. We provide an experience where customers can bank with their neighbors, realizing that our business begins and ends with people.

To achieve our vision, we must also balance it with our Credit Culture Statement: Credit Quality and Risk Management, in all of its forms, is one of the single most important determinants of return to our shareholders, communities and employees. Credit is, and will continue to be, one of the highest levels of focus for the organization and its management. Our success will be determined by our ability to manage the credit we extend.

## MISSION

To deliver superior personalized financial solutions to consumer and closely held commercial clients in diverse community markets by providing sound advice and products that exceed customer expectations.

## VALUES

Client Satisfaction: Focus on the client in all that we do.

- **Teamwork:** Teams make better decisions.
- **Local Decisions:** Make decisions locally... stay close to the client.
- **Integrity:** Maintain the highest standards with clients, associates, communities and stakeholders.
- **Quality:** Provide predictably superior execution.
- **People:** Respect and value people as our competitive advantage.
- **Financial Performance:** We operate profitable lines of business to benefit our stakeholders.
- **Balanced Risk:** Balance value creation with value preservation.
- **Credit:** Manage the credit we extend.



## WE'RE COMMITTED TO OUR COMMUNITIES

First Merchants, community commitment has been our philosophy since day one. It's more than words; it's how we do business. We are bankers working with customers in the cities, towns and communities in which they live, and we support and encourage our employees' active involvement.

Our First Merchants Serves program encourages volunteer efforts with a unified message of service. The company offers paid time off Community Days for our team to use on organized Community Day programs. Dozens of employees participate each year, serving organizations like the Animal Rescue Fund, First Choice for Women, Read to Succeed, Salvation Army's Distribution Cheer, the Make-A-Wish Foundation, Operation Feed, United Way, Little Red Door, and Habitat for Humanity.

First Merchants is also an Official Certifying Organization for The President's Volunteer Service Award.





# WHAT'S INSIDE

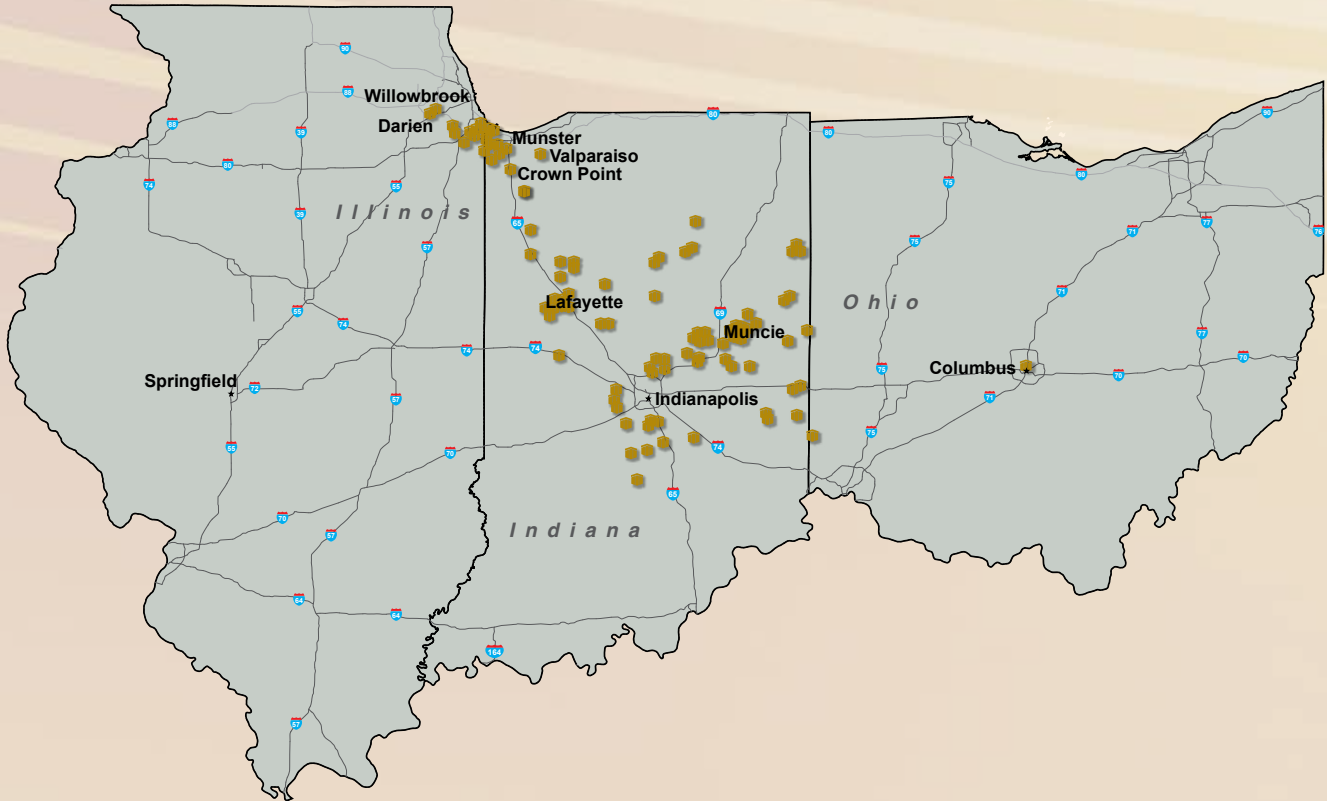
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[WWW.FIRSTMERCHANTS.COM](http://WWW.FIRSTMERCHANTS.COM)

For more information about our company and our products, please visit us at [www.firstmerchants.com](http://www.firstmerchants.com).

# OUR SERVICE AREA

## SERVING INDIANA, ILLINOIS AND OHIO



### Our Banking Locations

For the most up-to-date listing of locations and hours, please visit us online at [www.firstmerchants.com/locations](http://www.firstmerchants.com/locations).

Banking center ATM

#### INDIANA

##### ALBANY

937 W. Walnut St.  
765.789.4426

##### ANDERSON

33 W. 10<sup>th</sup> St.  
765.622.9773

1801 N. Scatterfield Road  
765.640.4973

1526 E. 53<sup>rd</sup> St.  
765.648.4950

2825 Nichol Ave.  
765.640.4981

##### ATTICA

Super Test  
301 S. Brady St.

##### AVON

7648 E. U.S. Highway 36  
317.272.0467

Murphy USA  
9424 E. U.S. Highway 36

##### BROOKSTON

103 N. Prairie St.  
765.563.6400

##### BROWNSBURG

975 E. Main St.  
317.852.3134

##### CARMEL

1 E. Carmel Drive  
Suite 100  
317.844.5675

##### CHESTERTON

Hilton Garden Inn  
501 Gateway Blvd.

##### CONNERSVILLE

832 N. Central Ave.  
765.827.0811

##### CRAWFORDSVILLE

134 S. Washington St.  
765.362.0200

##### CROWN POINT

155 N. Main St.  
219.228.2275

##### DALEVILLE

14500 W. Davis Drive  
765.378.7077

Heartland Business Center  
9301 S. Innovation Drive

##### DECATUR

520 N. 13<sup>th</sup> St.  
260.724.2157

103 E. Monroe St.  
260.724.2157

Adams County  
Memorial Hospital  
1100 Mercer Ave.

Campus Center,  
Woodcrest of Decatur  
1300 Mercer Ave. 1  
260.724.2157

##### DEMOTTE

437 N. Halleck St.  
219.987.5812

##### DYER

Woudeland Professional  
Center  
1100 Joliet St.  
219.322.5314

##### EAST CHICAGO

4740 Indianapolis Blvd.  
219.228.2272

2121 E. Columbus Drive  
219.228.2269

East Chicago Marina  
3301 Aldis St.

##### EATON


107 E. Harris St.  
765.396.3311

Eaton Pantry  
17000 N. State Road 3


##### FISHERS

12514 E. 116<sup>th</sup> St.  
317.913.9020


**FLORA**


 805 E. Columbia St.  
574.967.4318

**FRANKFORT**


 60 S. Main St.  
765.654.8533


**FRANKLIN**


 2259 N. Morton St.  
317.346.7474


 Johnson Memorial Hospital  
1125 W. Jefferson St.

**GREENWOOD**


 1250 N. Emerson Ave.  
317.881.1414

 1275 U.S. Highway 31 N.  
317.884.1045


 996 S. State Road 135  
317.882.4790


 18 Providence Drive  
317.883.3559

**HAMMOND**


 5311 Hohman Ave.  
219.933.0432

**HIGHLAND**


 3853 45th St.  
219.924.6650

 Homestead Plaza  
8149 Kennedy Ave.


**INDIANAPOLIS**

 10333 N. Meridian St.<sup>2</sup>


**INGALLS**


 227 N. Swain St.


**KOKOMO**


 1306 E. Gano St.  
765.236.0730


**LAFAYETTE**


 250 Main St.  
765.423.7100


 3901 State Road 26 E.  
765.423.7167

 2862 U.S. Highway 231 S.  
765.423.7166


 2504 Teal Road  
765.423.7164


 2200 Elmwood Ave.  
765.423.7163

 2513 Maple Point Drive  
765.423.3821


 1803 Veterans Memorial Parkway S., Suite J  
765.423.3841

**LAFAYETTE (CONT.)**


 Super Test  
1803 E. 350 S.

 Super Test  
1309 Sagamore Parkway S.

**LAPEL**

 1011 N. Main St.  
765.534.3181

**LIBERTY**


 107 W. Union St.  
765.458.5131

**MERRILLVILLE**


 6101 Harrison St.  
219.513.5291


 803 W. 57<sup>th</sup> Ave.

**MIDDLETOWN**


 790 W. Mill St.  
765.354.2291

**MONTICELLO**


 116 E. Washington St.  
574.583.4666

 Walmart  
1088 W. Broadway St.  
574.583.3078


**MOORELAND**

 110 S. Broad St.  
765.766.5375


**MOORESVILLE**


 1010 N. Samuel Moore Parkway  
317.834.4100


**MORGANTOWN**


 180 W. Washington St.  
812.597.4425

**MUNCIE**


 101 S. Country Club Road  
765.747.1332


 2101 S. Madison St.  
765.747.1541

 200 E. Jackson St.  
765.747.1500


 1628 W. McGalliard Road  
765.747.1552


 801 S. Tillotson Ave.  
765.747.1335

 1701 W. University Ave.  
765.747.1592

 Westminster Village  
5801 W. Bethel Ave.<sup>1</sup>  
765.378.8760

**MUNSTER**


 707 Ridge Road  
219.836.5500

 1720 45<sup>th</sup> Ave.  
219.924.1720

**NASHVILLE**

 189 Commercial St.  
812.988.1200


**NOBLESVILLE**


 17833 Foundation Drive  
317.770.7570

**NORTH MANCHESTER**


 901 State Road 114 W.  
260.982.7504


**PENDLETON**

 3055 W. U.S. Highway 36  
765.778.9793


 100 E. State St.  
765.778.2132

**PERU**


 990 W. Main St.  
765.472.4363


 855 N. Broadway  
765.472.0253

**PLAINFIELD**


 1121 E. Main St.  
317.837.3640

**PORTLAND**


 112 W. Main St.<sup>3</sup>  
260.726.7158


 Main Street Market  
218 W. Lincoln St.  
260.726.7158

**REMINGTON**


 101 E. Division St.  
219.261.2161

**RENSELAER**


 200 W. Washington St.<sup>4</sup>  
219.866.7121

 St. Joseph's College  
Halleck Student Center  
910 W. Schaefer Circle


**REYNOLDS**

 105 E. 2<sup>nd</sup> St.  
219.984.5471


**RICHMOND**

 2206 Chester Blvd.  
765.935.4505

**SCHERERVILLE**


 7650 Harvest Drive  
219.864.0947

**SHELBYVILLE**


 29 E. Washington St.  
317.398.9721

 2350 Marketplace Blvd.  
(Opening March 2014)

**ST. JOHN**

 11100 W. 109th Ave.  
219.513.5420


**SULPHUR SPRINGS**

 105 E. Main St.  
765.533.4171


**TRAFALGAR**

 110 N. State Road 135  
317.878.4111


**UNION CITY**


 450 W. Chestnut St.  
765.964.3702

**VALPARAISO**


 855 Thornapple Way  
219.465.1602


**WABASH**

 1250 N. Cass St.  
260.563.4116

 189 W. Market St.  
260.563.4116


**WEST LAFAYETTE**

 2329 N. Salisbury St.  
765.423.7162


 Purdue University  
Memorial Union  
101 N. Grant St.

 JB Battlefield  
5851 State Road 43 N.


**WESTFIELD**

 3002 State Road 32 E.  
317.867.5488


**WHITING**

 Calumet College of  
St Joseph  
2400 New York Ave.


**WINCHESTER**

 122 W. Washington St.  
765.584.2501


**YORKTOWN**

 1501 N. Nebo Road  
765.747.4910


**ILLINOIS****BOLINGBROOK**

 Holiday Inn  
205 Remington Blvd.


**DARIEN**

 8301 S. Cass Ave.  
630.203.1653


**FLOSSMOOR**

 Flossmoor Commons  
3301 Vollmer Road  
708.263.6415


**HARVEY**

 135 E. 154th St.  
708.263.6414


**HEGEWISCH, CHICAGO**


 13323 S. Baltimore Ave.  
773.646.1000

**PALOS HEIGHTS**


 7101 W. 127<sup>th</sup> St.  
708.263.6418


**SOUTH HOLLAND**

 601 E. 162<sup>nd</sup> St.  
708.263.6416


 425 E. 170<sup>th</sup> St.<sup>5</sup>  
708.263.6417

**TINLEY PARK**

 7231 171<sup>st</sup> St.  
708.614.2315

 Hilton Garden Inn  
18335 LaGrange Road

 Country Inn & Suites  
18315 LaGrange Road


 Holiday Inn  
18501 Harlem Ave.

 Tinley Park  
Convention Center  
18451 Convention Center Dr.


**WILLOWBROOK**

 7229 Kingery Highway  
630.789.4539

**OHIO****COLUMBUS**

 3650 Olentangy River  
Road<sup>6</sup>  
614.583.2200

**OXFORD**

 4 N. College Ave.  
513.524.8301

**FOR INSURANCE AND TRUST LOCATIONS PLEASE  
FIND US ONLINE AT [WWW.FIRSTMERCHANTS.COM](http://WWW.FIRSTMERCHANTS.COM)**

<sup>1</sup> Limited service center; <sup>2</sup> ATM and business banking only. No cash on premises.; <sup>3</sup> Drive up & ATM located at 115 W. Main St. <sup>4</sup> ATM 1 block NW of banking center. <sup>5</sup> Drive up only, no lobby. <sup>6</sup> Business banking only.

# SECURITY

## VISIT OUR ONLINE SECURITY CENTER

AT [WWW.FIRSTMERCHANTS.COM/SECURITY](http://WWW.FIRSTMERCHANTS.COM/SECURITY)

Rest assured we are committed to protecting the confidentiality of your information. At First Merchants, we understand the importance of security when you are managing your finances. In fact, we're customers as well.

### HOW WE PROTECT YOU

As your trusted financial partner, we are committed to protecting the confidentiality of your personal information, and appreciate the trust you have placed in us. We continually work to provide an environment in which your account information stays secure and personal to you. Some of the steps we take for protection are:

- Maintain high security standards on our systems.
- Continuously monitor our security protocols to keep your money and information safe.
- Apply a layered approach to security which helps defeat attempts to compromise our system.
- Work closely with law enforcement and regulatory agencies to stay current with industry standards for fraud prevention.
- First Merchants or any of its divisions, Lafayette Bank & Trust, Commerce National Bank and First Merchants Trust Company will not contact you via email, phone, or other means and request confidential information.

### REPORT FRAUD

If you believe that you are a victim of identity theft with respect to any of your accounts or transactions with us, please notify us through any of the following channels:

- Your local banking center.
- Your business account representative.
- Customer Service at 1.800.205.3464.

Please provide as much detail as possible about the accounts or transactions in question, including dates and account or transaction numbers, along with any additional information you may be aware of.

### SECURITY ALERTS ONLINE

To keep updated and informed, please visit our Current Alerts page within our Online Security Center at [www.firstmerchants.com/security](http://www.firstmerchants.com/security).





# IMPORTANT INFORMATION

**Customer Service: 1.800.205.3464**  
**[www.firstmerchants.com](http://www.firstmerchants.com)**

First Merchants Customer Service representatives and online chat are available Monday through Friday 6:00 a.m. to 6:00 p.m. and Saturday 8:00 a.m. to 12:00 p.m. Central Time.

*For your convenience, information highlighted on this page is a consolidation of primary changes listed throughout the booklet.*

## YOUR CHECKING ACCOUNT

- You may continue to use your Citizens Financial Bank checks.
- Beginning February 24th, same day business will be extended to 6:00 p.m. CT.
- Your new routing number: **074900657**.
- **For more information, please see page 6.**

## YOUR DEBIT/ATM CARD

- Your Citizens Financial Bank Debit/ATM Card will be deactivated 7:00 a.m. CT February 24th.
- A new card with activation instructions will be mailed to you; a new PIN will be mailed separately.
- Update your card number and expiration date with all merchants that bill your card automatically.
- **For more information, please see pages 8-10.**

## TELEPHONE BANKING

- Beginning February 24th, access Telephone Banking by calling 1.800.473.5055.
- Your PIN will be reset; choose a new PIN during your first call.
- **For more information, please see page 11.**

## SAVINGS AND INVESTMENT ACCOUNTS

- Your FDIC Insurance remains intact up to the applicable limits.
- CD and IRA rates and terms will not change through maturity.
- Passbook Savings accounts will now receive a statement.
- **For more information, please see page 15.**

## ONLINE BANKING, BILL PAY & MOBILE

- Additional information about the transition to First Merchants Online Banking will be sent to you within the next few weeks.
- Be sure to save any transaction history or eStatements you would like to access later. Your Citizens Financial Bank account history will not convert to First Merchants Online Banking.
- Verify we have your current email to ensure receipt of future communications.
- Citizens Online Banking and Mobile Banking will no longer be available after Friday, February 21st. You will begin using First Merchants Online Banking beginning Monday, February 24th at [www.firstmerchants.com](http://www.firstmerchants.com).
- Your payments, eBills, and payees will be migrated from your Citizens Bill Pay. Please log in after Monday, February 24th to verify these items are correct.
- All Citizens Mobile Banking users will need to re-enroll for Mobile access beginning on Monday, February 24th through First Merchants Online Banking.
- For the most current information and updates about Online Banking, Bill Pay and Mobile, visit [www.firstmerchants.com/citizens](http://www.firstmerchants.com/citizens).
- **For more information, please see pages 12-14.**

## PERSONAL LOANS

- Continue to make your loan payment on time as scheduled.
- New coupon books will be mailed to all loan clients with the exception of adjustable rate mortgage clients.
- New government regulations require banks to send adjustable rate mortgage clients periodic statements.
- HELOC Equity Access Cardholders will receive new cards mid-February, and should continue to use their Citizens Equity Access Card until February 24th.
- HELOC clients may continue to use their Citizens HELOC checks even after February 24th.
- **For more information, please see page 16.**

# YOUR CHECKING ACCOUNT

Your personal checking account with Citizens Financial Bank will be migrated into First Merchants Bank during the weekend of February 22nd and February 23rd. Beginning Monday, February 24th, you will have access to nearly 100 banking centers and fee-free ATMs throughout 26 Indiana counties as well as two counties in both Illinois and Ohio. And of course you can continue to do business as you do today with the same great people, who will continue to provide the same great service.

Good news! Your checking account features and benefits will remain the same with only two exceptions. High Life Interest Checking and Premier Interest Checking accounts will no longer receive free American Express Traveler's Checks, as they are not offered by First Merchants Bank. Also beginning February 24, 2014, First Merchants Bank general fees will go into effect (i.e. stop payment, wire transfer, etc.). Please refer to page 38 of this booklet for a complete listing of the First Merchants Bank general fees.

Detailed below is information to answer some questions you may have regarding your account.

## ACCOUNT NUMBER

Your Citizens account number will not change unless a banker has already contacted you. If you have any concerns regarding your account number please contact Customer Service at 1.800.205.3464.




## CHECKS

Your Citizens checks will continue to be accepted. When it is time to reorder, your new order will include the First Merchants Bank logo and routing number. Beginning February 24th, you may order and begin using new checks with the First Merchants Bank routing number: **074900657**. Ordering checks is simple and easy through our online channel at [www.firstmerchants.com](http://www.firstmerchants.com), by calling Customer Service at 1.800.205.3464, or through any banking center.

## AVAILABILITY OF FUNDS

You will enjoy extended business day convenience through 6:00 p.m. CT, which means your transactions completed prior to that time will count on the same day's business. You will be pleased to know First Merchants handles deposits similar to Citizens. The First Merchants Bank Availability of Funds disclosure is listed on page 20 of this booklet.

## IMPORTANT INFORMATION

-  You may continue to use your Citizens Financial Bank checks.
-  Same day business will be extended to 6:00 p.m. CT beginning February 24th, 2014.
-  Your new routing number: **074900657**

## STATEMENTS

Your final Citizens Financial Bank statement will be delivered the week of February 24th and will include transactions posted through February 21st. After that, your monthly statement will arrive according to the First Merchants Bank processing cycle. Please contact your local banking center or Customer Service at 1.800.205.3464 if you have any questions regarding the delivery of your statement.

## DIRECT DEPOSIT/ AUTOMATIC PAYMENTS

Direct deposits you currently receive will be deposited to your account without interruption; no action is necessary on your part. Similarly, existing automatic payments or debits will continue. As you establish new payment relationships, please note that the First Merchants routing number is 074900657. Also, if your Debit Card number has been used for automatic payments, you will need to provide your new First Merchants Bank Debit Card number to your merchants. You may begin using your new Debit Card and routing number on February 24th. Please continue to do business as usual until then. Additional information regarding your Debit Card can be found on page 8.

## OVERDRAFT SERVICES

We pay overdrafts at our discretion, and do not guarantee that we will always authorize and pay any type of transaction. If you currently have overdraft protection in the form of an Automatic Transfer from another Citizens Financial Bank account, your Automatic Transfer will remain unchanged.

Important information regarding First Merchants Bank overdraft practices is detailed on page 7.

# Attention personal checking customers:

If your accounts are not protected with Overdraft Protection Transfers or a Ready Reserve Line of Credit, then when you use your debit card without sufficient funds, that transaction will be declined. You may avoid this situation ONLY if you authorize us to pay these type of transactions. Your authorization is called "Opting In." Opting In must be authorized by you and may be withdrawn by you at any time.

## What You Need to Know about Overdrafts and Overdraft Fees

An overdraft occurs when you do not have enough money in your account to cover a transaction, but we pay it anyway. We can cover your overdrafts in different ways:

1. We have our **standard overdraft practice** that we apply to your account.
2. We also offer Overdraft Protection Options, which include:
  - Overdraft Protection Transfers**, which link your account to a secondary checking, savings, money market or home equity line of credit;
  - Ready Reserve Line of Credit**, an unsecured line of credit.To learn more, ask us about Overdraft Protection Options.

## This Notice Explains First Merchants Overdraft Practice

### What is the standard overdraft practice that comes with my account?

We may authorize and pay overdrafts for the following types of transactions:

- Checks and other transactions made using your checking account number
- Automatic bill payments

We do not authorize and pay overdrafts for the following types of transactions unless you ask us to:

- ATM transactions
- Everyday debit card transactions

### First Merchants' overdraft practice:

We pay overdrafts at our discretion, which means we do not guarantee that we will always authorize and pay any type of transaction.

### What fees will I be charged if First Merchants Bank pays my overdraft?

Under our overdraft practice:

- We will charge you a fee of **up to \$35** each time we pay an overdraft or return an item, with a limit of six charges per day.
- Also, beginning on the fourth calendar day your account is overdrawn, **an \$8 fee** may be charged each day your account remains overdrawn. This charge is in addition to any Overdraft Item Fees or Returned Item Fees assessed.
- The \$35 overdraft fee is not charged if the total overdraft is \$5 or less.

### How does First Merchants Bank post items to my account?

(1) Deposits are credited to your account prior to posting any withdrawal. (2) The next items that we post are ATM withdrawals, debit card transactions, and any checks cashed by our employees or that you have written to us, in the order in which they are received. (3) We then post any items that were submitted electronically, such as ACH items, preauthorized automatic transfers, telephone-initiated transfers and any other electronic transfers, in the order in which they are received. (4) Finally, we pay the remaining items based on check number order.

### What if I want First Merchants Bank to authorize and pay overdrafts on my ATM and everyday debit card transactions?

If you want us to authorize and pay overdrafts on ATM and everyday debit card transactions, you must contact us. This choice may be changed at any time by you. If you still have questions please contact us at 1.800.205.3464.

#### Call

1.800.205.3464  
6-6 Mon.-Fri., 8-12 noon Sat.

#### Click

Send a secure message  
within our Online Banking system

#### Visit

any banking center  
to authorize this service

First Merchants refers to all bank divisions within our company: First Merchants Bank, Lafayette Bank & Trust, and Commerce National Bank.



# YOUR DEBIT/ATM CARD

Current cardholders will be receiving new First Merchants Debit/ATM cards in the mail soon. You may continue to use your current Debit/ATM Card until 7:00 a.m. CT Monday, February 24th. Here's what's changing:

## YOUR NEW FIRST MERCHANTS BANK DEBIT/ATM CARD

You will receive a new First Merchants Bank MasterCard® Debit Card or ATM Card in the mail mid-February. You may activate and begin using your new card on February 24th. A new PIN will be mailed to you separately for security purposes. Activation instructions will be included with your card. If you do not receive your card by Tuesday, February 18th, please contact Customer Service at 1.800.205.3464.

## RECURRING PAYMENTS

If you have set up recurring or preauthorized payments from your Citizens Financial Bank Debit Card, you will need to contact the merchant and give them your new First Merchants Bank Debit Card number and expiration date after you activate your card.

## TRANSACTION LIMITS

Beginning February 24th, personal Debit Cards will have a limit of \$3,005 per 24-hour period for point of sale purchases and \$1,005 for cash withdrawals. Personal ATM Cards will have a limit of \$1,005 per 24-hour period for cash withdrawals. 24-hour period is from 12:00 a.m. to 11:59 p.m. ET.



## IMPORTANT INFORMATION



- Your Citizens Financial Bank Debit/ATM Card will be deactivated 7:00 a.m. CT February 24th.
- A new card with activation instructions will be mailed to you; a new PIN will be mailed separately.
- Update your card number and expiration date with all merchants that automatically bill your card.

## OVERDRAFT PROTECTION

Overdraft protection may be available for personal checking clients. If you have opted in for Citizens Financial Bank to authorize and pay overdrafts on ATM and everyday debit card transactions, this authorization will continue at First Merchants Bank.

If you have not opted in, but you want us to authorize and pay overdrafts on ATM and everyday debit card transactions, contact us to authorize this service by calling Customer Service at 1.800.205.3464 to opt in, or to verify your opt-in status. For more information, including details about our standard overdraft practice, Overdraft Protection Options and opting in, see page 7.

## ATM NETWORK

Your new card can be used at any First Merchants Bank ATM at no charge, including current Citizens Financial Bank ATM locations. This also includes ATMs with the Lafayette Bank & Trust name. Visit [www.firstmerchants.com/locations](http://www.firstmerchants.com/locations) or see pages 2 & 3 to find a complete list of locations.

Your new First Merchants Debit card includes 5 free foreign (non-First Merchants Bank) ATM transactions monthly. NOTE: Transactions include inquiries, withdrawals, and transfers. Non-First Merchants Bank ATM owners may charge a fee for processing your transaction.

## SUPPORT

If you do not receive your new First Merchants Bank card(s) by Tuesday, February 18th, please contact Customer Service at 1.800.205.3464.



# GOLD STANDARD REWARDS



**Just Slide, Sign, and Earn!**



Like free stuff? Then you'll love the First Merchants Gold Standard Rewards™ program!

It's simple. With Gold Standard Rewards™, you'll earn points redeemable for free stuff\*, just by using your First Merchants debit card and signing for purchases. It's automatic, and you won't believe all the cool things you can get just for using your card – from brand name electronics and appliances to travel packages and round trip airfare with no blackout dates\*!

Don't have a debit card yet? Sign up for one at your local banking center so you can start taking advantage of this Rewarding program!

## IT'S SIMPLE TO GET STARTED!

1. Use your new debit card anywhere MasterCard® is accepted.
2. Earn Rewards points with signature transactions — simply choose or request "credit". PIN-based transactions do not earn points.
3. Watch your points add up! You'll automatically earn one Rewards point for every \$3 in qualifying purchases.
4. Redeem points and see available Rewards at

[www.GoldStandardRewards.com](http://www.GoldStandardRewards.com)



[www.GoldStandardRewards.com](http://www.GoldStandardRewards.com)

## GOLD STANDARD REWARDS: JUST SLIDE & SIGN

### IT'S FREE.

Earn rewards for everyday debit card purchases with our free program. You don't even have to sign up - once you have a First Merchants debit card, you're automatically enrolled!

It's EASY to earn points.

- Simply choose or request "credit" when using your debit card.
- Earn one point for every \$3 in qualifying purchases.
- Every qualifying Non-PIN transaction counts, so slide and sign at your favorite stores, set up automatic bill payments, and use your card for online purchases. You'll be amazed how fast your points add up!

### IT'S REWARDING!

Rewards Points never expire and you won't believe all the cool things you can get! Points can be redeemed for your choice of brand name gifts, vacation getaways, useful services, and once-in-a-lifetime experiences, including:

\$25 iTunes gift card . . . . .	3,000 points
Photo printer . . . . .	9,100 points
3-day Bahama cruise . . . . .	20,000 points
Kindle with cover . . . . .	27,600 points
Round trip airfare. . . . .	37,500+ points
XBox 360 . . . . .	60,000 points
iPad2. . . . .	80,000 points
40" widescreen HDTV . . . . .	91,300 points
<b>AND thousands of other prizes!</b>	

\*Points can only be redeemed for currently available Gold Standard Rewards. Complete catalog available at [www.GoldStandardRewards.com](http://www.GoldStandardRewards.com)

# PERSONAL CARD CHANGES

You will receive new First Merchants Bank cards in the mail mid-February.  
You may activate and begin using your new cards February 24th.



## DEBIT CARD

- Daily point of sale limit: \$3,005
- Daily ATM cash withdrawal limit: \$1,005



## ATM CARD

- Daily ATM cash withdrawal limit: \$1,005



## HELOC CARD

- Daily point of sale limit: \$5,000



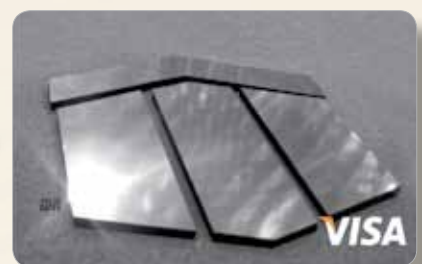
## HEALTH SAVINGS ACCOUNT CARD

- Daily point of sale limit: \$3,005



## CREDIT CARD

- Terms of your credit limit will remain the same as agreed when the card was issued.





# TELEPHONE BANKING

All active Citizens Financial Bank Telephone Banking users will be automatically enrolled in First Merchants Telephone Banking. Here's what you need to know about your new Telephone Banking system:

## ACCESSING FIRST MERCHANTS TELEPHONE BANKING

Beginning February 24th, access First Merchants Telephone Banking by calling 1.800.473.5055. The Citizens Financial Bank Telephone Banking number will be retired.

Anytime after 6:00 a.m. CT on Monday February 24th, you may begin using First Merchants Telephone Banking. You will be prompted to change your PIN during your first call and your login information will change; be sure to follow the audio prompts. You will be pleased to know that you will be able to perform the same tasks you're accustomed to with Citizens Telephone Banking.

If you have questions about the First Merchants Telephone Banking system please call us at 1.800.205.3464.

If you are not an active Telephone Banking user but would like access to First Merchants Telephone Banking, beginning February 24th, please call Customer Service at 1.800.205.3464 to enroll.

## IMPORTANT INFORMATION



- Beginning February 24th, access Telephone Banking by calling 1.800.473.5055.
- Your PIN will be reset; choose a new PIN during your first call.

# 1.800.473.5055

Below are the menu options to allow you better access to your accounts.

### 1 Accounts

- 1 *Deposit Accounts*
- 2 *Loan Inquiries*
- 3 *Transfer Funds*
- 4 *Loan Payments*
- 5 *Change PIN*






### 2 *Lost or Stolen ATM or Debit Card*

### 3 *Merchant Check Information*



# ONLINE BANKING, BILL PAY & MOBILE

## IMPORTANT INFORMATION

-  Verify your current email address to ensure receipt of future communications. How? Within Citizens Online Banking under Quick Links.
-  Account history, stop payment history, transfer history, nicknames, alerts and scheduled payments will not be migrated. Save any information you might need before Friday, February 21st.
-  Citizens Online Banking will no longer be available after Friday, February 21st. You will begin using First Merchants Online Banking on Monday, February 24th at [www.firstmerchants.com](http://www.firstmerchants.com).
-  Your payments, eBills, and payees will be migrated from your Citizens Bill Pay. Please login beginning Monday, February 24th to verify these items are correct.
-  For the most current information and updates about Online Banking, visit [www.firstmerchants.com/citizens](http://www.firstmerchants.com/citizens).

Online Banking, Bill Pay & Mobile Banking are free to you as a First Merchants Bank personal client. If you currently use Online Banking at Citizens Financial Bank, you do not need to re-enroll in Online Banking at First Merchants, but you will need to take some action. Here's what you'll need to know to make sure the transition from Citizens Online Banking to First Merchants Online Banking is as easy as possible.

## CITIZENS FINANCIAL BANK ONLINE BANKING

Citizens Financial Bank Online Banking will no longer be available after February 21st. All active Citizens Online Banking users will be automatically migrated to the First Merchants Online Banking system. For your protection and security, you will receive a new system-generated password. Please verify your current email address in Citizens Online Banking and watch your email for additional details in the coming weeks.

Some important things to note about your Citizens Online Banking:

- Transaction history prior to February 21st will not be available through the First Merchants Online Banking system. In addition, Transfer and Stop Payment history will not be migrated. Going forward, First Merchants Online Banking system will detail 60 days of transaction history beginning February 24th. If you would like to keep previous history for your records, we recommend that you print or save your history before February 21st.
- If you have any one-time or recurring transfers or loan payments that are scheduled to occur after February 21st, those payments and/or transfers will need to be re-entered into the First Merchants Online Banking system.
- If you have Alerts set up in the Citizens Online Banking system, you will need to re-enter that information into the First Merchants Online Banking system.
- If you nickname your accounts, you will need to re-enter account nicknames as well.
- If you are a Quicken® or Quickbooks® user, First Merchants Online Banking supports those programs. Please be sure to download any information that you need from the Citizens Online Banking system prior to February 21st.



Anywhere:  
Our most convenient location yet

Get the information you want, when and where you want it, with our Online and Mobile services



# ONLINE BANKING, BILL PAY & MOBILE

## ESTATEMENTS

Further information will be coming regarding your Citizens eStatements. Please update your email address to ensure receipt of this important information. How? Within Citizens Online Banking under Quick Links.

## ENOTICES

eNotices are currently not offered at First Merchants. **Please note: Any notices that you currently receive electronically will be sent to you via postal mail after February 21st. Examples of eNotices could include Insufficient Funds notices and Overdraft notices.**



## ACCESSING FIRST MERCHANTS ONLINE BANKING

Beginning Monday, February 24th you may log in to your new First Merchants Online Banking using your Citizens Access ID and new password. Simply visit [www.firstmerchants.com](http://www.firstmerchants.com), and look for the red "Sign In To Online Banking" box in the upper left corner of the Home page.

First Merchants Bank offers a variety of Online Banking resources for your convenience. To view tutorials, watch a demo or just read more about this offering, please visit [www.firstmerchants.com](http://www.firstmerchants.com) and select 'Online Banking' under the 'Personal' tab. Once you are signed into your new Online Banking account, an extensive Help section is also available.

## NEW FEATURES

Online Banking is one of the easiest, fastest and most convenient ways to manage your personal accounts, and it's free! With Online Banking, you can check balances, view statements, transfer funds, pay your bills online, set up account alerts, order checks, enroll for Mobile Banking and more.

Highlighted below are a few First Merchants Online Banking features that will be new for you.

- **Secure Messages:** Use the 'Send Message' feature in Online Banking to send a secure message to Customer Service. You can ask questions or even request a copy of a statement or check.
- **External Transfers:** In addition to your First Merchants account-to-account transfers, you can link external accounts and use our free External Transfer feature.
- **Reminders:** Reminders are notifications that you create that display at the time you specify to help you remember important events or tasks.
- **Expedited Payments:** With this First Merchants Bill Pay feature you can schedule bills to be paid overnight if received by 1:00 p.m. CT for a \$19.95 fee.

## BILL PAY

First Merchants Bank offers Bill Pay free to all First Merchants Online Banking clients. First Merchants Bank Bill Pay includes our Risk-Free Guarantee: Every payment scheduled on time with adequate funds will be paid on time or we'll pay your late fees, up to \$50!

If you are a current Citizens Bill Pay user, your information, including payments, eBills, and payees will be automatically migrated to the new system. Beginning February 24th, you will need to verify that your current information is set up correctly. If you have any questions or concerns after February 24th, please contact Customer Service at 1.800.205.3464.

**Please note: Citizens Financial Bank POP Money feature will not be offered after Friday, February 21st.**

# ONLINE BANKING, BILL PAY & MOBILE

## CITIZENS MOBILE BANKING

Citizens Mobile Banking services will no longer be functional after Friday February 21st. This will include Citizens Smartphone Applications (Apple and Android), Basic Phone Web Browser and Basic Phone Text Option. If you are a Citizens Mobile Banking user, please enroll in First Merchants Mobile Banking in order to continue using those services.

## ENROLLMENT

A variety of mobile channels are available through First Merchants Bank including:

- First Merchants Bank Mobile App for Apple and Android phones and tablets
- Mobile Web
- Text Banking

Beginning on Monday February 24th, please enroll in First Merchants Mobile Banking. To enroll please follow these steps:

1. Sign in to your new First Merchants Online Banking account at [www.firstmerchants.com](http://www.firstmerchants.com).
2. Click on the tab labeled 'Mobile'.
3. Accept the Mobile Banking Service Agreement.
4. Enter your mobile information and choose a Login ID and PIN.
5. Once your enrollment is submitted you will receive a text message that prompts you to reply 'Yes'.
6. Once you have replied, you are enrolled for First Merchants Mobile Banking and can use any of the Mobile Channels above.

## IMPORTANT INFORMATION



- Citizens Mobile Banking will no longer be available after Friday, February 21st.
- All Citizens Mobile Banking users will need to re-enroll for Mobile access beginning Monday, February 24th through First Merchants Online Banking.
- For the most current information and updates about Online and Mobile Banking, please visit [www.firstmerchants.com/citizens](http://www.firstmerchants.com/citizens).

## ACCESSING FIRST MERCHANTS' MOBILE CHANNELS:

- Download the FMB Mobile App from Google Play™ or the App Store<sup>SM</sup>; just search 'First Merchants' and install the app
- Visit <https://firstmerchants.mobi> from any web-enabled mobile device
- Text 269265 using one of our Text Banking commands (*visit [www.firstmerchants.com/textbanking.pdf](http://www.firstmerchants.com/textbanking.pdf) to see a complete list of commands*)

## NOT USING ONLINE BANKING?

If you're not enrolled in Online Banking at Citizens Financial Bank, but you're interested in signing up, you can enroll in First Merchants Online Banking beginning February 24th. Just visit our website at [www.firstmerchants.com](http://www.firstmerchants.com) and click 'Enroll Now'.



# SAVINGS & INVESTMENT ACCOUNTS

Since 1893, First Merchants Bank has maintained our legacy as a strong, stable bank. Your accounts that are currently FDIC insured will continue to be insured as described below.

## FDIC INSURANCE

If you currently have deposits at both Citizens Financial Bank and First Merchants Bank, separate FDIC coverage will apply for six months after the merger date (through May 12, 2014) to allow you time to restructure your accounts, if necessary. Please be advised that First Merchants Bank also operates under the trade names of Lafayette Bank & Trust, Commerce National Bank and First Merchants Trust Company.

If you own a Certificate of Deposit (CD) that matures and automatically renews for the same amount and term by May 12, 2014, separate FDIC coverage will continue in place for the new term.

If you own a Certificate of Deposit that matures and automatically renews with a different amount or term, separate coverage is provided only until May 12, 2014.




If you own a Certificate of Deposit that matures after May 12, 2014, separate FDIC coverage will terminate upon maturity of the CD.

If you have questions about your deposit insurance, please speak directly with a local Citizens banker or feel free to call the FDIC directly at 1.877.ASK.FDIC.

## CDS & IRAS

Your current CD and IRA rates and terms will not change through maturity. First Merchants Bank is your new Traditional and/or Roth IRA custodian. If you have an automatically renewing account, you will receive a maturity notice prior to the grace period. Please see pages 40-50 for your First Merchants IRA disclosure statements.

## IMPORTANT INFORMATION

-  Your FDIC insurance remains intact up to the applicable limits.
-  CD and IRA rates and terms will not change through maturity.
-  Passbook Savings accounts will now receive a statement.

## SAVINGS

You will begin receiving a savings account statement on a quarterly basis, or you may choose to receive a combined statement with your checking account on a monthly basis. Please contact Customer Service at 1.800.205.3464 if you would like to combine your statements.

Beginning February 24, 2014, we will no longer machine validate your passbook; however, you may continue to record transactions in your passbook ledger. Passbook Savings clients may request a new savings register at their current banking center.

## HEALTH SAVINGS ACCOUNTS

First Merchants Bank is your new Health Savings Account custodian. You will be pleased to know that your Health Savings Account will continue to work as it does today, with only one exception; you will no longer be able to withdrawal cash from an ATM with your Health Savings Account Card. Please see pages 51-54 for your Health Savings Account Disclosure Statement.

A new Health Savings Account Card will be mailed to you mid-February. Activation instructions will be included with the new card. Please begin using your First Merchants Health Savings Account Card on February 24th. Your Citizens Health Savings Account card should be used until then.

MEMBER  
FDIC





# PERSONAL LOANS

We make it easy and convenient when you borrow from us. Don't worry; you'll never have a late payment when you set up automatic payments through your First Merchants checking account (with adequate funds). And, as a special bonus, we'll discount your loan rate for using this convenient payment service. If you currently have a Citizens Financial Bank loan, please read the following information.

## MAKING LOAN PAYMENTS

Maintaining regular loan payments is an important factor in your credit score. Beginning February 24th, you will have several options available for making payments quickly and easily via:

- Mail: **P.O. Box 7011  
Muncie, IN 47308-7011**
- Automatic transfer from another First Merchants account
- In person at any First Merchants Bank
- Online banking transfer from another First Merchants account

Beginning January 10th, new government regulations require lenders to send their adjustable rate mortgage clients periodic statements. **IMPORTANT NOTE:** If you have not received a monthly bill prior to your regularly scheduled loan payment date, please make your payment by your due date to avoid late fees and/or potentially damaging your credit report. New coupon books will be mailed to all loan clients with the exception of adjustable rate mortgage clients.

## AUTOMATIC PAYMENTS FROM ACCOUNTS OUTSIDE FIRST MERCHANTS

If you make loan payments from an account at another financial institution, they will continue as usual.






## PAYMENT AMOUNT

Your payment amount will remain as agreed in the terms of your loan. Variables that could impact your payment amount include variable interest rates or escrow amounts.

## LOAN TERM

Your Citizens Financial Bank loan rate and terms will remain the same for the duration of your loan.

## IMPORTANT INFORMATION

-  Continue to make your loan payment on time and as scheduled.
-  New coupon books will be mailed to all loan clients with the exception of adjustable rate mortgage clients.
-  Adjustable rate mortgage clients will receive a monthly bill.
-  HELOC Equity Access cardholders will receive new cards mid-February, and should continue to use their Citizens Equity Access Card until February 24th.
-  HELOC clients may continue to use their Citizens HELOC checks even after February 24th.

## HOME EQUITY LINE OF CREDIT

Accessing funds through your Home Equity Line of Credit (HELOC) is fast and convenient. You may continue to use your Citizens Financial Bank HELOC checks. When you need to order more, please contact Customer Service or visit any First Merchants banking center.

If you are a Citizens Equity Access cardholder, continue to use that card until February 24th. You will receive a new First Merchants HELOC Access Card mid-February. You may activate and begin using your First Merchants HELOC Access Card on February 24th. Simply follow the instructions that come with the card to activate. Your new First Merchants HELOC Access Card can be used anywhere MasterCard® is accepted.

## PERSONAL CREDIT CARDS

You will receive a new First Merchants Credit Card mid-February. The terms of your account, your account number and expiration date will all remain the same, unless your card expires within the next 6 months. In this case, a new expiration date will appear on your new card.



# INSURANCE AND TRUST

## TRUST



## Proven Investment Principles...

...COMMUNITY-MINDED PROFESSIONALS

First Merchants Trust Company offers a full array of trust services to businesses, individuals, and non-profit organizations. As one of the largest trust organizations in Indiana, with assets under management in excess of a billion dollars, we can meet all of your financial, estate and retirement planning needs.

Our personal attention and proactive communication are what set us apart – and are what our clients tell us they value. We're big enough to serve you, and small enough to care.

Our clients enjoy:

- Local service and personal administration
- Regularly scheduled meetings to review account performance
- 24/7 access to investment account information
- Planning services designed to meet your goals
- “One stop shopping” for all of your banking, insurance and investment needs

INSURANCE & INVESTMENT PRODUCTS ARE NOT DEPOSITS	NOT FDIC INSURED	NOT GUARANTEED BY THE BANK
NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY		MAY LOSE VALUE

## INSURANCE

## Ensure Your Peace of Mind

WITH FIRST MERCHANTS INSURANCE GROUP

First Merchants Insurance Group (FMIG) provides insurance solutions to both businesses and individuals. As an independent agency, we work as your advocate, ensuring the best combination of coverage and price. As one of Indiana's most respected providers of personal insurance, we specialize in securing coverage that reflects the true value of your possessions. Our expertise enables you to enjoy the security and peace of mind that comes from knowing that the lifestyle you have labored to attain is protected.

Personal insurance solutions:

- Homeowner's
- Auto
- Life
- Health
- Disability
- Renters
- Personal Umbrella
- Flood
- Annuities



**MEET OUR TEAM**  
Visit [www.firstmerchants.com](http://www.firstmerchants.com)  
to find an expert near you!

Funds are not insured by the FDIC, and are not deposits of, or guaranteed by, First Merchants Bank N.A. or any of its affiliates. Funds are subject to investment risk if the insurance has a cash value, including possible loss of the principal amount invested. Insurance products are made available through First Merchants Insurance Services, Inc., a licensed insurance agency affiliate of First Merchants Bank, N.A. Insurance products are underwritten by, and are the obligations of, the insurance companies that issue the insurance policies; these insurance companies are not affiliated with First Merchants Bank, N.A.



# DISCLOSURES



# AVAILABILITY OF FUNDS

## **Availability of Funds Disclosure** **YOUR ABILITY TO WITHDRAW FUNDS AT** **FIRST MERCHANTS BANK, NATIONAL ASSOCIATION** 200 EAST JACKSON STREET PO BOX 792 MUNCIE, IN 47308-0792 PHONE: (765) 747-1500

This policy statement applies to "Transaction" accounts. Transaction accounts, in general, are accounts which permit an unlimited number of payments to third persons and an unlimited number of telephone and preauthorized transfers to other accounts of yours with us. Checking accounts are the most common transaction accounts. Feel free to ask us whether any of your other accounts might also be under this policy.

Our policy is to make funds from your cash or check deposits available to you on the first business day after the day we receive your deposit. Electronic direct deposits will be available on the day we receive the deposit. Once the funds are available, you can withdraw them in cash and we will use the funds to pay checks that you have written. Please remember that even after we have made funds available to you and you have withdrawn the funds, you are still responsible for checks you deposit that are returned to us unpaid and for any other problems involving your deposit.

For determining the availability of your deposits, every day is a business day, except Saturdays, Sundays, and federal holidays. If you make a deposit prior to 6:00 p.m. (some cutoff times may be later at some locations) on a business day that we are open, we will consider that day to be the day of your deposit. However, if you make a deposit after 6:00 p.m. or on a day we are not open, we will consider that the deposit was made on the next business day we are open. For additional information contact your branch representative. If you make a deposit at an ATM before 4:00pm EST (some cutoff times may be later at some locations) on a business day that we are open, we will consider that day to be the day of your deposit. However, if you make a deposit at an ATM after 4:00pm EST or on a day we are not open, we will consider that the deposit was made on the next business day we are open. For additional information contact your branch representative.

If we cash a check for you that is drawn on another bank, we may withhold the availability of a corresponding amount of funds that are already in one of your accounts. Those funds will be available at the time funds from the check we cashed would have been available if you had deposited it.

If we accept for deposit a check that is drawn on another bank, we may make funds from the deposit available for withdrawal immediately but delay your availability to withdraw a corresponding amount of funds that you have on deposit in another account with us. The funds in the other account would then not be available for withdrawal until the time periods that are described elsewhere in this disclosure for the type of check that you deposited.

### **LONGER DELAYS MAY APPLY**

**Case-By-Case Delays** - In some cases, we will not make all of the funds that you deposit by check available to you on the first business day after the day of your deposit. Depending on the type of check that you deposit, funds may not be available until the second business day after the day of your deposit. The first \$200 of your deposits, however, may be available on the first business day after the day of your deposit.

If we are not going to make all of the funds from your deposit available on the first business day after we receive your deposit, we will notify you at the time you make your deposit. We will also tell you when the funds will be available. If your deposit is not made directly to one of our employees, or if we decide to take this action after you have left the premises, we will mail you the notice by the first business day after we receive your deposit. If you will need the funds from a deposit right away, you should ask us when the funds will be available. **Safeguard Exception Delays** - In addition, funds you deposit by check may be delayed for a longer period under the following circumstances:

- We believe a check you deposit will not be paid.
- You deposit checks totaling more than \$5,000 on any one day.
- You redeposit a check that has been returned unpaid.
- You have overdrawn your account repeatedly in the last six months.
- There is an emergency, such as failure of computer or communications equipment.

We will notify you if we delay your ability to withdraw funds for any of these reasons, and we will tell you when the funds will be available. They will generally be available no later than second business day after the day of your deposit.

### **SPECIAL RULES FOR NEW ACCOUNTS**

If you are a new customer, the following special rules will apply during the first 30 days your account is open.

Funds from electronic direct deposits into your account will be available on the day we receive the deposit. Funds from deposits of cash, wire transfers, and the first \$5,000 of a day's total deposits of cashier's, certified, teller's, traveler's, and federal, state and local government checks will be available on the first business day after the day of your deposit if the deposit meets certain conditions. For example, the checks must be payable to you (and you may have to use a special deposit slip). The excess over \$5,000 will be available on the ninth business day after the day of your deposit. If your deposit of these checks (other than a U.S. Treasury check) is not made in person to one of our employees, the first \$5,000 will not be available until the second business day after the day of your deposit.

Revised 07/01/2011

# INDIANA TERMS & CONDITIONS

## Terms and Conditions of Your Account

**Agreement.** This document, along with any other documents we give you pertaining to your account(s), is a contract that establishes rules which control your account(s) with us. Please read this carefully and retain it for future reference. If you sign the signature card or open or continue to use the account, you agree to these rules. You will receive a separate schedule of rates, qualifying balances, and fees if they are not included in this document. If you have any questions, please call us.

This agreement is subject to applicable federal laws, the laws of the state of Indiana and other applicable rules such as the operating letters of the Federal Reserve Banks and payment processing system rules (except to the extent that this agreement can and does vary such rules or laws). The body of state and federal law that governs our relationship with you, however, is too large and complex to be reproduced here. The purpose of this document is to:

1. summarize some laws that apply to common transactions;
2. establish rules to cover transactions or events which the law does not regulate;
3. establish rules for certain transactions or events which the law regulates but permits variation by agreement; and
4. give you disclosures of some of our policies to which you may be entitled or in which you may be interested.

If any provision of this document is found to be unenforceable according to its terms, all remaining provisions will continue in full force and effect. We may permit some variations from our standard agreement, but we must agree to any variation in writing either on the signature card for your account or in some other document.

As used in this document the words “we,” “our,” and “us” mean the financial institution and the words “you” and “your” mean the account holder(s) and anyone else with the authority to deposit, withdraw, or exercise control over the funds in the account. However, this agreement does not intend, and the terms “you” and “your” should not be interpreted, to expand an individual’s responsibility for an organization’s liability. If this account is owned by a corporation, partnership or other organization, individual liability is determined by the laws generally applicable to that type of organization. The headings in this document are for convenience or reference only and will not govern the interpretation of the provisions. Unless it would be inconsistent to do so, words and phrases used in this document should be construed so the singular includes the plural and the plural includes the singular.

**Liability.** You agree, for yourself (and the person or entity you represent if you sign as a representative of another) to the terms of this account and the schedule of charges. You authorize us to deduct these charges, without notice to you, directly from the account balance as accrued. You will pay any additional reasonable charges for services you request which are not covered by this agreement.

Each of you also agrees to be jointly and severally (individually) liable for any account shortage resulting from charges or overdrafts, whether caused by you or another with access to this account. This liability is due immediately, and can be deducted directly from the account balance whenever sufficient funds are available. You have no right to defer payment of this liability, and you are liable regardless of whether you signed the item or benefited from the charge or overdraft.

You will be liable for our costs as well as for our reasonable attorneys’ fees, to the extent permitted by law, whether incurred as a result of collection or in any other dispute involving your account. This includes, but is not limited to, disputes between you and another joint owner; you and an authorized signer or similar party; or a third

party claiming an interest in your account. This also includes any action that you or a third party takes regarding the account that causes us, in good faith, to seek the advice of an attorney, whether or not we become involved in the dispute. All costs and attorneys’ fees can be deducted from your account when they are incurred, without notice to you.

**Deposits.** We will give only provisional credit until collection is final for any items, other than cash, we accept for deposit (including items drawn “on us”). Before settlement of any item becomes final, we act only as your agent, regardless of the form of indorsement or lack of indorsement on the item and even though we provide you provisional credit for the item. We may reverse any provisional credit for items that are lost, stolen, or returned. Actual credit for deposits of, or payable in, foreign currency will be at the exchange rate in effect on final collection in U.S. dollars. We are not responsible for transactions by mail or outside depository until we actually record them. We will treat and record all transactions received after our “daily cutoff time” on a business day we are open, or received on a day we are not open for business, as if initiated on the next business day that we are open. At our option, we may take an item for collection rather than for deposit. If we accept a third-party check for deposit, we may require any third-party indorsers to verify or guarantee their indorsements, or indorse in our presence.

### Withdrawals.

**Generally.** Unless clearly indicated otherwise on the account records, any of you, acting alone, who signs to open the account or has authority to make withdrawals may withdraw or transfer all or any part of the account balance at any time. Each of you (until we receive written notice to the contrary) authorizes each other person who signs or has authority to make withdrawals to indorse any item payable to you or your order for deposit to this account or any other transaction with us.

**Postdated Checks.** A postdated check is one which bears a date later than the date on which the check is written. We may properly pay and charge your account for a postdated check even though payment was made before the date of the check, unless we have received written notice of the postdating in time to have a reasonable opportunity to act. Because we process checks mechanically, your notice will not be effective and we will not be liable for failing to honor your notice unless it precisely identifies the number, date, amount and payee of the item.

**Checks and Withdrawal Rules.** If you do not purchase your check blanks from us, you must be certain that we approve the check blanks you purchase. We may refuse any withdrawal or transfer request which you attempt on forms not approved by us or by any method we do not specifically permit. We may refuse any withdrawal or transfer request which is greater in number than the frequency permitted, or which is for an amount greater or less than any withdrawal limitations. We will use the date the transaction is completed by us (as opposed to the date you initiate it) to apply the frequency limitations. In addition, we may place limitations on the account until your identity is verified.

Even if we honor a nonconforming request, we are not required to do so later. If you violate the stated transaction limitations (if any), in our discretion we may close your account or reclassify it as a transaction account. If we reclassify your account, your account will be subject to the fees and earnings rules of the new account classification.

If we are presented with an item drawn against your account that

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would be a “substitute check,” as defined by law, but for an error or defect in the item introduced in the substitute check creation process, you agree that we may pay such item.

See the funds availability policy disclosure for information about when you can withdraw funds you deposit. For those accounts to which our funds availability policy disclosure does not apply, you can ask us when you make a deposit when those funds will be available for withdrawal. We may determine the amount of available funds in your account for the purpose of deciding whether to return an item for insufficient funds at any time between the time we receive the item and when we return the item or send a notice in lieu of return. We need only make one determination, but if we choose to make a subsequent determination, the account balance at the subsequent time will determine whether there are insufficient available funds.

**Overdrafts.** You understand that we may, at our discretion, honor withdrawal requests that overdraw your account. However, the fact that we may honor withdrawal requests that overdraw the account balance does not obligate us to do so later. So you can NOT rely on us to pay overdrafts on your account regardless of how frequently or under what circumstances we have paid overdrafts on your account in the past. We can change our practice of paying overdrafts on your account without notice to you. You can ask us if we have other account services that might be available to you where we commit to paying overdrafts under certain circumstances, such as an overdraft protection line-of-credit or a plan to sweep funds from another account you have with us. You agree that we may charge fees for overdrafts, except for overdrafts caused by ATM withdrawals or one-time debit card transactions if you have not opted-in to that service. We may use subsequent deposits, including direct deposits of social security or other government benefits, to cover such overdrafts and overdraft fees.

**Multiple Signatures, Electronic Check Conversion, and Similar Transactions.** An electronic check conversion transaction is a transaction where a check or similar item is converted into an electronic fund transfer as defined in the Electronic Fund Transfers regulation. In these types of transactions the check or similar item is either removed from circulation (truncated) or given back to you. As a result, we have no opportunity to review the check to examine the signatures on the item. You agree that, as to these or any items as to which we have no opportunity to examine the signatures, you waive any requirement of multiple signatures.

**Notice of Withdrawal.** We reserve the right to require not less than 7 days’ notice in writing before each withdrawal from an interest-bearing account other than a time deposit, or from any other savings account as defined by Regulation D. (The law requires us to reserve this right, but it is not our general policy to use it.) Withdrawals from a time account prior to maturity or prior to any notice period may be restricted and may be subject to penalty. See your notice of penalty for early withdrawal.

**Ownership of Account and Beneficiary Designation.** These rules apply to this account depending on the form of ownership and beneficiary designation, if any, specified on the account records. We make no representations as to the appropriateness or effect of the ownership and beneficiary designations, except as they determine to whom we pay the account funds.

**Individual Account.** This is an account in the name of one person.

**Joint Account - With Survivorship (And Not As Tenants In Common).** This is an account in the name of two or more persons.

Each of you intend that when you die the balance in the account (subject to any previous pledge to which we have agreed) will belong to the survivor(s). If two or more of you survive, you will own the balance in the account as joint tenants with survivorship and not as tenants in common.

**Joint Account - No Survivorship (As Tenants In Common).** This is owned by two or more persons, but none of you intend (merely by opening this account) to create any right of survivorship in any other person. We encourage you to agree and tell us in writing of the percentage of the deposit contributed by each of you. This information will not, however, affect the “number of signatures” necessary for withdrawal.

**Revocable Trust Account/In Trust For (pursuant to the Multiple Party Account statutes in Indiana Code ch. 32-17-11 et. seq.).** If two or more of you create this type of account, you own the account jointly with survivorship. Beneficiaries cannot withdraw unless: (1) all persons creating the account die, and (2) the beneficiary is then living. If two or more beneficiaries are named and survive the death of all persons creating the account, beneficiaries will own this account in equal shares, without right of survivorship. The person(s) creating this account type may: (1) change beneficiaries, (2) change account types, and (3) withdraw all or part of the account funds at any time.

**Pay-on-Death Account with LDPS (pursuant to the Transfer on Death Property Act statutes in Indiana Code ch. 32-17-14 et. seq.).** If two or more of you create this type of account, you own the account jointly with survivorship. Beneficiaries cannot withdraw unless all persons creating the account die. If a named beneficiary does not survive all persons that created the account, that beneficiary’s right to a transfer on death transfer belongs to that beneficiary’s lineal descendants per stirpes (LDPS) who survive all persons that created the account. LDPS means that group of people that are the lineal descendants of a beneficiary who will take, in place of the beneficiary they have survived, the beneficiary’s share as determined under Indiana law. In order for a lineal descendant to take in place of a beneficiary, the lineal descendant must survive the death of that beneficiary. The person(s) creating this account type may: (1) change beneficiaries, (2) change account types, and (3) withdraw all or part of the account funds at any time.

**Pay-on-Death Account No LDPS (pursuant to the Transfer on Death Property Act statutes in Indiana Code ch. 32-17-14 et. seq.).** If two or more of you create this type of account, you own the account jointly with survivorship. Beneficiaries cannot withdraw unless: (1) all persons creating the account die, and (2) the beneficiary is then living. If two or more beneficiaries are named and survive the death of all persons creating the account, beneficiaries will own this account in equal shares unless otherwise designated in writing, without right of survivorship. The person(s) creating this account type may: (1) change beneficiaries, (2) change account types, and (3) withdraw all or part of the account funds at any time.

**Additional Transfer on Death Property Act Rules.** If there are multiple primary beneficiaries and a primary beneficiary does not survive all persons creating the account and does not have a substitute under the LDPS rules, the share of the nonsurviving primary beneficiary is allocated among the surviving primary beneficiaries in the proportion that their shares bear to each other. If there are no surviving primary beneficiaries and there are no substitutes for the nonsurviving primary beneficiaries under the LDPS rules, the property belongs to the surviving contingent beneficiaries in equal shares or according to the percentages or fractional shares stated in the designation. If there are multiple contingent beneficiaries and a contingent beneficiary does not survive all persons creating the account and does not have a



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substitute under the LDPS rules, the share of the nonsurviving contingent beneficiary is allocated among the surviving contingent beneficiaries in the proportion that their shares bear to each other. If no beneficiary survives all persons creating the account, the property belongs to the estate of the owner unless directed to a substitute beneficiary under the LDPS rules.

## Business, Organization and Association

**Accounts.** Earnings in the form of interest, dividends, or credits will be paid only on collected funds, unless otherwise provided by law or our policy. You represent that you have the authority to open and conduct business on this account on behalf of the entity. We may require the governing body of the entity opening the account to give us a separate authorization telling us who is authorized to act on its behalf. We will honor the authorization until we actually receive written notice of a change from the governing body of the entity.

**Stop Payments.** Unless otherwise provided, the rules in this section cover stopping payment of items such as checks and drafts. Rules for stopping payment of other types of transfers of funds, such as consumer electronic fund transfers, may be established by law or our policy. If we have not disclosed these rules to you elsewhere, you may ask us about those rules.

We may accept an order to stop payment on any item from any one of you. You must make any stop-payment order in the manner required by law and we must receive it in time to give us a reasonable opportunity to act on it before our stop-payment cutoff time. Because stop-payment orders are handled by computers, to be effective, your stop-payment order must precisely identify the number, date, and amount of the item, and the payee.

You may stop payment on any item drawn on your account whether you sign the item or not. Generally, if your stop-payment order is given to us in writing it is effective for six months. Your order will lapse after that time if you do not renew the order in writing before the end of the six-month period. If the original stop-payment order was verbal your stop-payment order will lapse after 14 calendar days if you do not confirm your order in writing within that time period. We are not obligated to notify you when a stop-payment order expires. A release of the stop-payment request may be made only by the person who initiated the stop-payment order.

If you stop payment on an item and we incur any damages or expenses because of the stop payment, you agree to indemnify us for those damages or expenses, including attorneys' fees. You assign to us all rights against the payee or any other holder of the item. You agree to cooperate with us in any legal actions that we may take against such persons. You should be aware that anyone holding the item may be entitled to enforce payment against you despite the stop-payment order.

Our stop-payment cutoff time is one hour after the opening of the next banking day after the banking day on which we receive the item. Additional limitations on our obligation to stop payment are provided by law (e.g., we paid the item in cash or we certified the item).

**Telephone Transfers.** A telephone transfer of funds from this account to another account with us, if otherwise arranged for or permitted, may be made by the same persons and under the same conditions generally applicable to withdrawals made in writing. Unless a different limitation is disclosed in writing, we restrict the number of transfers from a savings account to another account or to third parties, to a maximum of six per month (less the number of "preauthorized transfers" during the month). Other account transfer restrictions may be described elsewhere.

**Amendments and Termination.** We may change any term of this agreement. Rules governing changes in interest rates are provided separately in the Truth-in-Savings disclosure or in another

document. For other changes, we will give you reasonable notice in writing or by any other method permitted by law. We may also close this account at any time upon reasonable notice to you and tender of the account balance personally or by mail. Items presented for payment after the account is closed may be dishonored. When you close your account, you are responsible for leaving enough money in the account to cover any outstanding items to be paid from the account. Reasonable notice depends on the circumstances, and in some cases such as when we cannot verify your identity or we suspect fraud, it might be reasonable for us to give you notice after the change or account closure becomes effective. For instance, if we suspect fraudulent activity with respect to your account, we might immediately freeze or close your account and then give you notice. You agree to keep us informed of your current address at all times. Notice from us to any one of you is notice to all of you. If we have notified you of a change in any term of your account and you continue to have your account after the effective date of the change, you have agreed to the new term(s).

## Statements.

**Your Duty to Report Unauthorized Signatures, Alterations and Forgeries.** You must examine your statement of account with "reasonable promptness." If you discover (or reasonably should have discovered) any unauthorized signatures or alterations, you must promptly notify us of the relevant facts. As between you and us, if you fail to do either of these duties, you will have to either share the loss with us, or bear the loss entirely yourself (depending on whether we used ordinary care and, if not, whether we substantially contributed to the loss). The loss could be not only with respect to items on the statement but other items with unauthorized signatures or alterations by the same wrongdoer.

You agree that the time you have to examine your statement and report to us will depend on the circumstances, but will not, in any circumstance, exceed a total of 30 days from when the statement is first sent or made available to you.

You further agree that if you fail to report any unauthorized signatures, alterations or forgeries in your account within 60 days of when we first send or make the statement available, you cannot assert a claim against us on any items in that statement, and as between you and us the loss will be entirely yours. This 60-day limitation is without regard to whether we used ordinary care. The limitation in this paragraph is in addition to that contained in the first paragraph of this section.

**Your Duty to Report Other Errors.** In addition to your duty to review your statements for unauthorized signatures, alterations and forgeries, you agree to examine your statement with reasonable promptness for any other error - such as an encoding error. You agree that the time you have to examine your statement and report to us will depend on the circumstances. However, such time period shall not exceed 60 days. Failure to examine your statement and report any such errors to us within 60 days of when we first send or make the statement available precludes you from asserting a claim against us for any such errors on items identified in that statement and as between you and us the loss will be entirely yours.

**Errors Relating to Electronic Fund Transfers or Substitute Checks** (*For consumer accounts only*). For information on errors relating to electronic fund transfers (e.g., computer, debit card or ATM transactions) refer to your Electronic Fund Transfers disclosure and the sections on consumer liability and error resolution. For information on errors relating to a substitute check you received, refer to your disclosure entitled Substitute Checks and Your Rights.

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**Direct Deposits.** If we are required for any reason to reimburse the federal government for all or any portion of a benefit payment that was directly deposited into your account, you authorize us to deduct the amount of our liability to the U.S. Government from the account or from any other account you have with us, without prior notice and at any time, except as prohibited by law. We may also use any other legal remedy to recover the amount of our liability.

**Temporary Account Agreement.** If this option is selected, this is a temporary account agreement. Each person who signs to open the account or has authority to make withdrawals (except as indicated to the contrary) may transact business on this account. However, we may at some time in the future restrict or prohibit further use of this account if you fail to comply with the requirements we have imposed within a reasonable time.

**Set-Off.** We may (without prior notice and when permitted by law) set off the funds in this account against any due and payable debt you owe us now or in the future, by any of you having the right of withdrawal, to the extent of such persons' or legal entity's right to withdraw. If the debt arises from a note, "any due and payable debt" includes the total amount of which we are entitled to demand payment under the terms of the note at the time we set off, including any balance the due date for which we properly accelerate under the note.

This right of set-off does not apply to this account if prohibited by law. For example, the right of set-off does not apply to this account if: (a) it is an Individual Retirement Account or similar tax-deferred account, or (b) the debt is created by a consumer credit transaction under a credit card plan (but this does not affect our rights under any consensual security interest), or (c) the debtor's right of withdrawal only arises in a representative capacity. We will not be liable for the dishonor of any check when the dishonor occurs because we set off a debt against this account. You agree to hold us harmless from any claim arising as a result of our exercise of our right of set-off.

**Check Processing.** We process items mechanically by relying solely on the information encoded in magnetic ink along the bottom of the items. This means that we do not individually examine all of your items to determine if the item is properly completed, signed and indorsed or to determine if it contains any information other than what is encoded in magnetic ink. You agree that we have not failed to exercise ordinary care solely because we use our automated system to process items and do not inspect all items processed in such a manner. Using an automated process helps us keep costs down for you and all account holders.

**Check Cashing.** We may charge a fee for anyone that does not have an account with us who is cashing a check, draft or other instrument written on your account. We may also require reasonable identification to cash such a check, draft or other instrument. We can decide what identification is reasonable under the circumstances and such identification may be documentary or physical and may include collecting a thumbprint or fingerprint.

**Truncation, Substitute Checks, and Other Check Images.**

If you truncate an original check and create a substitute check, or other paper or electronic image of the original check, you warrant that no one will be asked to make payment on the original check, a substitute check or any other electronic or paper image, if the payment obligation relating to the original check has already been paid. You also warrant that any substitute check you create conforms to the legal requirements and generally accepted specifications for substitute checks. You agree to retain the original check in conformance with our internal policy for retaining original checks. You agree to indemnify us for any loss we may incur as a result of any truncated check transaction you initiate. We can refuse to accept substitute checks that have not previously been warranted by a bank or other financial institution in conformance with the Check 21 Act. Unless specifically stated in a separate agreement between you and

us, we do not have to accept any other electronic or paper image of an original check.

**Remotely Created Checks.** Like any standard check or draft, a remotely created check (sometimes called a telecheck, preauthorized draft or demand draft) is a check or draft that can be used to withdraw money from an account. Unlike a typical check or draft, however, a remotely created check is not issued by the paying bank and does not contain the signature of the account owner (or a signature purported to be the signature of the account owner). In place of a signature, the check usually has a statement that the owner authorized the check or has the owner's name typed or printed on the signature line. For example, if a person provides an account number in response to a telephone solicitation, the telephone solicitor can use the account number to issue a remotely created check to withdraw money from that account.

You warrant and agree to the following for every remotely created check we receive from you for deposit or collection: (1) you have received express and verifiable authorization to create the check in the amount and to the payee that appears on the check; (2) you will maintain proof of the authorization for at least 2 years from the date of the authorization, and supply us the proof if we ask; and (3) if a check is returned you owe us the amount of the check, regardless of when the check is returned. We may take funds from your account to pay the amount you owe us, and if there are insufficient funds in your account, you still owe us the remaining balance.

**Unlawful Internet Gambling Notice.** Restricted transactions as defined in Federal Reserve Regulation GG are prohibited from being processed through this account or relationship. Restricted transactions generally include, but are not limited to, those in which credit, electronic fund transfers, checks, or drafts are knowingly accepted by gambling businesses in connection with the participation by others in unlawful Internet gambling.

**ACH and Wire Transfers.** This agreement is subject to Article 4A of the Uniform Commercial Code - Fund Transfers as adopted in the state in which you have your account with us. If you originate a fund transfer and you identify by name and number a beneficiary financial institution, an intermediary financial institution or a beneficiary, we and every receiving or beneficiary financial institution may rely on the identifying number to make payment. We may rely on the number even if it identifies a financial institution, person or account other than the one named. You agree to be bound by automated clearing house association rules. These rules provide, among other things, that payments made to you, or originated by you, are provisional until final settlement is made through a Federal Reserve Bank or payment is otherwise made as provided in Article 4A-403(a) of the Uniform Commercial Code. If we do not receive such payment, we are entitled to a refund from you in the amount credited to your account and the party originating such payment will not be considered to have paid the amount so credited. If we receive a payment order to credit an account you have with us by wire or ACH, we are not required to give you any notice of the payment order or credit.

**Facsimile Signatures.** Unless you make advance arrangements with us, we have no obligation to honor facsimile signatures on your checks or other orders. If we do agree to honor items containing facsimile signatures, you authorize us, at any time, to charge you for all checks, drafts, or other orders, for the payment of money, that are drawn on us. You give us this authority regardless of by whom or by what means the facsimile signature(s) may have been affixed so long as they resemble the facsimile signature specimen filed with us, and contain the required number of signatures for this purpose. You must notify us at once if you suspect that your facsimile signature is being or has been misused.

**Authorized Signer (Individual Accounts only).** A single individual is the owner. The authorized signer is merely designated to conduct

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transactions on the owner's behalf. The owner does not give up any rights to act on the account, and the authorized signer may not in any manner affect the rights of the owner or beneficiaries, if any, other than by withdrawing funds from the account. The owner is responsible for any transactions of the authorized signer. We undertake no obligation to monitor transactions to determine that they are on the owner's behalf. The owner may terminate the authorization at any time, and the authorization is automatically terminated by the death of the owner. However, we may continue to honor the transactions of the authorized signer until: (a) we have received written notice or have actual knowledge of the termination of authority, and (b) we have a reasonable opportunity to act on that notice or knowledge. We may refuse to accept the designation of an authorized signer.

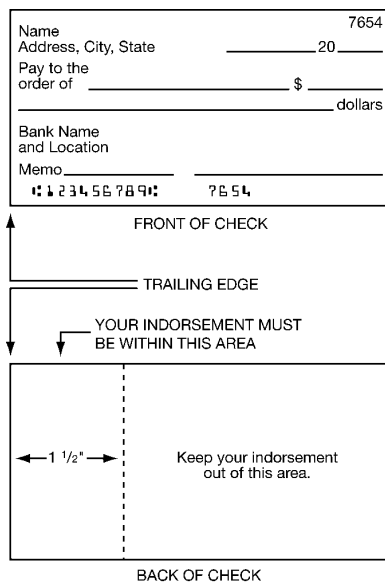
**Restrictive Legends.** The automated processing of the large volume of checks we receive prevents us from inspecting or looking for special instructions or "restrictive legends" on every check. Examples of restrictive legends placed on checks are "must be presented within 90 days" or "not valid for more than \$1,000.00." For this reason, we are not required to honor any restrictive legend placed on checks you write unless we have agreed in writing to the restriction. We are not responsible for any losses, claims, damages, or expenses that result from your placement of these or other special instructions on your checks.

**Account Transfer.** This account may not be transferred or assigned without our prior written consent.

**Indorsements.** We may accept for deposit any item payable to you or your order, even if they are not indorsed by you. We may give cash back to any one of you. We may supply any missing indorsement(s) for any item we accept for deposit or collection, and you warrant that all indorsements are genuine.

To ensure that your check or share draft is processed without delay, you must indorse it (sign it on the back) in a specific area. Your entire indorsement (whether a signature or a stamp) along with any other indorsement information (e.g., additional indorsements, ID information, driver's license number, etc.) must fall within 1 1/2" of the "trailing edge" of a check. Indorsements must be made in blue or black ink, so that they are readable by automated check processing equipment.

As you look at the front of a check, the "trailing edge" is the left edge. When you flip the check over, be sure to keep all indorsement information within 1 1/2" of that edge.



It is important that you confine the indorsement information to this area since the remaining blank space will be used by others in the processing of the check to place additional needed indorsements and information. You agree that you will indemnify, defend, and hold us harmless for any loss, liability, damage or expense that occurs because your indorsement, another indorsement, or information you have printed on the back of the check obscures our indorsement. These indorsement guidelines apply to both personal and business checks.

**Death or Incompetence.** You agree to notify us promptly if any person with a right to withdraw funds from your account(s) dies or becomes legally incompetent. We may continue to honor your checks, items, and instructions until: (a) we know of your death or incompetence, and (b) we have had a reasonable opportunity to act on that knowledge. You agree that we may pay or certify checks drawn on or before the date of death or legal incompetence for up to ten (10) days after your death or legal incompetence unless ordered to stop payment by someone claiming an interest in the account.

**Fiduciary Accounts.** Accounts may be opened by a person acting in a fiduciary capacity. A fiduciary is someone who is appointed to act on behalf of and for the benefit of another. This account may be opened and maintained by a person or persons named as a trustee under a written trust agreement, or as executors, administrators, or conservators under court orders. You understand that by merely opening such an account, we are not acting in the capacity of a trustee in connection with the trust nor do we undertake any obligation to monitor or enforce the terms of the trust or letters.

**Credit Verification.** You agree that we may verify credit and employment history by any necessary means, including preparation of a credit report by a credit reporting agency.

**Legal Actions Affecting Your Account.** If we are served with a subpoena, restraining order, writ of attachment or execution, levy, garnishment, search warrant, or similar order relating to your account (termed "legal action" in this section), we will comply with that legal action. Or, in our discretion, we may freeze the assets in the account and not allow any payments out of the account until a final court determination regarding the legal action. We may do these things even if the legal action involves less than all of you. In these cases, we will not have any liability to you if there are insufficient funds to pay your items because we have withdrawn funds from your account or in any way restricted access to your funds in accordance with the legal action. Any fees or expenses we incur in responding to any legal action (including, without limitation, attorneys' fees and our internal expenses) may be charged against your account. The list of fees applicable to your account(s) provided elsewhere may specify additional fees that we may charge for certain legal actions.

**Security.** It is your responsibility to protect the account numbers and electronic access devices (e.g., an ATM card) we provide you for your account(s). Do not discuss, compare, or share information about your account number(s) with anyone unless you are willing to give them full use of your money. An account number can be used by thieves to encode your number on a false demand draft which looks like and functions like an authorized check. If you furnish your access device and grant actual authority to make transfers to another person (a family member or coworker, for example) who then exceeds that authority, you are liable for the transfers unless we have been notified that transfers by that person are no longer authorized. Your account number can also be used to electronically remove money from your account. If you provide your account number in response to a telephone solicitation for the purpose of making a transfer (to purchase a service or merchandise, for example), payment can be made from your account even though you did not contact us directly and order the payment. You must also take precaution in safeguarding your blank checks. Notify us at once if you believe your checks have been lost or stolen. As between you and us, if you are



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negligent in safeguarding your checks, you must bear the loss entirely yourself or share the loss with us (we may have to share some of the loss if we failed to use ordinary care and if we substantially contributed to the loss).

You agree that if we offer you services appropriate for your account to help identify and limit fraud or other unauthorized transactions against your account, such as positive pay or commercially reasonable security procedures, and you reject those services, you will be responsible for any fraudulent or unauthorized transactions which could have been prevented by the services we offered, unless we acted in bad faith or to the extent our negligence contributed to the loss.

**Telephonic Instructions.** Unless required by law or we have agreed otherwise in writing, we are not required to act upon instructions you give us via facsimile transmission or leave by voice mail or on a telephone answering machine.

**Claim of Loss.** If you claim a credit or refund because of a forgery, alteration, or any other unauthorized withdrawal, you agree to cooperate with us in the investigation of the loss, including giving us an affidavit containing whatever reasonable information we require concerning your account, the transaction, and the circumstances surrounding the loss. You will notify law enforcement authorities of any criminal act related to the claim of lost, missing, or stolen checks or unauthorized withdrawals. We will have a reasonable period of time to investigate the facts and circumstances surrounding any claim of loss. Unless we have acted in bad faith, we will not be liable for special or consequential damages, including loss of profits or opportunity, or for attorneys' fees incurred by you. You agree that you will not waive any rights you have to recover your loss against anyone who is obligated to repay, insure, or otherwise reimburse you for your loss. You will pursue your rights or, at our option, assign them to us so that we may pursue them. Our liability will be reduced by the amount you recover or are entitled to recover from these other sources.

**Early Withdrawal Penalties** (*and involuntary withdrawals*).

We may impose early withdrawal penalties on a withdrawal from a time account even if you don't initiate the withdrawal. For instance, the early withdrawal penalty may be imposed if the withdrawal is caused by our setoff against funds in the account or as a result of an attachment or other legal process. We may close your account and impose the early withdrawal penalty on the entire account balance in the event of a partial early withdrawal. See your notice of penalty for early withdrawals for additional information.

**Address or Name Changes.** You are responsible for notifying us of any change in your address or your name. Unless we agree otherwise, change of address or name must be made in writing by at least one of the account holders. Informing us of your address or name change on a check reorder form is not sufficient. We will attempt to communicate with you only by use of the most recent address you have provided to us. If provided elsewhere, we may impose a service fee if we attempt to locate you.

**Resolving Account Disputes.** We may place an administrative hold on the funds in your account (refuse payment or withdrawal of the funds) if it becomes subject to a claim adverse to (1) your own interest; (2) others claiming an interest as survivors or beneficiaries of your account; or (3) a claim arising by operation of law. The hold may be placed for such period of time as we believe reasonably necessary to allow a legal proceeding to determine the merits of the claim or until we receive evidence satisfactory to us that the dispute has been resolved. We will not be liable for any items that are dishonored as a consequence of placing a hold on funds in your account for these reasons.

**Waiver of Notices.** You waive any notice of non-payment, dishonor or protest regarding any items credited to or charged against your account.

## Additional Terms.

### ARBITRATION AND WAIVER OF JURY TRIAL

ALL DISPUTES OR CLAIMS PERTAINING TO THE SERVICE, A SERVICE ACCOUNT OR THE RELATIONSHIPS THAT ARISE THERE FROM, WHETHER BASED IN CONTRACT, TORT OR OTHERWISE, SHALL BE RESOLVED BY BINDING ARBITRATION UNDER THE EXPEDITED PROCEDURES OF THE COMMERCIAL FINANCIAL DISPUTES ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION (AAA) AND THE FEDERAL ARBITRATION ACT IN TITLE 9 OF THE US CODE. ARBITRATION HEARINGS WILL BE HELD IN THE STATE OF INDIANA IN A CITY OF FIRST MERCHANTS BANK, NA CHOOSING. A SINGLE ARBITRATOR WILL BE APPOINTED BY THE AAA AND WILL BE AN ATTORNEY OR A RETIRED JUDGE WITH EXPERIENCE AND KNOWLEDGE IN BANKING TRANSACTIONS. ANY ISSUE CONCERNING WHETHER OR THE EXTENT TO WHICH A DISPUTE OR CLAIM IS SUBJECT TO ARBITRATION, INCLUDING BUT NOT LIMITED TO ISSUES RELATING TO THE VALIDITY OR ENFORCEABILITY OF THESE ARBITRATION PROVISIONS, SHALL BE DETERMINED BY THE ARBITRATOR. ALL STATUTES OF LIMITATIONS OR OTHER DEFENSES RELATING TO THE TIMELINESS OF THE ASSERTION OF A DISPUTE OR CLAIM THAT OTHERWISE WOULD BE APPLICABLE TO AN ACTION BROUGHT IN A COURT OF LAW SHALL BE APPLICABLE IN ANY SUCH ARBITRATION, AND THE COMMENCEMENT OF AN ARBITRATION UNDER THIS AGREEMENT SHALL BE DEEMED THE COMMENCEMENT OF AN ACTION FOR SUCH PURPOSES. NO PROVISION OF THIS PARAGRAPH SHALL RESTRICT THE ABILITY OF ANY PERSON TO EXERCISE ALL RIGHTS AND REMEDIES AVAILABLE UNDER APPLICABLE LAW OR THIS AGREEMENT; PROVIDED, HOWEVER, THAT THE EXERCISE OF THOSE RIGHTS OR REMEDIES IS SUBJECT TO THE RIGHT OF ANY OTHER PERSON TO DEMAND ARBITRATION AS PROVIDED HEREIN. THE COMMENCEMENT OF LEGAL ACTION BY A PERSON ENTITLED TO DEMAND ARBITRATION DOES NOT WAIVE THE RIGHT OF THAT PERSON TO DEMAND ARBITRATION WITH RESPECT TO ANY COUNTERCLAIM OR OTHER CLAIM. A PERSON ENTITLED OR OBLIGATED TO DEMAND ARBITRATION SHALL BE PERMITTED TO ASSERT A DISPUTE OR CLAIM THAT IS BROUGHT ON BEHALF OF ANY OTHER PERSON AND THERE SHALL BE NO RIGHT OR AUTHORITY FOR ANY DISPUTE OR CLAIM TO BE ARBITRATED AS, OR ON THE BASIS OF, A CLASS ACTION. SIMILARLY, AN ARBITRATION PROCEEDING UNDER THIS AGREEMENT MAY NOT BE CONSOLIDATED WITH OTHER ARBITRATIONS PROCEEDINGS. JUDGMENT UPON THE AWARD RENDERED IN ARBITRATION SHALL BE FINAL AND MAY BE ENTERED IN ANY COURT, STATE OR FEDERAL, HAVING JURISDICTION. IF A DISPUTE OR CLAIM IS NOT SUBJECT TO ARBITRATION FOR ANY REASON, THEN THE DISPUTE OR CLAIM SHALL BE DECIDED IN THE COURTS OF DELAWARE COUNTY, INDIANA, WITHOUT A JURY. YOU AND FIRST MERCHANTS BANK, NA IRREVOCABLY WAIVE ALL RIGHTS TO TRIAL BY JURY.

# ILLINOIS TERMS & CONDITIONS

## Terms and Conditions of Your Account

**Agreement.** This document, along with any other documents we give you pertaining to your account(s), is a contract that establishes rules which control your account(s) with us. Please read this carefully and retain it for future reference. If you sign the signature card or open or continue to use the account, you agree to these rules. You will receive a separate schedule of rates, qualifying balances, and fees if they are not included in this document. If you have any questions, please call us.

This agreement is subject to applicable federal laws, the laws of the state of Illinois and other applicable rules such as the operating letters of the Federal Reserve Banks and payment processing system rules (except to the extent that this agreement can and does vary such rules or laws). The body of state and federal law that governs our relationship with you, however, is too large and complex to be reproduced here. The purpose of this document is to:

1. summarize some laws that apply to common transactions;
2. establish rules to cover transactions or events which the law does not regulate;
3. establish rules for certain transactions or events which the law regulates but permits variation by agreement; and
4. give you disclosures of some of our policies to which you may be entitled or in which you may be interested.

If any provision of this document is found to be unenforceable according to its terms, all remaining provisions will continue in full force and effect. We may permit some variations from our standard agreement, but we must agree to any variation in writing either on the signature card for your account or in some other document. As used in this document the words “we,” “our,” and “us” mean the financial institution and the words “you” and “your” mean the account holder(s) and anyone else with the authority to deposit, withdraw, or exercise control over the funds in the account. However, this agreement does not intend, and the terms “you” and “your” should not be interpreted, to expand an individual’s responsibility for an organization’s liability. If this account is owned by a corporation, partnership or other organization, individual liability is determined by the laws generally applicable to that type of organization. The headings in this document are for convenience or reference only and will not govern the interpretation of the provisions. Unless it would be inconsistent to do so, words and phrases used in this document should be construed so the singular includes the plural and the plural includes the singular.

**Liability.** You agree, for yourself (and the person or entity you represent if you sign as a representative of another) to the terms of this account and the schedule of charges. You authorize us to deduct these charges, without notice to you, directly from the account balance as accrued. You will pay any additional reasonable charges for services you request which are not covered by this agreement.

Each of you also agrees to be jointly and severally (individually) liable for any account shortage resulting from charges or overdrafts, whether caused by you or another with access to this account. This liability is due immediately, and can be deducted directly from the account balance whenever sufficient funds are available. You have no right to defer payment of this liability, and you are liable regardless of whether you signed the item or benefited from the charge or overdraft.

You will be liable for our costs as well as for our reasonable attorneys’ fees, to the extent permitted by law, whether incurred as a result of collection or in any other dispute involving your account. This includes, but is not limited to, disputes between you and another joint owner; you and an authorized signer or similar party; or a third

party claiming an interest in your account. This also includes any action that you or a third party takes regarding the account that causes us, in good faith, to seek the advice of an attorney, whether or not we become involved in the dispute. All costs and attorneys’ fees can be deducted from your account when they are incurred, without notice to you.

**Deposits.** We will give only provisional credit until collection is final for any items, other than cash, we accept for deposit (including items drawn “on us”). Before settlement of any item becomes final, we act only as your agent, regardless of the form of indorsement or lack of indorsement on the item and even though we provide you provisional credit for the item. We may reverse any provisional credit for items that are lost, stolen, or returned. Actual credit for deposits of, or payable in, foreign currency will be at the exchange rate in effect on final collection in U.S. dollars. We are not responsible for transactions by mail or outside depository until we actually record them. We will treat and record all transactions received after our “daily cutoff time” on a business day we are open, or received on a day we are not open for business, as if initiated on the next business day that we are open. At our option, we may take an item for collection rather than for deposit. If we accept a third-party check for deposit, we may require any third-party indorsers to verify or guarantee their indorsements, or indorse in our presence.

### Withdrawals.

**Generally.** Unless clearly indicated otherwise on the account records, any of you, acting alone, who signs to open the account or has authority to make withdrawals may withdraw or transfer all or any part of the account balance at any time. Each of you (until we receive written notice to the contrary) authorizes each other person who signs or has authority to make withdrawals to indorse any item payable to you or your order for deposit to this account or any other transaction with us.

**Postdated Checks.** A postdated check is one which bears a date later than the date on which the check is written. We may properly pay and charge your account for a postdated check even though payment was made before the date of the check, unless we have received written notice of the postdating in time to have a reasonable opportunity to act. Because we process checks mechanically, your notice will not be effective and we will not be liable for failing to honor your notice unless it precisely identifies the number, date, amount and payee of the item.

**Checks and Withdrawal Rules.** If you do not purchase your check blanks from us, you must be certain that we approve the check blanks you purchase. We may refuse any withdrawal or transfer request which you attempt on forms not approved by us or by any method we do not specifically permit. We may refuse any withdrawal or transfer request which is greater in number than the frequency permitted, or which is for an amount greater or less than any withdrawal limitations. We will use the date the transaction is completed by us (as opposed to the date you initiate it) to apply the frequency limitations. In addition, we may place limitations on the account until your identity is verified.

Even if we honor a nonconforming request, we are not required to do so later. If you violate the stated transaction limitations (if any), in our discretion we may close your account or reclassify it as a transaction account. If we reclassify your account, your account will be subject to the fees and earnings rules of the new account classification.

# ILLINOIS TERMS & CONDITIONS

If we are presented with an item drawn against your account that would be a "substitute check," as defined by law, but for an error or defect in the item introduced in the substitute check creation process, you agree that we may pay such item.

See the funds availability policy disclosure for information about when you can withdraw funds you deposit. For those accounts to which our funds availability policy disclosure does not apply, you can ask us when you make a deposit when those funds will be available for withdrawal. We may determine the amount of available funds in your account for the purpose of deciding whether to return an item for insufficient funds at any time between the time we receive the item and when we return the item or send a notice in lieu of return. We need only make one determination, but if we choose to make a subsequent determination, the account balance at the subsequent time will determine whether there are insufficient available funds.

**Overdrafts.** You understand that we may, at our discretion, honor withdrawal requests that overdraw your account. However, the fact that we may honor withdrawal requests that overdraw the account balance does not obligate us to do so later. So you can NOT rely on us to pay overdrafts on your account regardless of how frequently or under what circumstances we have paid overdrafts on your account in the past. We can change our practice of paying overdrafts on your account without notice to you. You can ask us if we have other account services that might be available to you where we commit to paying overdrafts under certain circumstances, such as an overdraft protection line-of-credit or a plan to sweep funds from another account you have with us. You agree that we may charge fees for overdrafts, except for overdrafts caused by ATM withdrawals or one-time debit card transactions if you have not opted-in to that service. We may use subsequent deposits, including direct deposits of social security or other government benefits, to cover such overdrafts and overdraft fees.

**Multiple Signatures, Electronic Check Conversion, and Similar Transactions.** An electronic check conversion transaction is a transaction where a check or similar item is converted into an electronic fund transfer as defined in the Electronic Fund Transfers regulation. In these types of transactions the check or similar item is either removed from circulation (truncated) or given back to you. As a result, we have no opportunity to review the check to examine the signatures on the item. You agree that, as to these or any items as to which we have no opportunity to examine the signatures, you waive any requirement of multiple signatures.

**Notice of Withdrawal.** We reserve the right to require not less than 7 days' notice in writing before each withdrawal from an interest-bearing account other than a time deposit, or from any other savings account as defined by Regulation D. (The law requires us to reserve this right, but it is not our general policy to use it.) Withdrawals from a time account prior to maturity or prior to any notice period may be restricted and may be subject to penalty. See your notice of penalty for early withdrawal.

**Ownership of Account and Beneficiary Designation.** These rules apply to this account depending on the form of ownership and beneficiary designation, if any, specified on the account records. We make no representations as to the appropriateness or effect of the ownership and beneficiary designations, except as they determine to whom we pay the account funds.

**Individual Account.** This is an account in the name of one person.

**Joint Account - With Survivorship (And Not As Tenants In Common).** This is an account in the name of two or more persons. Each of you intend that when you die the balance in the account (subject to any previous pledge to which we have agreed) will belong to the survivor(s). If two or more of you survive, you will own the balance in the account as joint tenants with

survivorship and not as tenants in common.

**Joint Account - No Survivorship (As Tenants In Common).** This is owned by two or more persons, but none of you intend (merely by opening this account) to create any right of survivorship in any other person. We encourage you to agree and tell us in writing of the percentage of the deposit contributed by each of you. This information will not, however, affect the "number of signatures" necessary for withdrawal.

**Revocable Trust or Pay-On-Death Account.** If two or more of you create this type of account, you own the account jointly with survivorship. Beneficiaries of either of these account types cannot withdraw unless: (1) all persons creating the account die, and (2) the beneficiary is then living. If two or more beneficiaries are named and survive the death of the owner(s) of the account, such beneficiaries will own this account in equal shares, without right of survivorship. The person(s) creating either a Pay-On-Death or Revocable Trust account reserves the right to: (1) change beneficiaries, (2) change account types, and (3) withdraw all or part of the account funds at any time.

**Business, Organization and Association Accounts.** Earnings in the form of interest, dividends, or credits will be paid only on collected funds, unless otherwise provided by law or our policy. You represent that you have the authority to open and conduct business on this account on behalf of the entity. We may require the governing body of the entity opening the account to give us a separate authorization telling us who is authorized to act on its behalf. We will honor the authorization until we actually receive written notice of a change from the governing body of the entity.

**Stop Payments.** Unless otherwise provided, the rules in this section cover stopping payment of items such as checks and drafts. Rules for stopping payment of other types of transfers of funds, such as consumer electronic fund transfers, may be established by law or our policy. If we have not disclosed these rules to you elsewhere, you may ask us about those rules.

We may accept an order to stop payment on any item from any one of you. You must make any stop-payment order in the manner required by law and we must receive it in time to give us a reasonable opportunity to act on it before our stop-payment cutoff time. Because stop-payment orders are handled by computers, to be effective, your stop-payment order must precisely identify the number, date, and amount of the item, and the payee.

You may stop payment on any item drawn on your account whether you sign the item or not. Generally, if your stop-payment order is given to us in writing it is effective for six months. Your order will lapse after that time if you do not renew the order in writing before the end of the six-month period. If the original stop-payment order was verbal your stop-payment order will lapse after 14 calendar days if you do not confirm your order in writing within that time period. We are not obligated to notify you when a stop-payment order expires. A release of the stop-payment request may be made only by the person who initiated the stop-payment order.

If you stop payment on an item and we incur any damages or expenses because of the stop payment, you agree to indemnify us for those damages or expenses, including attorneys' fees. You assign to us all rights against the payee or any other holder of the item. You agree to cooperate with us in any legal actions that we may take against such persons. You should be aware that anyone holding the item may be entitled to enforce payment against you despite the stop-payment order.

Our stop-payment cutoff time is one hour after the opening of the next banking day after the banking day on which we receive the item. Additional limitations on our obligation to stop payment are provided by law (e.g., we paid the item in cash or we certified the item).



# ILLINOIS TERMS & CONDITIONS

**Telephone Transfers.** A telephone transfer of funds from this account to another account with us, if otherwise arranged for or permitted, may be made by the same persons and under the same conditions generally applicable to withdrawals made in writing. Unless a different limitation is disclosed in writing, we restrict the number of transfers from a savings account to another account or to third parties, to a maximum of six per month (less the number of "preauthorized transfers" during the month). Other account transfer restrictions may be described elsewhere.

**Amendments and Termination.** We may change any term of this agreement. Rules governing changes in interest rates are provided separately in the Truth-in-Savings disclosure or in another document. For other changes, we will give you reasonable notice in writing or by any other method permitted by law. We may also close this account at any time upon reasonable notice to you and tender of the account balance personally or by mail. Items presented for payment after the account is closed may be dishonored. When you close your account, you are responsible for leaving enough money in the account to cover any outstanding items to be paid from the account. Reasonable notice depends on the circumstances, and in some cases such as when we cannot verify your identity or we suspect fraud, it might be reasonable for us to give you notice after the change or account closure becomes effective. For instance, if we suspect fraudulent activity with respect to your account, we might immediately freeze or close your account and then give you notice. You agree to keep us informed of your current address at all times. Notice from us to any one of you is notice to all of you. If we have notified you of a change in any term of your account and you continue to have your account after the effective date of the change, you have agreed to the new term(s).

## Statements.

**Your Duty to Report Unauthorized Signatures, Alterations and Forgeries.** You must examine your statement of account with "reasonable promptness." If you discover (or reasonably should have discovered) any unauthorized signatures or alterations, you must promptly notify us of the relevant facts. As between you and us, if you fail to do either of these duties, you will have to either share the loss with us, or bear the loss entirely yourself (depending on whether we used ordinary care and, if not, whether we substantially contributed to the loss). The loss could be not only with respect to items on the statement but other items with unauthorized signatures or alterations by the same wrongdoer.

You agree that the time you have to examine your statement and report to us will depend on the circumstances, but will not, in any circumstance, exceed a total of 30 days from when the statement is first sent or made available to you.

You further agree that if you fail to report any unauthorized signatures, alterations or forgeries in your account within 60 days of when we first send or make the statement available, you cannot assert a claim against us on any items in that statement, and as between you and us the loss will be entirely yours. This 60-day limitation is without regard to whether we used ordinary care. The limitation in this paragraph is in addition to that contained in the first paragraph of this section.

**Your Duty to Report Other Errors.** In addition to your duty to review your statements for unauthorized signatures, alterations and forgeries, you agree to examine your statement with reasonable promptness for any other error - such as an encoding error. You agree that the time you have to examine your statement and report to us will depend on the circumstances. However, such time period shall not exceed 60 days. Failure to examine your statement and report any such errors to us within 60 days of when we first send or make the statement available precludes you from

asserting a claim against us for any such errors on items identified in that statement and as between you and us the loss will be entirely yours.

**Errors Relating to Electronic Fund Transfers or Substitute Checks** (*For consumer accounts only*). For information on errors relating to electronic fund transfers (e.g., computer, debit card or ATM transactions) refer to your Electronic Fund Transfers disclosure and the sections on consumer liability and error resolution. For information on errors relating to a substitute check you received, refer to your disclosure entitled Substitute Checks and Your Rights.

**Direct Deposits.** If we are required for any reason to reimburse the federal government for all or any portion of a benefit payment that was directly deposited into your account, you authorize us to deduct the amount of our liability to the U.S. Government from the account or from any other account you have with us, without prior notice and at any time, except as prohibited by law. We may also use any other legal remedy to recover the amount of our liability.

**Temporary Account Agreement.** If this option is selected, this is a temporary account agreement. Each person who signs to open the account or has authority to make withdrawals (except as indicated to the contrary) may transact business on this account. However, we may at some time in the future restrict or prohibit further use of this account if you fail to comply with the requirements we have imposed within a reasonable time.

**Set-Off.** We may (without prior notice and when permitted by law) set off the funds in this account against any due and payable debt you owe us now or in the future, by any of you having the right of withdrawal, to the extent of such persons' or legal entity's right to withdraw. If the debt arises from a note, "any due and payable debt" includes the total amount of which we are entitled to demand payment under the terms of the note at the time we set off, including any balance the due date for which we properly accelerate under the note.

This right of set-off does not apply to this account if prohibited by law. For example, the right of set-off does not apply to this account if: (a) it is an Individual Retirement Account or similar tax-deferred account, or (b) the debt is created by a consumer credit transaction under a credit card plan (but this does not affect our rights under any consensual security interest), or (c) the debtor's right of withdrawal only arises in a representative capacity. We will not be liable for the dishonor of any check when the dishonor occurs because we set off a debt against this account. You agree to hold us harmless from any claim arising as a result of our exercise of our right of set-off.

**Check Processing.** We process items mechanically by relying solely on the information encoded in magnetic ink along the bottom of the items. This means that we do not individually examine all of your items to determine if the item is properly completed, signed and indorsed or to determine if it contains any information other than what is encoded in magnetic ink. You agree that we have not failed to exercise ordinary care solely because we use our automated system to process items and do not inspect all items processed in such a manner. Using an automated process helps us keep costs down for you and all account holders.

**Check Cashing.** We may charge a fee for anyone that does not have an account with us who is cashing a check, draft or other instrument written on your account. We may also require reasonable identification to cash such a check, draft or other instrument. We can decide what identification is reasonable under the circumstances and such identification may be documentary or physical and may include collecting a thumbprint or fingerprint.

# ILLINOIS TERMS & CONDITIONS

## **Truncation, Substitute Checks, and Other Check Images.**

If you truncate an original check and create a substitute check, or other paper or electronic image of the original check, you warrant that no one will be asked to make payment on the original check, a substitute check or any other electronic or paper image, if the payment obligation relating to the original check has already been paid. You also warrant that any substitute check you create conforms to the legal requirements and generally accepted specifications for substitute checks. You agree to retain the original check in conformance with our internal policy for retaining original checks. You agree to indemnify us for any loss we may incur as a result of any truncated check transaction you initiate. We can refuse to accept substitute checks that have not previously been warranted by a bank or other financial institution in conformance with the Check 21 Act. Unless specifically stated in a separate agreement between you and us, we do not have to accept any other electronic or paper image of an original check.

**Remotely Created Checks.** Like any standard check or draft, a remotely created check (sometimes called a telecheck, preauthorized draft or demand draft) is a check or draft that can be used to withdraw money from an account. Unlike a typical check or draft, however, a remotely created check is not issued by the paying bank and does not contain the signature of the account owner (or a signature purported to be the signature of the account owner). In place of a signature, the check usually has a statement that the owner authorized the check or has the owner's name typed or printed on the signature line. For example, if a person provides an account number in response to a telephone solicitation, the telephone solicitor can use the account number to issue a remotely created check to withdraw money from that account.

You warrant and agree to the following for every remotely created check we receive from you for deposit or collection: (1) you have received express and verifiable authorization to create the check in the amount and to the payee that appears on the check; (2) you will maintain proof of the authorization for at least 2 years from the date of the authorization, and supply us the proof if we ask; and (3) if a check is returned you owe us the amount of the check, regardless of when the check is returned. We may take funds from your account to pay the amount you owe us, and if there are insufficient funds in your account, you still owe us the remaining balance.

**Unlawful Internet Gambling Notice.** Restricted transactions as defined in Federal Reserve Regulation GG are prohibited from being processed through this account or relationship. Restricted transactions generally include, but are not limited to, those in which credit, electronic fund transfers, checks, or drafts are knowingly accepted by gambling businesses in connection with the participation by others in unlawful Internet gambling.

**ACH and Wire Transfers.** This agreement is subject to Article 4A of the Uniform Commercial Code - Fund Transfers as adopted in the state in which you have your account with us. If you originate a fund transfer and you identify by name and number a beneficiary financial institution, an intermediary financial institution or a beneficiary, we and every receiving or beneficiary financial institution may rely on the identifying number to make payment. We may rely on the number even if it identifies a financial institution, person or account other than the one named. You agree to be bound by automated clearing house association rules. These rules provide, among other things, that payments made to you, or originated by you, are provisional until final settlement is made through a Federal Reserve Bank or payment is otherwise made as provided in Article 4A-403(a) of the Uniform Commercial Code. If we do not receive such payment, we are entitled to a refund from you in the amount credited to your account and the party originating such payment will not be considered to have paid the amount so credited. If we receive a payment order to credit an account you have with us by wire or ACH, we are not required to give you any notice of the payment order or credit.

**Facsimile Signatures.** Unless you make advance arrangements with us, we have no obligation to honor facsimile signatures on your checks or other orders. If we do agree to honor items containing facsimile signatures, you authorize us, at any time, to charge you for all checks, drafts, or other orders, for the payment of money, that are drawn on us. You give us this authority regardless of by whom or by what means the facsimile signature(s) may have been affixed so long as they resemble the facsimile signature specimen filed with us, and contain the required number of signatures for this purpose. You must notify us at once if you suspect that your facsimile signature is being or has been misused.

**Convenience Depositor (Individual Accounts only).** A single individual is the owner. The convenience depositor is merely designated to conduct transactions on the owner's behalf. The owner does not give up any rights to act on the account, and the convenience depositor may not in any manner affect the rights of the owner or beneficiaries, if any, other than by withdrawing funds from the account. The owner is responsible for any transactions of the convenience depositor. We undertake no obligation to monitor transactions to determine that they are on the owner's behalf. The owner may terminate the authorization at any time, and the authorization is automatically terminated by the death of the owner. However, we may continue to honor the transactions of the convenience depositor until: (a) we have received written notice or have actual knowledge of the termination of authority, and (b) we have a reasonable opportunity to act on that notice or knowledge. We may refuse to accept a convenience depositor.

**Restrictive Legends.** The automated processing of the large volume of checks we receive prevents us from inspecting or looking for special instructions or "restrictive legends" on every check. Examples of restrictive legends placed on checks are "must be presented within 90 days" or "not valid for more than \$1,000.00." For this reason, we are not required to honor any restrictive legend placed on checks you write unless we have agreed in writing to the restriction. We are not responsible for any losses, claims, damages, or expenses that result from your placement of these or other special instructions on your checks.

**Account Transfer.** This account may not be transferred or assigned without our prior written consent.

**Indorsements.** We may accept for deposit any item payable to you or your order, even if they are not indorsed by you. We may give cash back to any one of you. We may supply any missing indorsement(s) for any item we accept for deposit or collection, and you warrant that all indorsements are genuine.

To ensure that your check or share draft is processed without delay, you must indorse it (sign it on the back) in a specific area. Your entire indorsement (whether a signature or a stamp) along with any other indorsement information (e.g., additional indorsements, ID information, driver's license number, etc.) must fall within 1 1/2" of the "trailing edge" of a check. Indorsements must be made in blue or black ink, so that they are readable by automated check processing equipment.

As you look at the front of a check, the "trailing edge" is the left edge. When you flip the check over, be sure to keep all indorsement information within 1 1/2" of that edge.

# ILLINOIS TERMS & CONDITIONS

Name	7654
Address, City, State	_____ 20 _____
Pay to the order of	_____ \$ _____
	_____ dollars
Bank Name and Location	_____
Memo	_____
⑆ 2 3 4 5 6 7 8 9 ⑆ _____ 7 6 5 4	

FRONT OF CHECK

TRAILING EDGE

YOUR INDORSEMENT MUST BE WITHIN THIS AREA

← 1 1/2" →

Keep your indorsement out of this area.

BACK OF CHECK

It is important that you confine the indorsement information to this area since the remaining blank space will be used by others in the processing of the check to place additional needed indorsements and information. You agree that you will indemnify, defend, and hold us harmless for any loss, liability, damage or expense that occurs because your indorsement, another indorsement, or information you have printed on the back of the check obscures our indorsement. These indorsement guidelines apply to both personal and business checks.

**Death or Incompetence.** You agree to notify us promptly if any person with a right to withdraw funds from your account(s) dies or becomes legally incompetent. We may continue to honor your checks, items, and instructions until: (a) we know of your death or incompetence, and (b) we have had a reasonable opportunity to act on that knowledge. You agree that we may pay or certify checks drawn on or before the date of death or legal incompetence for up to ten (10) days after your death or legal incompetence unless ordered to stop payment by someone claiming an interest in the account.

**Fiduciary Accounts.** Accounts may be opened by a person acting in a fiduciary capacity. A fiduciary is someone who is appointed to act on behalf of and for the benefit of another. This account may be opened and maintained by a person or persons named as a trustee under a written trust agreement, or as executors, administrators, or conservators under court orders. You understand that by merely opening such an account, we are not acting in the capacity of a trustee in connection with the trust nor do we undertake any obligation to monitor or enforce the terms of the trust or letters.

**Credit Verification.** You agree that we may verify credit and employment history by any necessary means, including preparation of a credit report by a credit reporting agency.

**Legal Actions Affecting Your Account.** If we are served with a subpoena, restraining order, writ of attachment or execution, levy, garnishment, search warrant, or similar order relating to your account (termed "legal action" in this section), we will comply with that legal action. Or, in our discretion, we may freeze the assets in the account and not allow any payments out of the account until a final court determination regarding the legal action. We may do these things even if the legal action involves less than all of you. In these cases, we will not have any liability to you if there are insufficient funds to pay your items because we have withdrawn funds from your account or in any way restricted access to your funds in accordance with the

legal action. Any fees or expenses we incur in responding to any legal action (including, without limitation, attorneys' fees and our internal expenses) may be charged against your account. The list of fees applicable to your account(s) provided elsewhere may specify additional fees that we may charge for certain legal actions.

**Security.** It is your responsibility to protect the account numbers and electronic access devices (e.g., an ATM card) we provide you for your account(s). Do not discuss, compare, or share information about your account number(s) with anyone unless you are willing to give them full use of your money. An account number can be used by thieves to encode your number on a false demand draft which looks like and functions like an authorized check. If you furnish your access device and grant actual authority to make transfers to another person (a family member or coworker, for example) who then exceeds that authority, you are liable for the transfers unless we have been notified that transfers by that person are no longer authorized. Your account number can also be used to electronically remove money from your account. If you provide your account number in response to a telephone solicitation for the purpose of making a transfer (to purchase a service or merchandise, for example), payment can be made from your account even though you did not contact us directly and order the payment. You must also take precaution in safeguarding your blank checks. Notify us at once if you believe your checks have been lost or stolen. As between you and us, if you are negligent in safeguarding your checks, you must bear the loss entirely yourself or share the loss with us (we may have to share some of the loss if we failed to use ordinary care and if we substantially contributed to the loss). You agree that if we offer you services appropriate for your account to help identify and limit fraud or other unauthorized transactions against your account, such as positive pay or commercially reasonable security procedures, and you reject those services, you will be responsible for any fraudulent or unauthorized transactions which could have been prevented by the services we offered, unless we acted in bad faith or to the extent our negligence contributed to the loss.

**Telephonic Instructions.** Unless required by law or we have agreed otherwise in writing, we are not required to act upon instructions you give us via facsimile transmission or leave by voice mail or on a telephone answering machine.

**Claim of Loss.** If you claim a credit or refund because of a forgery, alteration, or any other unauthorized withdrawal, you agree to cooperate with us in the investigation of the loss, including giving us an affidavit containing whatever reasonable information we require concerning your account, the transaction, and the circumstances surrounding the loss. You will notify law enforcement authorities of any criminal act related to the claim of lost, missing, or stolen checks or unauthorized withdrawals. We will have a reasonable period of time to investigate the facts and circumstances surrounding any claim of loss. Unless we have acted in bad faith, we will not be liable for special or consequential damages, including loss of profits or opportunity, or for attorneys' fees incurred by you. You agree that you will not waive any rights you have to recover your loss against anyone who is obligated to repay, insure, or otherwise reimburse you for your loss. You will pursue your rights or, at our option, assign them to us so that we may pursue them. Our liability will be reduced by the amount you recover or are entitled to recover from these other sources.

**Early Withdrawal Penalties (and involuntary withdrawals).**

We may impose early withdrawal penalties on a withdrawal from a time account even if you don't initiate the withdrawal. For instance, the early withdrawal penalty may be imposed if the withdrawal is caused by our setoff against funds in the account or as a result of an attachment or other legal process. We may close your account and impose the early withdrawal penalty on the entire account balance in the event of a partial early withdrawal. See your notice of penalty for early withdrawals for additional information.



# ILLINOIS TERMS & CONDITIONS

**Address or Name Changes.** You are responsible for notifying us of any change in your address or your name. Unless we agree otherwise, change of address or name must be made in writing by at least one of the account holders. Informing us of your address or name change on a check reorder form is not sufficient. We will attempt to communicate with you only by use of the most recent address you have provided to us. If provided elsewhere, we may impose a service fee if we attempt to locate you.

**Resolving Account Disputes.** We may place an administrative hold on the funds in your account (refuse payment or withdrawal of the funds) if it becomes subject to a claim adverse to (1) your own interest; (2) others claiming an interest as survivors or beneficiaries of your account; or (3) a claim arising by operation of law. The hold may be placed for such period of time as we believe reasonably necessary to allow a legal proceeding to determine the merits of the claim or until we receive evidence satisfactory to us that the dispute has been resolved. We will not be liable for any items that are dishonored as a consequence of placing a hold on funds in your account for these reasons.

**Waiver of Notices.** You waive any notice of nonpayment, dishonor or protest regarding any items credited to or charged against your account.

## **Additional Terms.**

### ARBITRATION AND WAIVER OF JURY TRIAL

ALL DISPUTES OR CLAIMS PERTAINING TO THE SERVICE, A SERVICE ACCOUNT OR THE RELATIONSHIPS THAT ARISE THERE FROM, WHETHER BASED IN CONTRACT, TORT OR OTHERWISE, SHALL BE RESOLVED BY BINDING ARBITRATION UNDER THE EXPEDITED PROCEDURES OF THE COMMERCIAL FINANCIAL DISPUTES ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION (AAA) AND THE FEDERAL ARBITRATION ACT IN TITLE 9 OF THE US CODE. ARBITRATION HEARINGS WILL BE HELD IN THE STATE OF INDIANA IN A CITY OF FIRST MERCHANTS BANK, NA CHOOSING. A SINGLE ARBITRATOR WILL BE APPOINTED BY THE AAA AND WILL BE AN ATTORNEY OR A RETIRED JUDGE WITH EXPERIENCE AND KNOWLEDGE IN BANKING TRANSACTIONS. ANY ISSUE CONCERNING WHETHER OR THE EXTENT TO WHICH A DISPUTE OR CLAIM IS SUBJECT TO ARBITRATION, INCLUDING BUT NOT LIMITED TO ISSUES RELATING TO THE VALIDITY OR ENFORCEABILITY OF THESE ARBITRATION PROVISIONS, SHALL BE DETERMINED BY THE ARBITRATOR. ALL STATUTES OF LIMITATIONS OR OTHER DEFENSES RELATING TO THE TIMELINESS OF THE ASSERTION OF A DISPUTE OR CLAIM THAT OTHERWISE WOULD BE APPLICABLE TO AN ACTION BROUGHT IN A COURT OF LAW SHALL BE APPLICABLE IN ANY SUCH ARBITRATION, AND THE COMMENCEMENT OF AN ARBITRATION UNDER THIS AGREEMENT SHALL BE DEEMED THE COMMENCEMENT OF AN ACTION FOR SUCH PURPOSES. NO PROVISION OF THIS PARAGRAPH SHALL RESTRICT THE ABILITY OF ANY PERSON TO EXERCISE ALL RIGHTS AND REMEDIES AVAILABLE UNDER APPLICABLE LAW OR THIS AGREEMENT; PROVIDED, HOWEVER, THAT THE EXERCISE OF THOSE RIGHTS OR REMEDIES IS SUBJECT TO THE RIGHT OF ANY OTHER PERSON TO DEMAND ARBITRATION AS PROVIDED HEREIN. THE COMMENCEMENT OF LEGAL ACTION BY A PERSON ENTITLED TO DEMAND ARBITRATION DOES NOT WAIVE THE RIGHT OF THAT PERSON TO DEMAND ARBITRATION WITH RESPECT TO ANY COUNTERCLAIM OR OTHER CLAIM. A PERSON ENTITLED OR OBLIGATED TO DEMAND ARBITRATION SHALL BE PERMITTED TO ASSERT A DISPUTE OR CLAIM THAT IS BROUGHT ON BEHALF OF ANY OTHER PERSON AND THERE SHALL BE NO RIGHT OR AUTHORITY FOR ANY DISPUTE OR CLAIM TO BE ARBITRATED AS, OR ON THE BASIS OF, A CLASS ACTION. SIMILARLY, AN ARBITRATION PROCEEDING UNDER THIS AGREEMENT MAY NOT BE CONSOLIDATED WITH OTHER ARBITRATIONS PROCEEDINGS. JUDGMENT UPON THE AWARD RENDERED IN ARBITRATION SHALL BE FINAL AND MAY BE ENTERED IN ANY COURT, STATE OR FEDERAL, HAVING JURISDICTION. IF A DISPUTE OR CLAIM IS NOT SUBJECT TO ARBITRATION FOR ANY REASON, THEN THE DISPUTE OR CLAIM SHALL BE DECIDED IN THE COURTS OF DELAWARE COUNTY, INDIANA, WITHOUT A JURY. YOU AND FIRST MERCHANTS BANK, NA IRREVOCABLY WAIVE ALL RIGHTS TO TRIAL BY JURY.

# ELECTRONIC FUND TRANSFERS

## PERSONAL ACCOUNTS ONLY

### YOUR RIGHTS AND RESPONSIBILITIES

The Electronic Fund Transfers we are capable of handling for consumers are indicated below, some of which may not apply to your account. Some of these may not be available at all terminals. Please read this disclosure carefully because it tells you your rights and obligations for these transactions. You should keep this notice for future reference.

#### TYPES OF TRANSFERS, FREQUENCY AND DOLLAR LIMITATIONS

- (a) **Prearranged Transfers.**
  - Preauthorized credits. You may make arrangements for certain deposits to be accepted into your
    - checking and/or  savings account(s).
  - Preauthorized payments. You may make arrangements to pay certain recurring bills from your
    - checking and/or  savings account(s).
- (b) **Telephone Transfers.** You may access your account(s) by telephone at 800-473-5055 using a touch tone phone, your account numbers, and SSN and PIN (personal ID) to:
  - Transfer funds from checking to savings.
  - Transfer funds from savings to checking.
  - Transfer funds from checking to checking.
  - Transfer funds from savings to savings.
  - Make payments from checking to loan accounts with us.
  - Make payments from savings to loans.
  - Get checking account(s) information.
  - Get savings account(s) information.
  - Get withdrawal history about checking & savings.
  - Get deposit history about checking & savings.
- (c) **ATM Transfers.** You may access your account(s) by ATM using your 24 hour card and personal identification number to:
  - Make deposits to checking accounts.
  - Make deposits to savings accounts.
  - Get cash withdrawals from checking accounts. You may withdraw no more than 1000.00 per day.
  - Get cash withdrawals from savings accounts. You may withdraw no more than 1000.00 per day.
  - Transfer funds from savings to checking.
  - Transfer funds from checking to savings.
  - Make payments from checking account to loans.
  - Make payments from savings to loans.
  - Get checking account(s) information.
  - Get savings account(s) information.
  - Bank on Indiana customers please refer to General Limitations section.
- (d) **Point-Of-Sale Transactions.**

Using your card:

  - You may access your checking account to purchase goods ( in person,  by phone,  by computer), pay for services ( in person,  by phone,  by computer), get cash from a merchant, if the merchant permits, or from a participating financial institution, and do anything that a participating merchant will accept.
  - You may not exceed more than \$3005.00 in transactions per day.
- (e) **Computer Transfers.** You may access your account(s) by computer at [www.firstmerchants.com](http://www.firstmerchants.com) and using your User ID & Password to:
  - Transfer funds from checking to savings.
  - Transfer funds from savings to checking.
  - Transfer funds from checking to checking, loans & 3rd party.
  - Transfer funds from savings to savings, loans & 3rd party.
  - Make payments from checking to loan accounts with us.
  - Make payments from savings to loan accounts & 3rd Party.
  - Get checking account(s) information.
  - Get savings account(s) information.
  - Get withdrawal history about ck, sv, loans & 3rd party.
  - Get deposit history about ck, sv, loans & 3rd party.
- (f) **Mobile Banking Transfers.** You may access your account(s) by web-enabled mobile device through text banking, mobile web or mobile apps. and using your Mobile ID and PIN to:
  - Transfer funds from checking to savings.
  - Transfer funds from savings to checking.
  - Transfer funds from checking to checking.
  - Transfer funds from savings to savings.
  - Make payments from checking to loan accounts with us.
  - Make payments from savings to loans.
  - Get checking account(s) information.
  - Get savings account(s) information.
  - You may be charged access fees by your cell phone provider based on your individual plan. Web access is needed to use this service. Check with your cell phone provider for details on specific fees and charges.
- (g) **Electronic Funds Transfer Initiated By Third Parties.** You may authorize a third party to initiate electronic fund transfers between your account and the third party's account. These transfers to make or receive payment may be one-time occurrences or may recur as directed by you. These transfers may use the Automated Clearing House (ACH) or other payments network. Your authorization to the third party to make these transfers can occur in a number of ways. For example, your authorization to convert a check to an electronic fund transfer or to electronically pay a returned check charge can occur when a merchant provides you with notice and you go forward with the transaction (typically, at the point of purchase, a merchant will post a sign and print the notice on a receipt). In all cases, these third party transfers will require you to provide the third party with your account number and financial institution information. This information can be found on your check as well as on a deposit or withdrawal slip. Thus, you should only provide your financial institution and account information (whether over the phone, the Internet, or via some other method) to trusted third parties whom you have authorized to initiate these electronic fund transfers. Examples of these transfer include, but are not limited to:
  - Electronic check conversion.** You may authorize a merchant or other payee to make a one-time electronic payment from your checking account using information from your check to pay for purchases or pay bills. You may:
    - Not exceed more than \_\_\_\_\_ payments by electronic check per \_\_\_\_\_.
    - Make payments by electronic check from \_\_\_\_\_ . Payments are limited to .00 per \_\_\_\_\_.
  - Electronic returned check charge.** You may authorize a merchant or other payee to initiate an electronic fund transfer to collect a charge in the event a check is returned for insufficient funds. You may:
    - Make no more than \_\_\_\_\_ payments per \_\_\_\_\_ for electronic payment of charges for checks returned for insufficient funds.
    - Make electronic payment of charges for checks returned for insufficient funds from \_\_\_\_\_ . Payments are limited to .00 per \_\_\_\_\_.

# ELECTRONIC FUND TRANSFERS

## GENERAL LIMITATIONS

In addition to those limitations on transfers elsewhere described, if any, the following limitations apply:

- Transfers or withdrawals from a savings/MM type account to another account of yours or to a third party by means of a preauthorized or automatic transfer or telephone order or instruction, computer transfer, or by check, draft, debit card or similar order to a third party, are limited to six per month. If you exceed the transfer limitations set forth above, your account shall be subject to closure.

## FEES

- We charge .00 each \_\_\_\_\_ to our customers whose accounts are set up to use \_\_\_\_\_.
- We charge .00 each \_\_\_\_\_ but only if the \_\_\_\_\_ balance in the \_\_\_\_\_ falls below .00 during the \_\_\_\_\_.
- ATM transaction conducted at non First Merchants Corp ATM \$2.00 per withdrawal.
- ATM or Debit Card replacement fee \$10.00 per card. Except as indicated above, we do not charge for Electronic Fund Transfers.

**ATM Operator/Network Fees:** When you use an ATM not owned by us, you may be charged a fee by the ATM operator or any network used (and you may be charged a fee for a balance inquiry even if you do not complete a fund transfer).

## DOCUMENTATION

- (a) **Terminal Transfers.** You can get a receipt at the time you make a transfer to or from your account using a(n)
  - automated teller machine
  - point-of-sale terminal
- You may not get a receipt if the amount of the transfer is \$15 or less.
- (b) **Preauthorized Credits.** If you have arranged to have direct deposits made to your account at least once every 60 days from the same person or company, you can call us at the telephone number listed at the end of this disclosure to find out whether or not the deposit has been made.
- (c) **In addition,**
  - You will get a monthly account statement from us, unless there are no transfers in a particular month. In any case you will get a statement at least quarterly.
  - You will get a quarterly statement from us on your savings account if the only possible electronic transfer to or from the account is a preauthorized credit.
  - If you bring your passbook to us, we will record any electronic deposits that were made to your account since the last time you brought in your passbook.
  - \_\_\_\_\_
  - \_\_\_\_\_
  - \_\_\_\_\_

## PREAUTHORIZED PAYMENTS

(a) **Right to stop payment and procedure for doing so.** If you have told us in advance to make regular payments out of your account, you can stop any of these payments. Here's how:

Call or write us at the telephone or address listed in this disclosure, in time for us to receive your request 3 business days or more before the payment is scheduled to be made. If you call, we may also require you to put your request in writing and get it to us within 14 days after you call.

- We charge \$35.00 for each stop payment.

(b) **Notice of varying amounts.** If these regular payments may vary in amount, the person you are going to pay will tell you, 10 days before each payment, when it will be made and how much it will be. (You may choose instead to get this notice only when the payment would differ by more than a certain amount from the

previous payment, or when the amount would fall outside certain limits that you set).

(c) **Liability for failure to stop payment of preauthorized transfer.** If you order us to stop one of these payments 3 business days or more before the transfer is scheduled, and we do not do so, we will be liable for your losses or damages.

## FINANCIAL INSTITUTIONS'S LIABILITY

(a) **Liability for failure to make transfers.** If we do not complete a transfer to or from your account on time or in the correct amount according to our agreement with you, we will be liable for your losses or damages. However, there are some exceptions. We will not be liable, for instance:

- ◆ If, through no fault of ours, you do not have enough money in your account to make the transfer.
- ◆ If the transfer would go over the credit limit on your overdraft line.
- ◆ If the automated teller machine where you are making the transfer does not have enough cash.
- ◆ If the terminal or system was not working properly and you knew about the breakdown when you started the transfer.
- ◆ If circumstances beyond our control (such as fire or flood) prevent the transfer, despite reasonable precautions that we have taken.
- ◆ There may be other exceptions stated in our agreement with you.

## CONFIDENTIALITY

We will disclose information to third parties about your account or the transfers you make:

- (1) where it is necessary for completing transfers; or
- (2) in order to verify the existence and condition of your account for a third party, such as a credit bureau or merchant; or
- (3) in order to comply with government agency or court orders; or
- (4)  if you give us written permission.  
 as explained in the separate Privacy Disclosure.

## UNAUTHORIZED TRANSFERS

(a) **Consumer Liability.** Tell us at once if you believe your card and/or code has been lost or stolen, or if you believe that an electronic fund transfer has been made without your permission using information from your check. Telephoning is the best way of keeping your possible losses down. You could lose all the money in your account (plus your maximum overdraft line of credit). If you tell us within 2 business days after you learn of the loss or theft of your card and/or code, you can lose no more than \$50 if someone used your card and/or code without your permission. Also, if you do NOT tell us within 2 business days after you learn of the loss or theft of your card and/or code, and we can prove we could have stopped someone from using your card and/or code without your permission if you had told us, you could lose as much as \$500. Also, if your statement shows transfers that you did not make, including those made by card, code or other means, tell us at once. If you do not tell us within 60 days after the statement was mailed to you, you may not get back any money you lost after the 60 days if we can prove that we could have stopped someone from taking the money if you had told us in time.

If a good reason (such as a long trip or a hospital stay) kept you from telling us, we will extend the time period.

- MasterCard® Debit Card.** Additional Limits on Liability for

You will not be liable for any unauthorized transactions using your MasterCard debit card, when used for point-of-sale transactions, if: (i) you can demonstrate that you have exercised reasonable care in safeguarding your card from the risk of loss or theft, (ii) you have not reported to us two or more incidents of unauthorized use within the prior twelve-month period, and (iii) your account is in good standing. If any of these conditions

# ELECTRONIC FUND TRANSFERS

are not met, your liability is the lesser of \$50 or the amount of money, property, labor, or services obtained by the unauthorized use before notification to us. "Unauthorized use" means the use of your debit card by a person, other than you, who does not have actual, implied, or apparent authority for such use, and from which you receive no benefit. This additional limit on liability does not apply to ATM transactions or to transactions using your Personal Identification Number which are not processed by MasterCard. MasterCard is a registered trademark of MasterCard International Incorporated.

**(b) Contact in event of unauthorized transfer.** If you believe your card and/or code has been lost or stolen, call or write us at the telephone number or address listed at the end of this disclosure. You should also call the number or write to the address listed at the end of this disclosure if you believe a transfer has been made using the information from your check without your permission.

## ERROR RESOLUTION NOTICE

In Case of Errors or Questions About Your Electronic Transfers, Call or Write us at the telephone number or address at the end of this disclosure, as soon as you can, if you think your statement or receipt is wrong or if you need more information about a transfer listed on the statement or receipt. We must hear from you no later than 60 days after we sent the FIRST statement on which the problem or error appeared.

- (1) Tell us your name and account number (if any).
- (2) Describe the error or the transfer you are unsure about, and explain as clearly as you can why you believe it is an error or why you need more information.
- (3) Tell us the dollar amount of the suspected error.

If you tell us orally, we may require that you send us your complaint or question in writing within 10 business days.

We will determine whether an error occurred within 10 business days after we hear from you and will correct any error promptly. If we need more time, however, we may take up to 45 days (90 days if the transfer involved a new account, a point-of-sale transaction, or a foreign-initiated transfer) to investigate your complaint or question. If we decide to do this, we will credit your account within 10 business days for the amount you think is in error, so that you will have the use of the money during the time it takes us to complete our investigation. If we ask you to put your complaint or question in writing and we do not receive it within 10 business days, we may not credit your account. An account is considered a new account for 30 days after the first deposit is made, if you are a new customer.

We will tell you the results within three business days after completing our investigation. If we decide that there was no error, we will send you a written explanation.

You may ask for copies of the documents that we used in our investigation.

## ADDITIONAL INFORMATION:

POS daily withdrawal limits are separate from and not inclusive of daily cash withdrawal limits.

**INSTITUTION** (name, address, telephone number, business days)

FIRST MERCHANTS BANK, NA  
PO BOX 792  
MUNCIE, IN 47308-0792

Monday, Tuesday, Wednesday, Thursday and Friday  
Exclude Holidays

FIRST MERCHANTS BANK - 800-205-3464  
LAFAYETTE BANK & TRUST - 800-755-2491  
COMMERCE NATIONAL BANK - 888-716-1514



# PRIVACY STATEMENT

Rev December 2011

## FACT

### WHAT DOES FIRST MERCHANTS BANK, N.A. DO WITH YOUR PERSONAL INFORMATION?

#### Why

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

#### What?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and Income
- Account balances and Transaction history
- Credit history and Credit scores

#### How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons First Merchants Bank, N.A. chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does First Merchants Bank, N.A. share?	Can you limit this sharing?
<b>For our everyday business purposes—</b> such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
<b>For our marketing purposes—</b> to offer our products and services to you	Yes	No
<b>For joint marketing with other financial companies</b>	Yes	No
<b>For our affiliates' everyday business purposes—</b> information about your transactions and experiences	Yes	No
<b>For our affiliates' everyday business purposes—</b> information about your creditworthiness	Yes	Yes
<b>For our affiliates to market to you</b>	Yes	Yes
<b>For nonaffiliates to market to you</b>	No	We don't share

#### To limit our sharing

- Call us to limit sharing. [A live representative will assist you during normal business hours.](#)

First Merchants Bank, N.A.: **800-205-3464**

Lafayette Bank & Trust, a Division of First Merchants Bank, N.A.: **800-755-2491**

Commerce National Bank, a Division of First Merchants Bank, N.A.: **888-716-1514**

First Merchants Trust Company, a Division of First Merchants Bank, N.A.: **866-238-0082**

#### Please note:

If you are a *new* customer, we can begin sharing your information 30 days from the date we sent this notice. When you are *no longer* our customer, we continue to share your information as described in this notice.

However, you can contact us at any time to limit our sharing.

#### Questions?

Call – First Merchants Bank, N.A.: **800-205-3464**

Lafayette Bank & Trust, a Division of First Merchants Bank, N.A.: **800-755-2491**

Commerce National Bank, a Division of First Merchants Bank, N.A.: **888-716-1514**

First Merchants Trust Company, a Division of First Merchants Bank, N.A.: **866-238-0082**

# PRIVACY STATEMENT

Page 2

## Who we are

<p><b>Who is providing this notice?</b></p>	<p>First Merchants Bank, N.A.;</p> <p>Lafayette Bank &amp; Trust, a Division of First Merchants Bank, N.A.;</p> <p>Commerce National Bank, a Division of First Merchants Bank, N.A.;</p> <p>First Merchant Trust Company, a Division of First Merchants Bank, N.A.</p>
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## What we do

<p><b>How does First Merchants Bank, N.A. protect my personal information?</b></p>	<p>To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.</p>
<p><b>How does First Merchants Bank, N.A. collect my personal information?</b></p>	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> <li>■ open an account or deposit money</li> <li>■ pay your bills or apply for a loan</li> <li>■ use your credit or debit card</li> </ul> <p>We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.</p>
<p><b>Why can't I limit all sharing?</b></p>	<p>Federal law gives you the right to limit only</p> <ul style="list-style-type: none"> <li>■ sharing for affiliates' everyday business purposes—information about your creditworthiness</li> <li>■ affiliates from using your information to market to you</li> <li>■ sharing for nonaffiliates to market to you</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing.</p>
<p><b>What happens when I limit sharing for an account I hold jointly with someone else?</b></p>	<p>Your choices will apply to everyone on your account – unless you tell us otherwise.</p>

## Definitions

<p><b>Affiliates</b></p>	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>■ <i>Our affiliates include companies with a common corporate ownership of First Merchants Corporation; and include financial companies such as First Merchants Insurance Group.</i></li> </ul>
<p><b>Nonaffiliates</b></p>	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>■ <i>First Merchants Bank, N.A. does not share with nonaffiliates so they can market to you.</i></li> </ul>
<p><b>Joint marketing</b></p>	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> <li>■ <i>Our joint marketing partners include credit card companies.</i></li> </ul>

# PATRIOT ACT

## IMPORTANT INFORMATION ABOUT NEW PROCEDURES FOR OPENING AN ACCOUNT MANDATED BY THE USA PATRIOT ACT



To help the government fight the funding of terrorism and money laundering activities, the USA PATRIOT Act, a Federal law, requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account, including business accounts.

What this means for you: When you open an account, we will ask for your name, address, date of birth and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents. If you are opening an account on behalf of a business entity, documents relating to the business may also be requested.

Corporate Compliance Revised 10-13-08

## GENERAL BANKING FEES

### Debit/ATM Fees

\$ 10.00	ATM or Debit Card Replacement
\$ 2.00	Foreign ATM <sup>1</sup>
\$ 25.00	Express Delivery Fee
Varies	International Fees <sup>10</sup>

### Stop Payment/Returned Items

\$ 10.00	Chargeback
\$ 4.00	Redeposit
\$ 35.00	Stop/Hold Fee
\$ 35.00	Insufficient Funds <sup>2</sup>
\$ 35.00	Overdraft <sup>2</sup>
\$ 8.00	1st Continuous Overdraft Charge <sup>3</sup>
\$ 8.00	Recurring Overdraft Charge <sup>4</sup>

### Statement Assistance

\$ 3.00	Account Activity Printout (teller)
\$ 10.00	Duplicate/Special/Instant Statements
\$ 30.00	Reconciling Statement (per hour, one hour min.)
\$ 30.00	Research Fee (per hour, one hour min.)
\$ 2.00	Research Copies (per page)
\$ 3.00	Closed Account Copies (per page)
\$ 3.00	Non-Customer Request (per page)
\$ 2.00	Photocopy
\$ 2.00	Check Copy

### Wire Transfers

\$ 15.00	Incoming Wire
\$ 25.00	Outgoing Wire
\$ 12.00	Outgoing Wire (via Online Banking)
\$ 45.00	International Wire Fee <sup>5</sup>

### Other

\$ 8.00	Official Checks <sup>6</sup>
\$ 15.00	Official Checks (non-customer)
\$ 4.00	Money Order <sup>6</sup>
\$ 6.00	Money Order (non-customer)
\$ 10.00	ODP Immediate Transfer Charge
\$ 6.00	Telephone Transfer <sup>7</sup>
\$ 50.00	Early Closing Fee (within 180 days of opening)
\$ 30.00	Account Closing by Mail
\$ 5.00	SC Dormant Account Fee <sup>8</sup>
\$ 25.00	Escheatment Processing Fee
\$100.00	Tax Levy
\$ 20.00	Garnishments
\$ 1.00	Fax Fees (per page)
\$ 25.00	Payment of Collection Items
\$ 19.95	Overnight Check Payment (via Online Bill Pay)
\$ 10.00	SC Global Item <sup>9</sup>

<sup>1</sup>Inquiry, Transfer or Withdrawals; <sup>2</sup>Fees may be created by check, in-person, ATM withdrawal, or other electronic transactions; <sup>3</sup>Charge will be assessed on the 4th calendar day the account is overdrawn. <sup>4</sup>Additional charge assessed beginning on 5th calendar day and continuing until a positive balance is achieved or the account is closed; <sup>5</sup>Additional fee may be charged by the domestic or international correspondent bank; <sup>6</sup>Free for certain account types; <sup>7</sup>Fee applies whether placed via Call Center or banking center staff; <sup>8</sup>A dormant account fee will be charged each month if, for 1 year previous for checking or 3 years previous for savings, there is no customer initiated activity or other indication in writing from you of an interest in the account; <sup>9</sup>Fee will be charged to Regular Savings or Money Market Savings customers per withdrawal in excess of 6 per calendar month or statement cycle (or similar period) of at least 4 weeks. <sup>10</sup>Charges determined by MasterCard®, Maestro® and Cirrus®

TRADITIONAL IRA,  
ROTH IRA AND HEALTH  
SAVINGS ACCOUNT  
DISCLOSURES



# ROTH IRA DISCLOSURES

## ROTH IRA DISCLOSURE STATEMENT

**Right to Revoke Your Roth IRA.** With some exceptions, you have the right to revoke this Roth individual retirement account (IRA) within seven days of receiving this Disclosure Statement. If you revoke your Roth IRA, we will return your entire Roth IRA contribution without any adjustment for items such as sales commissions, administrative expenses, or fluctuation in market value. Exceptions to your right of revocation include that you may not revoke a Roth IRA established with a recharacterized contribution, nor do you have the right to revoke upon amendment of this Agreement.

You may revoke your Roth IRA by providing us with written notice. The revocation notice may be mailed by first-class mail, or hand delivered to us. If your notice is mailed by first-class, postage pre-paid mail, the revocation will be deemed mailed on the date of the postmark.

If you have any questions or concerns regarding the revocation of your Roth IRA, please call or write to us. Our telephone number, address, and a contact name to be used for communications can be found on the application that accompanies this Disclosure Statement and Internal Revenue Service (IRS) Forms 5305 series agreement.

**This Disclosure Statement.** This Disclosure Statement provides you, or your beneficiaries after your death, with a summary of the rules and regulations governing this Roth IRA.

**Definitions.** The IRS Forms 5305 series agreement for Roth IRAs contains a detailed definitions section. The definitions found in such section apply to this Agreement. The IRS refers to you as the depositor, and us as the custodian. References to "you," "your," and "Roth IRA owner" will mean the depositor, and "we," "us," and "our" will mean the custodian. The terms "you" and "your" will apply to you. In the event you appoint a third party, or have a third party appointed on your behalf to handle certain transactions affecting your Roth IRA, such third party will be considered your agent and, therefore, "you" for purposes of this Agreement. Additionally, references to "Roth IRA" will mean the custodial account.

**For Additional Guidance.** It is in your best interest to seek the guidance of a tax or legal professional before completing any Roth IRA establishment documents. Your first reference for questions concerning your Roth IRA should be the IRS Forms 5305 series agreement, any additional provisions or amendments to such document, and this Disclosure Statement. For more information, you can also refer to IRS Publication 590, *Individual Retirement Arrangements (IRAs)*, instructions to your federal income tax return, your local IRS office, or the IRS's web site at [www.irs.gov](http://www.irs.gov).

### Roth IRA Restrictions and Approval.

- 1. IRS Form 5305-R or 5305-RA Agreement.** This Disclosure Statement and the IRS Forms 5305 series agreement, amendments, application, and additional provisions set forth the terms and conditions governing your Roth IRA. Such documents are the "Agreement."
- 2. Individual Benefit.** This Roth IRA must be for the exclusive benefit of you and, upon your death, your beneficiaries. The Roth IRA must be established in your name and not in the name of your beneficiary, living trust, or another party or entity.
- 3. Beneficiary Designation.** By completing the appropriate section on the corresponding Roth IRA application you may designate any person(s) as your beneficiary to receive your Roth IRA assets upon your death. You may also change or revoke an existing designation in such manner and in accordance with such rules as your Roth IRA custodian prescribes for this purpose. Your Roth IRA custodian may rely on the latest beneficiary designation on file at the time of your death, will be fully protected in doing so, and will have no liability whatsoever to any person making a claim to the Roth IRA assets under a subsequently filed designation or for any other reason.
- 4. Cash Contributions.** Regular or annual Roth IRA contributions must be in cash, which may include a check, money order, or wire transfer unless the contributions are rollover, transfer, or other similar transactions.
- 5. Roth IRA Custodian.** A Roth IRA custodian must be a bank, federally insured credit union, savings and loan association, trust company, or other entity, which is approved by the Secretary of the Treasury to act as a Roth IRA custodian.

- 6. Prohibition Against Life Insurance and Commingling.** None of your Roth IRA assets may be invested in life insurance contracts, or commingled with other property, except in a common trust fund or common investment fund.
  - 7. Nonforfeitable.** The assets in your Roth IRA are not forfeitable.
  - 8. Collectibles.** Generally, none of your Roth IRA assets may be invested in collectibles, including any work of art, rug, or antique, metal or gem, stamp or coin, alcoholic beverage, or any other tangible personal property. If we allow, you may invest your Roth IRA assets in the following coins and bullion: certain gold, silver, and platinum coins minted by the United States; a coin issued under the laws of any state; and any gold, silver, platinum, and palladium bullion of a certain fineness, and only if such bullion is held by us. For additional guidance on collectibles, see Section 408(m) of the Internal Revenue Code (IRC).
  - 9. Cash Rollovers.** You may be eligible to make a rollover contribution of your Roth IRA distribution to a Roth IRA. Rollovers to and from Roth IRAs are described in greater detail elsewhere in this Disclosure Statement.
  - 10. Required Minimum Distribution (RMD) Rules For Beneficiaries.** This Roth IRA is subject to the RMD rules summarized in this Agreement.
  - 11. No Prohibited Transactions.** If you engage in a prohibited transaction, the Roth IRA loses its tax exempt status as of the first day of the year. Subject to the Roth IRA ordering rules, you must include the fair market value of your Roth IRA as of that first day in your gross income for the year during which the prohibited transaction occurred, and pay all applicable taxes and penalties.
  - 12. No Pledging.** If you pledge all or a portion of your Roth IRA as security for a loan, the portion pledged will be treated as a distribution to you, subject to the Roth IRA ordering rules, potentially included in gross income, and may be subject to the 10 percent early-distribution penalty tax.
  - 13. IRS Approval of Form.** This Agreement includes an IRS Forms 5305 series agreement. This IRS document has been approved by the IRS. This approval is not a determination of its merits, and not an endorsement of the investments provided by us, or the operation of the Roth IRA.
  - 14. State Laws.** State laws may affect your Roth IRA in certain situations, including beneficiary designations, agency relationships, consent, taxes, and reporting.
- Roth IRA Eligibility and Contributions.**

- 1. Regular or Annual Roth IRA Contribution.** An annual contribution, commonly referred to as a regular contribution, is your contribution for the tax year, and is based on your and/or your spouse's compensation. Your designation of the tax year for your contribution is irrevocable. You may direct all or a portion of any tax refund directly to an IRA.

If you are married and file a joint federal income tax return, you and/or your spouse may make a contribution on your behalf for that tax year if you and/or your spouse have compensation. This contribution must be made into your Roth IRA, and it cannot exceed the contribution limits applicable to regular Roth IRA contributions.

- 2. Compensation for Eligibility.** You are eligible to contribute to your Roth IRA if you have compensation (also referred to as earned income). The amount you may contribute may be limited based on your modified adjusted gross income (MAGI). The instructions to your federal income tax return will provide helpful information in determining your compensation and MAGI amounts.

Common examples of compensation include wages, salary, tips, bonuses, and other amounts received for providing personal services, and earned income from self-employment. Compensation does not include earnings and profits from property such as dividends, interest, or capital gains, or pension, annuity, or deferred compensation plan amounts. Your compensation includes any taxable alimony or separate maintenance payments you may receive under a divorce decree or separate maintenance agreement.

# ROTH IRA DISCLOSURES

- 3. Limitations on Contributions.** The amount you can contribute depends on your MAGI for the tax year for which the contribution applies, your marital status, and your tax-filing status. The following chart shows how your MAGI and status affect your contribution limit. The greater your MAGI, the lesser the amount you may contribute.

2012 MAGI LIMITS			
Modified AGI (MAGI)*	Single	Married, Filing Jointly	Married, Filing Separately**
Less than \$10,000	Full Contribution	Full Contribution	Phaseout
\$ 10,000 - \$110,000	Full Contribution	Full Contribution	No Contribution
\$110,001 - \$124,999	Phaseout	Full Contribution	No Contribution
\$125,000 - \$173,000	No Contribution	Full Contribution	No Contribution
\$173,001 - \$182,999	No Contribution	Phaseout	No Contribution
\$183,000 or over	No Contribution	No Contribution	No Contribution

2013 MAGI LIMITS			
Modified AGI (MAGI)*	Single	Married, Filing Jointly	Married, Filing Separately**
Less than \$10,000	Full Contribution	Full Contribution	Phaseout
\$ 10,000 - \$112,000	Full Contribution	Full Contribution	No Contribution
\$112,001 - \$126,999	Phaseout	Full Contribution	No Contribution
\$127,000 - \$178,000	No Contribution	Full Contribution	No Contribution
\$178,001 - \$187,999	No Contribution	Phaseout	No Contribution
\$188,000 or over	No Contribution	No Contribution	No Contribution

\* Subject to annual cost-of-living adjustments (COLAs), if any.

\*\* An individual who is married, filing separately, and who lived apart from his/her spouse the entire year, can use the MAGI limit for a single filer to determine his/her contribution limit.

IRS Publication 590, *Individual Retirement Arrangements (IRAs)*, and the instructions to your federal income tax return also contain helpful calculation information.

- 4. Catch-Up Contributions.** Catch-up contributions are Roth IRA contributions made in addition to any other regular Roth IRA contributions. You are eligible to make catch-up contributions if you meet the eligibility requirements for regular contributions and you attain age 50 by the end of the taxable year for which a catch-up contribution is being made.
- 5. Maximum Contribution Limits.** Your regular and catch-up Roth IRA contributions are limited to the lesser of 100 percent of your and/or your spouse's compensation or the dollar amounts set forth on the following chart.

Contribution Tax Year	Regular Contribution Limit	Catch-Up Contribution Limit	Total Contribution Limit
2012	\$5,000	\$1,000	\$6,000
2013	\$5,500	\$1,000	\$6,500
2014 and later years	\$5,500+COLA*	\$1,000	\$6,500+COLA*

\* The regular IRA contribution limits are subject to annual cost-of-living adjustments (COLAs), if any.

- 6. Contribution Deadline.** You may make regular and catch-up Roth IRA contributions any time for a taxable year up to and including your federal income tax return due date, excluding extensions, for that taxable year. The due date for most taxpayers is April 15. The deadline may be extended in some situations. Examples include a federally declared disaster, a terroristic or military action, or service in a combat zone.
- 7. Roth IRA and Traditional IRA Contribution Limit.** Your combined regular and catch-up traditional IRA and Roth IRA contributions may not exceed the maximum contribution limits set forth in the previous chart.

- 8. SEP and SIMPLE IRA Contributions.** Your employer may not make simplified employee pension (SEP) plan or Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) IRA plan contributions to this Roth IRA.

**Nonrefundable Tax Credit.** You may be eligible to take a tax credit for your regular Roth IRA contributions. The credit is equal to a percentage of your qualified contributions up to \$2,000. The credit cannot exceed \$1,000 for any tax year, and is in addition to any deduction that may apply. To be eligible for the tax credit, you must be age 18 or older by the end of the applicable tax year, not a dependent of another taxpayer, not a full-time student, and satisfy certain restrictions on distributions.

**Moving Assets To and From Roth IRAs.** There are a variety of transactions that allow you to move your retirement assets to and from Roth IRAs. We have sole discretion on whether we will accept, and how we will process, movements of assets to and from Roth IRAs. We or any other financial organizations involved in the transaction may require documentation for such activities.

- Roth IRA-to-Roth IRA Transfers.** You may transfer all or a portion of your Roth IRA assets from one Roth IRA to another Roth IRA. A Roth IRA transfer means that the Roth IRA assets move from one Roth IRA to another Roth IRA in a manner that prevents you from cashing the Roth IRA assets, or even depositing the assets anywhere except in the receiving Roth IRA. Transfers are not taxable or reportable, and the IRS does not impose timing or frequency restrictions on transfers. You may be required to complete a transfer authorization form prior to transferring your Roth IRA assets.
  - Roth IRA-to-Roth IRA Rollovers.** A Roth IRA rollover is another way to move assets tax-free between Roth IRAs. You may roll over all or a portion of your Roth IRA assets by taking a distribution from a Roth IRA and recontributing it as a rollover contribution into the same or another Roth IRA. A rollover contribution is irrevocable. You must report your Roth IRA rollover to the IRS on your federal income tax return. Your contribution may only be designated as a rollover if the Roth IRA distribution is deposited within 60 calendar days following the date you receive the distributed assets. Any portion not rolled over will be subject to the Roth IRA ordering rules to determine income taxes and penalty taxes. The 60-day period may be extended to 120 days for a first-time homebuyer distribution where there is a delay or cancellation in the purchase or construction of the home. You are limited to one rollover per Roth IRA per 12 months. The distributing and receiving Roth IRA, including the Roth IRA assets rolled over, are subject to this 12-month rule. The 12-month period begins on the day after you receive a distribution that will be properly rolled over into a Roth IRA. The 12-month rule does not apply to rollovers related to first-time homebuyer distributions.
  - Waiver of the 60-Day Period.** The Secretary of the Treasury may waive the 60-day period for completing rollovers in certain situations such as casualty, disaster, or other events beyond the reasonable control of the individual who is subject to the 60-day period.
  - Transfers Due to Divorce.** Your former spouse, pursuant to a divorce decree or legal separation order, may transfer assets from your Roth IRA to his/her Roth IRA.
  - Qualified Reservist Contributions.** If you are a qualified reservist ordered or called to active duty after September 11, 2001 for more than 179 days (or for an indefinite period), and take an IRA distribution or take certain elective deferrals from an eligible retirement plan after September 11, 2001, and before the end of your active duty, you may make one or more contributions of these assets to your Roth IRA within two years of the end of your active duty.
  - Qualified Settlement Income.** You may roll over certain qualified settlement income (e.g., an amount received in connection with the Exxon Valdez litigation) to your IRA under limits provided by law. Generally, the 12-month rule does not apply to such rollovers. It is in your best interest to seek the guidance of a tax or legal professional before taking advantage of such rollover and/or taking such assets from the IRA.
- Movement of Assets Between Traditional and Roth IRAs.**
- Traditional IRA to Roth IRA Conversions.** You may convert all or a portion of your traditional IRA assets to a Roth IRA. Your conversion assets (excluding prorated nondeductible contributions) are subject to federal income tax. Your conversion must be reported to

# ROTH IRA DISCLOSURES

the IRS. The 10 percent early-distribution penalty tax does not apply to conversions. If you elect to convert your assets using a rollover transaction, the 60-day rule applies. The 12-month rule does not apply to conversions.

2. **Traditional IRA and Roth IRA Recharacterizations.** You may recharacterize, or choose to treat all or a portion of your regular and catch-up traditional IRA contribution as a regular Roth IRA contribution. Similarly, you may recharacterize all or a portion of your regular and catch-up Roth IRA contribution as a regular traditional IRA contribution. You may cancel a conversion through a recharacterization of all or a portion of the amount converted from a traditional IRA to a Roth IRA. You may also recharacterize the amount rolled or directly rolled over to a Roth IRA from an eligible retirement plan, or other recharacterization, as provided by law. A recharacterization election is irrevocable. You must complete a recharacterization no later than your federal income tax-filing due date, including extensions, for the year you make the initial contribution. If you timely file your federal income tax return, you may still recharacterize as late as October 15 for calendar year filers. Recharacterizations must occur by transfer, which means that the assets, adjusted for gains and losses on the recharacterized amount, must be transferred into another IRA. The recharacterized contribution is treated as though you deposited it into the second IRA on the same day you actually deposited it in the first IRA. Recharacterization transactions are reported to the IRS. The election to recharacterize may be completed on your behalf after your death. A written notice of recharacterization, as defined in Treasury Regulation 1.408A-5, Q&A 6(a), is required for recharacterization transactions.
3. **Traditional IRA to Roth IRA Reconversions.** A reconversion occurs when all or a portion of traditional IRA assets previously converted to a Roth IRA are recharacterized back to a traditional IRA and then converted again. After recharacterizing a conversion, you cannot reconvert until the later of: (1) the beginning of the year following the year the amount was converted, or (2) the end of the 30-day period following the day of the recharacterization. In other words, you cannot reconvert in the same year as the first conversion. Reconversion transactions are reported to the IRS.

## Movement of Other Assets to Roth IRAs.

1. **Conversions from SIMPLE IRAs.** You may not convert assets from a SIMPLE IRA to a Roth IRA until two years have passed since the date on which you first participated in an employer's SIMPLE IRA plan, which is the initial contribution date. If you participated in SIMPLE IRA plans of different employers, the initial contribution date and two-year period are determined separately for SIMPLE IRA assets from each employer.
  2. **Rollovers or Direct Rollovers from Eligible Retirement Plans.** You may directly or indirectly roll over assets from an eligible retirement plan sponsored by your employer into your Roth IRA (also referred to as qualified rollovers). You are responsible for the consequences of rolling over assets, including designated Roth account assets, to a Roth IRA. Your plan administrator or employer is responsible for determining the amount of your assets in its eligible retirement plan that is eligible for rollover to a Roth IRA. Assets in a Roth IRA are not eligible to be rolled over to an eligible retirement plan.
    - a. **Eligible Retirement Plan (ERP).** Eligible retirement plans include qualified trusts under IRC Section 401(a), annuity plans under IRC Section 403(a), annuity contracts under IRC Section 403(b), and certain governmental IRC Section 457(b) plans. Common names for these plans include 401(k), profit sharing, pension, money purchase, federal thrift savings, and tax-sheltered annuity plans.
    - b. **Designated Roth Account.** This is an account within an ERP under either IRC Sections 401(a), 403(b), or 457(b) that holds Roth contributions and earnings. Roth contributions are made by elective deferral with after-tax dollars.
    - c. **Eligible Distributions.** Not all distributions from an ERP are eligible for rollover to a Roth IRA. The most common amounts which are not eligible for rollover include required minimum distributions, defaulted loans, substantially equal periodic payments defined in IRC Section 402(c)(4)(A), and hardship distributions. Your employer determines which assets may not be rolled over and must provide you with an IRC Section 402(f) notice of taxation which explains the tax issues and rollover eligibility concerning the distribution.
  3. **Traditional IRA to Roth IRA Reconversions.** A reconversion occurs when all or a portion of traditional IRA assets previously converted to a Roth IRA are recharacterized back to a traditional IRA and then converted again. After recharacterizing a conversion, you cannot reconvert until the later of: (1) the beginning of the year following the year the amount was converted, or (2) the end of the 30-day period following the day of the recharacterization. In other words, you cannot reconvert in the same year as the first conversion. Reconversion transactions are reported to the IRS.
- d. **Direct Rollover.** A direct rollover moves eligible distribution assets from your eligible retirement plan to your Roth IRA in a manner that prevents you from cashing or liquidating the plan assets, or even depositing the assets anywhere except in the receiving Roth IRA. A direct rollover is reported to the IRS. There are no IRS limitations, such as the 60-day period or 12-month rule, on direct rollovers.
  - e. **Indirect Rollover and Withholding.** An indirect rollover begins with a plan distribution made payable to you. In general, your employer is required to withhold 20 percent on the taxable portion of your eligible distribution as a prepayment of federal income taxes on distributions. You may make up the 20 percent withholding from your own funds at the time you deposit the distribution into a Roth IRA. If you are younger than age 59 1/2, you are subject to a 10 percent early-distribution penalty tax on the taxable amount of the distribution that is not rolled over, unless a penalty tax exception applies. Your eligible distribution may be contributed to a Roth IRA during the 60 days following your receipt of a plan distribution. Your decision to contribute the assets to a Roth IRA as a rollover contribution is irrevocable. The 12-month rule does not apply to rollovers from eligible retirement plans. State withholding may apply to eligible distributions. The Secretary of the Treasury may waive the 60-day period for completing rollovers in certain situations such as casualty, disaster, or other events beyond the reasonable control of the individual who is subject to the 60-day period.
  - f. **Taxes and Treatment of Qualified Rollover Contributions.** The rollover and direct rollover contribution amounts from an eligible retirement plan are referred to as "qualified rollover contributions." The taxable portion that is rolled or directly rolled over to a Roth IRA is subject to federal income tax. The 10 percent early-distribution penalty tax does not apply to these taxable amounts. However, if the taxable portion of the qualified rollover contribution is distributed from the Roth IRA within five years and an exception does not apply, the 10 percent penalty tax would apply in this later year. With respect to subsequent distributions from this Roth IRA that are nonqualified distributions, the qualified rollover contribution amount is considered as part of the nontaxable conversion category for purposes of the ordering rules.
  - g. **Rollover or Direct Rollover of Designated Roth Account Assets.** Rollovers of designated Roth account assets to a Roth IRA are not taxable. The plan administrator will inform you if the distribution amount from the designated Roth account is qualified or nonqualified. Qualified distributions rolled over from designated Roth accounts are considered regular contributions for the Roth IRA "nonqualified distribution" ordering rules. The earnings portion of nonqualified distributions rolled over from designated Roth accounts is considered earnings for the Roth IRA ordering rules while the remainder is considered a regular contribution.
3. **Rollover of Military Death Gratuity.** If a person serving in the military dies from injuries received in such service and you are the beneficiary of either a military death gratuity or an amount under a Servicemembers Group Life Insurance (SGLI) program for such person, you may roll over part or all of these amounts to a Roth IRA. If the death occurred on or after June 17, 2008, the rollover contribution must be completed within one year of when each amount was received. These contributions are qualified rollover contributions.
  4. **Rollovers Due to Airline Carrier Bankruptcy.** If you are a qualified airline employee and receive an "airline payment amount" as defined by law, this amount may be rolled over to a Roth IRA. You must roll over the airline payment amount within 180 days of its receipt.
- Roth IRA Distributions.** You, or after your death your beneficiary, may take a Roth IRA distribution at any time. Income and penalty taxes may be avoided by taking qualified distributions.

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- 1. Five-Year Holding Period.** The five-year holding period begins with the earlier of the first year for which you made any regular Roth IRA contribution, the first year in which you made a conversion from a traditional IRA to any Roth IRA, the first year of a rollover or direct rollover of designated Roth account assets to any Roth IRA, the first year of a rollover or direct rollover of ERP assets to any Roth IRA, the first year of a qualified distribution repayment to any Roth IRA, or the first year of any other contribution treated as a qualified rollover contribution.
  - 2. Qualified Distributions.** A qualified distribution is a distribution which is made after the expiration of the five-year holding period and as the result of certain events. The events which will create a qualified distribution after the expiration of the five-year holding period are as follows:
    - a. Distributions made on or after the date on which you attain age 59 1/2;
    - b. Distributions made to your beneficiary after your death;
    - c. Distributions attributable to you being disabled; and
    - d. Qualified first-time homebuyer distributions.
  - 3. Nonqualified Distributions and the Ordering Rules.** If your distribution is not a qualified distribution, any earnings you withdraw from your Roth IRA will be included in your gross income for federal income tax purposes. Additionally, for each conversion or qualified rollover completed while you are younger than age 59 1/2, a separate five-year holding period will be applied solely for determining if you owe a 10 percent early-distribution penalty. The ordering rules for Roth IRAs determine what portion of your distribution will be subject to income and penalty taxes. The ordering rules, which take into account all of your Roth IRAs, state that you are deemed to take your Roth IRA asset types in the following order: (1) all regular or annual contributions and amounts treated as such, (2) conversion and qualified rollover contributions and amounts treated as such on a first in first out basis, and (3) your earnings. All of your assets within a certain type must be removed before you may move on to the next asset type. For each conversion or qualified rollover contribution removed, the originally taxable portion is removed first and the nontaxable portion is removed last.
  - 4. Removal of Excess Contributions.** You may withdraw all or a portion of your excess contribution and attributable earnings before your federal income tax return due date, including extensions, for the taxable year for which you made the contribution. The excess contribution amount distributed will not be taxable, but the attributable earnings on the contribution will be taxable in the year in which you made the contribution and may be subject to the 10 percent early-distribution penalty tax. In certain situations, you may treat your excess as a regular and catch-up contribution for the next year. If you timely file your federal income tax return, you may still remove your excess contribution, plus attributable earnings, as late as October 15 for calendar year filers.
  - 5. Distributions of Unwanted Roth IRA Contributions by Tax-Filing Date.** You may withdraw all or a portion of your regular and catch-up Roth IRA contribution and attributable earnings in the same manner as an excess contribution. However, you cannot apply your unwanted contribution as a regular Roth IRA contribution for a future year. The unwanted contribution amount distributed will not be taxable, but the attributable earnings on the contribution will be taxable in the year in which you made the contribution, and may be subject to the 10 percent early-distribution penalty tax. If you timely file your federal income tax return, you may still remove your unwanted contribution, plus attributable earnings, as late as October 15 for calendar year filers.
  - 6. Qualified Health Savings Account (HSA) Funding Distribution.** If you are an HSA eligible individual, you may elect to take a qualified HSA funding distribution from your Roth IRA to the extent such distribution is contributed to your HSA in a trustee-to-trustee transfer. This amount is aggregated with all other annual HSA contributions and is subject to your annual HSA contribution limit. A qualified HSA funding distribution election is irrevocable and is generally available once in your lifetime. A testing period applies. The testing period for this provision begins with the month of the contribution to your HSA and ends on the last day of the 12th month following such month. If you are not an eligible individual for the entire testing period, unless you die or become disabled, the amount of the distribution made under this provision will be includable in gross income for the tax year of the month you are not an eligible individual, and is subject to a 10 percent penalty tax.
  - 7. Tax-Free Distributions to Charities.** If you have attained age 70 1/2, you may be able to make tax-free distributions directly from your IRA to a qualified charitable organization if permitted by law. Tax-free distributions have been limited to \$100,000 in past years. Consult with your tax or legal professional to determine the availability of this tax-free distribution.
- Required Minimum Distributions (RMDs).**
- 1. After Age 70 1/2.** You are not required to take RMDs from your Roth IRA when you reach age 70 1/2. Furthermore, you cannot satisfy any RMDs for your traditional IRAs or SIMPLE IRAs by taking a distribution from any of your Roth IRAs.
  - 2. Failure to Withdraw an RMD.** If your beneficiary does not withdraw an RMD by his/her required distribution date, he/she will owe a 50 percent excess accumulation penalty tax on the amount not withdrawn. Your beneficiary can always take more than his/her RMD in any year but no additional amounts can be credited to a subsequent year's RMDs.
- RMDs for Your Beneficiaries.** Your beneficiaries of this Roth IRA will generally have until December 31 of the year following your death year to begin RMDs. Exceptions exist for your surviving spouse and for any beneficiary who must distribute or chooses to distribute his/her share of your Roth IRA within a five year period.
- 1. Distribution Calculations In General.** Beneficiaries will generally use a single life expectancy method to satisfy these RMDs unless they elect the five-year rule. The five-year rule requires your beneficiary to completely withdraw your Roth IRA assets by the end of the fifth year following your death year. The single life expectancy factor, using the IRS's single life table, will be determined by using the age on December 31 in the year following death of the oldest designated beneficiary, unless multiple beneficiaries exist and separate accounting applies. This initially determined factor is reduced by one for each subsequent year's calculation. This general rule of using the single life expectancy method applies if your Roth IRA has at least one designated beneficiary.

A special exception to the five-year rule allows certain death beneficiaries to exclude 2009 when calculating the five-year period. In order to apply this exception, the Roth IRA owner or plan participant must have died after 2003 and prior to 2009. For example, assume the Roth IRA owner died in 2008. If the death beneficiary, by affirmative election or default, selected the five-year rule, the five-year period would normally require total distribution by December 31, 2013. However, by applying the exception, the beneficiary must now take total distribution by December 31, 2014.
  - 2. Designated Beneficiary.** A designated beneficiary is any named beneficiary who has an interest in your Roth IRA on the determination date, which is September 30 of the year following your death year. Named beneficiaries who completely distribute their interests in your Roth IRA, or completely disclaim their interests in your Roth IRA under IRC Section 2518, will not be considered when designated beneficiaries are determined. Named beneficiaries who die after your death but before the determination date will be considered for the sake of determining the distribution period. If any named beneficiary that is not an individual, such as an estate or charity, has an interest in your Roth IRA on the determination date, and separate accounting does not apply, your Roth IRA will be treated as having no designated beneficiary.

If you name a qualified trust, which is defined in Treasury Regulation 1.401(a)(9)-4, Q&A 5, as your Roth IRA beneficiary, the beneficiaries of the qualified trust are treated as the beneficiaries of your Roth IRA for purposes of determining designated beneficiaries and the appropriate life expectancy period after your death.
  - 3. Death With No Designated Beneficiary.** If you die and your Roth IRA is treated as having no designated beneficiary, your named beneficiaries will be required to completely withdraw your Roth IRA assets by the end of the fifth year following your death year.



# ROTH IRA DISCLOSURES

4. **Spouse Beneficiary.** If your spouse is your only designated beneficiary on the determination date, or if there are multiple designated beneficiaries and separate accounting applies, he/she will use his/her age each year to determine the life expectancy factor for calculating that year's RMD.

If your spouse is the only designated beneficiary, or if there are multiple designated beneficiaries and separate accounting applies, he/she can postpone commencement of his/her RMDs until the end of the year in which you would have attained age 70 1/2. If your spouse is the only designated beneficiary, or if there are multiple designated beneficiaries and separate accounting applies, he/she can treat your Roth IRA as his/her own Roth IRA after your death. This is not available to your surviving spouse if he/she is the sole beneficiary of a qualified trust that is named as beneficiary of your Roth IRA.

Your spouse beneficiary could take a distribution of his/her share of your Roth IRA and roll it over to a Roth IRA of his/her own.

5. **Separate Accounting.** Our policies may permit separate accounting to be applied to your Roth IRA for the benefit of your beneficiaries. If permitted, separate accounting must be applied in accordance with Treasury Regulation 1.401(a)(9)-8, Q&A 2 and 3. A beneficiary is considered the only designated beneficiary of his/her share of the Roth IRA assets if separate accounting applies.

#### Federal Income Tax Status of Your Roth IRA.

1. **No Deduction for Contributions.** Roth IRA contributions are not deductible on your federal income tax return at any time.
2. **Tax-free Earnings.** The earnings, including gains and losses, on your Roth IRA contributions accumulate tax-deferred. At the time of your distribution, the earnings will be free from federal income tax if your distribution is a qualified distribution.
3. **Taxation of Distributions.** The taxation of your Roth IRA distribution, which is not rolled over, is dependent upon whether your distribution is a qualified distribution or nonqualified distribution and is subject to the ordering rules. Roth IRA distributions are not subject to federal income tax withholding. You may also be subject to state or local taxes on your Roth IRA distributions.
4. **No Special Tax Treatment.** Roth IRA distributions are not eligible for special tax treatments, such as ten year averaging, that may apply to other employer-sponsored retirement plan distributions.

**Estate and Gift Tax.** The designation of a beneficiary to receive Roth IRA distributions upon your death will not be considered a transfer of property for federal gift tax purposes. Upon your death, the value of all assets remaining in your Roth IRA will usually be included in your gross estate for estate tax purposes, regardless of the named beneficiary or manner of distribution. There is no specific estate tax exclusion for assets held within a Roth IRA. After your death, beneficiaries should pay careful attention to the rules for the disclaiming any portion of your Roth IRA under IRC Section 2518.

**Annual Statements.** Each year we will furnish you and the IRS with statements reflecting the activity in your Roth IRA. You and the IRS will receive IRS Forms 5498 and 1099-R. IRS Form 5498 or an appropriate substitute indicates the fair market value of the account, including Roth IRA contributions, for the year. IRS Form 1099-R reflects your Roth IRA distributions for the year.

**Federal Tax Penalties and IRS Form 5329.** Several tax penalties may apply to your various Roth IRA transactions, and are in addition to any federal, state, or local taxes. Federal penalties and excise taxes are generally reported and remitted to the IRS by completing IRS Form 5329, and attaching the form to your federal income tax return. The penalties may include any of the following taxes:

1. **Early-Distribution Penalty Tax.** If you take a distribution from your Roth IRA before reaching age 59 1/2, you are subject to a 10 percent early-distribution penalty tax on the taxable portion of the distribution and certain converted or qualified rollover contribution assets distributed during the five-year holding period. However, certain exceptions apply. Exceptions to the 10 percent penalty tax include: the qualified distributions reasons previously listed, distributions due to eligible higher education expenses, medical expenses exceeding a certain percentage of adjusted gross income, health insurance premiums due to your extended unemployment, a series of substantially equal periodic payments, IRS levy, traditional IRA conversions, qualified reservist distributions, and qualified HSA funding distributions. Additional exceptions include distributions taken during the five year holding period as a result of your attaining age 59 1/2, death, disability, or a first-time home purchase. Properly completed rollovers, transfers, and recharacterizations are not subject to the 10 percent penalty tax.
2. **Excess Contribution Penalty Tax.** If you contribute more to your Roth IRA than you are eligible to contribute, you have created an excess contribution, which is subject to a 6 percent excise tax. The excise tax applies each year that the excess contribution remains in your Roth IRA. If you timely file your federal income tax return, you may still remove your excess contribution, plus attributable earnings, as late as October 15 for calendar year filers.
3. **Excess Accumulation Penalty Tax.** Any portion of an RMD that is not distributed to your beneficiary by its deadline is subject to a 50 percent excess accumulation penalty tax. The IRS may waive this penalty upon proof of reasonable error and that reasonable steps were taken to correct the error, including remedying the shortfall. A beneficiary should review IRS Form 5329 instructions when requesting a waiver.

**Disaster Tax Relief.** Subject to IRC Section 1400Q, individuals in certain federally-declared disaster areas may be given the opportunity to take qualified distributions (subject to applicable time periods defined by law) in aggregation from IRAs and other eligible retirement plans up to the prescribed limit (e.g., \$100,000 for Midwestern Disaster). Typically, these rules permit an individual to prorate any amounts required to be included in gross income over a three tax year period or include it all in the year of distribution. In addition, an individual may be allowed three years after the date of receipt to roll over or repay all or part of the qualified distribution without being subject to the one rollover per 12-month rule or the 60-day requirement. Certain first-time homebuyer or hardship distributions may be eligible for rollover within a prescribed time period. Also, for additional disaster area information and IRS guidance on associated tax relief, refer to IRS notices and publications, or visit the IRS's web site at [www.irs.gov](http://www.irs.gov).

# TRADITIONAL IRA DISCLOSURES

## TRADITIONAL IRA DISCLOSURE STATEMENT

**Right to Revoke Your IRA.** With some exceptions, you have the right to revoke this individual retirement account (IRA) within seven days of receiving this Disclosure Statement. If you revoke your IRA, we will return your entire IRA contribution without any adjustment for items such as sales commissions, administrative expenses, or fluctuation in market value. Exceptions to your right of revocation include that you may not revoke an IRA established with a recharacterized contribution, nor do you have the right to revoke upon amendment of this Agreement.

You may revoke your IRA by providing us with written notice. The revocation notice may be mailed by first-class mail, or hand delivered to us. If your notice is mailed by first-class, postage pre-paid mail, the revocation will be deemed mailed on the date of the postmark.

If you have any questions or concerns regarding the revocation of your IRA, please call or write to us. Our telephone number, address, and contact name, to be used for communications, can be found on the application that accompanies this Disclosure Statement and Internal Revenue Service (IRS) Forms 5305 series agreement.

**This Disclosure Statement.** This Disclosure Statement provides you, and your beneficiaries after your death, with a summary of the rules and regulations governing this IRA.

**Definitions.** The IRS Forms 5305 series agreement for traditional IRAs contains a detailed definitions section. The definitions found in such section apply to this Agreement. The IRS refers to you as the depositor, and us as the custodian. References to "you," "your," and "IRA owner" will mean the depositor, and "we," "us," and "our" will mean the custodian. The terms "you" and "your" will apply to you. In the event you appoint a third party, or have a third party appointed on your behalf to handle certain transactions affecting your IRA, such third party will be considered your agent and, therefore, "you" for purposes of this Agreement. Additionally, references to "IRA" and "traditional IRA" will mean the custodial account and include an IRA indicated to be a SEP IRA.

**For Additional Guidance.** It is in your best interest to seek the guidance of a tax or legal professional before completing any IRA establishment documents. Your first reference for questions concerning your IRA should be the IRS Forms 5305 series agreement, any additional provisions or amendments to such document, and this Disclosure Statement. For more information, you can also refer to IRS Publication 590, *Individual Retirement Arrangements (IRAs)*, instructions to your federal income tax return, your local IRS office, or the IRS's web site at [www.irs.gov](http://www.irs.gov).

### IRA Restrictions and Approval.

- 1. IRS Form 5305 or 5305-A Agreement.** This Disclosure Statement and the IRS Forms 5305 series agreement, amendments, application, and additional provisions set forth the terms and conditions governing your traditional IRA. Such documents are the "Agreement."
- 2. Individual Benefit.** This IRA must be for the exclusive benefit of you and, upon your death, your beneficiaries. The IRA must be established in your name and not in the name of your beneficiary, living trust, or another party or entity.
- 3. Beneficiary Designation.** By completing the appropriate section on the corresponding IRA application you may designate any person(s) as your beneficiary to receive your IRA assets upon your death. You may also change or revoke an existing designation in such manner and in accordance with such rules as your IRA custodian prescribes for this purpose. Your IRA custodian may rely on the latest beneficiary designation on file at the time of your death, will be fully protected in doing so, and will have no liability whatsoever to any person making a claim to the IRA assets under a subsequently filed designation or for any other reason.
- 4. Cash Contributions.** Regular or annual IRA contributions must be in cash, which may include a check, money order, or wire transfer, unless the contributions are rollover, transfer, or other similar transactions.
- 5. IRA Custodian.** An IRA custodian must be a bank, federally insured credit union, savings and loan association, trust company, or other entity, which is approved by the Secretary of the Treasury to act as an IRA custodian.

- 6. Prohibition Against Life Insurance and Commingling.** None of your IRA assets may be invested in life insurance contracts, or commingled with other property, except in a common trust fund or common investment fund.
- 7. Nonforfeitable.** The assets in your IRA are not forfeitable.
- 8. Collectibles.** Generally, none of your IRA assets may be invested in collectibles, including any work of art, rug, or antique, metal or gem, stamp or coin, alcoholic beverage, or any other tangible personal property. If we allow, you may invest your IRA assets in the following coins and bullion: certain gold, silver, and platinum coins minted by the United States; a coin issued under the laws of any state; and any gold, silver, platinum, and palladium bullion of a certain fineness, and only if such bullion is held by us. For additional guidance on collectibles, see Section 408(m) of the Internal Revenue Code (IRC).
- 9. Cash Rollovers.** You may be eligible to make a rollover contribution to an IRA or certain employer-sponsored eligible retirement plans. Rollovers to and from IRAs and eligible retirement plans are described in greater detail elsewhere in this Disclosure Statement.
- 10. Required Minimum Distribution (RMD) Rules.** Your IRA is subject to the RMD rules summarized in this Agreement.
- 11. No Prohibited Transactions.** If you engage in a prohibited transaction, the IRA loses its tax exempt status as of the first day of the year. You must include the fair market value of your IRA as of that first day in your gross income for the year during which the prohibited transaction occurred, and pay all applicable taxes and penalties.
- 12. No Pledging.** If you pledge all or a portion of your IRA as security for a loan, the portion pledged will be treated as a distribution to you, and the taxable portion will be included in gross income, and may be subject to the 10 percent early-distribution penalty tax.
- 13. IRS Approval of Form.** This Agreement includes an IRS Forms 5305 series agreement. This IRS document has been approved by the IRS. This approval is not a determination of its merits, and not an endorsement of the investments provided by us, or the operation of the IRA.
- 14. State Laws.** State laws may affect your IRA in certain situations, including deductions, beneficiary designations, agency relationships, consent, taxes, tax withholding, and reporting.

### IRA Eligibility and Contributions.

- 1. Regular or Annual IRA Contribution.** An annual contribution, commonly referred to as a regular contribution, is your contribution for the tax year, and is based on your and/or your spouse's compensation. Your designation of the tax year for your contribution is irrevocable. You may direct all or a portion of any tax refund directly to an IRA.
- 2. Compensation for Eligibility.** You are eligible to contribute to your IRA if you are younger than age 70 1/2 during the entire tax year for which your contribution applies, and you have compensation (also referred to as earned income).  
Common examples of compensation include wages, salary, tips, bonuses, and other amounts received for providing personal services, and earned income from self-employment. Compensation does not include earnings and profits from property such as dividends, interest, or capital gains, or pension, annuity, or deferred compensation plan amounts. Your compensation includes any taxable alimony or separate maintenance payments you may receive under a divorce decree or separate maintenance agreement.
- 3. Contribution By Your Spouse.** If you are married, file a joint federal income tax return, and are younger than age 70 1/2 during the entire tax year, you and/or your spouse may make a contribution on your behalf for that tax year if you and/or your spouse have compensation. This contribution must be made into your IRA, and it cannot exceed the contribution limits applicable to regular IRA contributions.
- 4. Catch-Up Contributions.** Catch-up contributions are IRA contributions made in addition to any other regular IRA contributions. You are eligible to make catch-up contributions if you

# TRADITIONAL IRA DISCLOSURES

meet the eligibility requirements for regular contributions and you attain age 50 by the end of the taxable year for which a catch-up contribution is being made.

5. **SEP and SIMPLE IRA Contributions.** Your employer may make simplified employee pension (SEP) plan contributions to this IRA in addition to your own regular IRA contributions. Your employer is responsible for verifying the SEP eligibility requirements and determining the SEP contribution amount. This IRA cannot accept Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) IRA contributions from your employer.
6. **Maximum Contribution Limits.** Your regular and catch-up IRA contributions are limited to the lesser of 100 percent of your and/or your spouse's compensation or the dollar amounts set forth on the following chart.

Contribution Tax Year	Regular Contribution Limit	Catch-Up Contribution Limit	Total Contribution Limit
2012	\$5,000	\$1,000	\$6,000
2013	\$5,500	\$1,000	\$6,500
2014 and later years	\$5,500+COLA*	\$1,000	\$6,500+COLA*

\*The regular IRA contribution limits are subject to annual cost-of-living adjustments (COLAs), if any.

7. **Contribution Deadline.** You may make regular and catch-up IRA contributions any time for a taxable year up to and including your federal income tax return due date, excluding extensions, for that taxable year. The due date for most taxpayers is April 15. The deadline may be extended in some situations. Examples include a federally declared disaster, a terroristic or military action, or service in a combat zone.
8. **Roth IRA and Traditional IRA Contribution Limit.** Your combined regular and catch-up traditional IRA and Roth IRA contributions may not exceed the maximum contribution limits set forth in the previous chart.

**Tax Deductions.** Tax deductions apply only to your regular and catch-up IRA contribution amount, and the deduction may never exceed your maximum regular and catch-up contribution amount for the contribution year. Your deduction depends on whether you and your spouse (if applicable) are active participants, and your modified adjusted gross income (MAGI). Your MAGI is your adjusted gross income from your federal income tax return for the contribution year with certain subtractions and additions. For more information on MAGI, see the instructions to your federal income tax return or IRS Publication 590, *Individual Retirement Arrangements (IRAs)*.

1. **Active Participant.** You could be an active participant in one of the following employer-sponsored retirement plans:
  - a. a qualified pension, profit sharing, 401(k), money purchase pension, employee stock ownership plan, or stock bonus plan;
  - b. a SEP plan;
  - c. a SIMPLE IRA or SIMPLE 401(k) plan;
  - d. a qualified annuity plan of an employer;
  - e. a tax-sheltered annuity plan for employees of certain tax-exempt organizations or public schools;
  - f. a Section 501(c)(18) trust;
  - g. an H.R. 10 or Keogh plan (for self-employed individuals); or
  - h. a plan for federal, state, or local government employees or by an agency or instrumentality thereof (other than a section 457(b) plan).

For assistance in determining whether you (or your spouse) are an active participant, see your employer or a tax or legal professional. IRS Form W-2, *Wage and Tax Statement*, as provided by your employer, should indicate whether you are an active participant.
2. **Deduction Limits.** If you are not an active participant, your entire regular contribution to your IRA is generally deductible. Your marital status may affect your deduction amount. If you are an active participant, the amount you can deduct depends on your MAGI for the tax year for which the contribution applies. The following chart shows how your active participant status and tax-filing status and MAGI affect your deduction. If you are an active participant, the greater your MAGI, the lesser the amount you may deduct.

Tax Year	MAGI THRESHOLDS							
	Filing Status							
	Single, Active Participant		Married, Filing Jointly, Active Participant		Married, Filing Separately, Active Participant		Married, Filing Jointly, Not an Active Participant, but Spouse is	
	Low End	High End	Low End	High End	Low End	High End	Low End	High End
2012	\$58,000	\$68,000	\$92,000	\$112,000	\$0	\$10,000	\$173,000	\$183,000
2013	\$59,000	\$69,000	\$95,000	\$115,000	\$0	\$10,000	\$178,000	\$188,000
2014 and later years	\$59,000*	\$69,000*	\$95,000*	\$115,000*	\$0	\$10,000	\$178,000*	\$188,000*

\*The MAGI thresholds are subject to annual cost-of-living adjustments, if any.

3. **Deduction Calculation.** If your MAGI is equal to or is less than the applicable Low End number in the chart based on your tax-filing status, then you may deduct your entire regular and catch-up IRA contribution. If your MAGI meets or exceeds the High End number, you may not deduct any portion of your contribution. If your MAGI is between the Low End and High End numbers, which is the phaseout range, see your tax or legal professional for assistance in determining your deduction amount. IRS Publication 590, *Individual Retirement Arrangements (IRAs)*, and the instructions to your federal income tax return also contain helpful calculation information.
4. **Nondeductible Contributions.** You may make nondeductible contributions to your IRA if you are not able to, or choose not to, deduct your contributions. You report nondeductible contributions to the IRS on IRS Form 8606, *Nondeductible IRAs*, which is attached to your federal income tax return for the year of the contribution. Failure to report nondeductible contributions, or the overstatement of nondeductible contributions, may result in IRS penalties.

**Nonrefundable Tax Credit.** You may be eligible to take a tax credit for your regular IRA contributions. The credit is equal to a percentage of your qualified contributions up to \$2,000. The credit cannot exceed \$1,000 for any tax year, and is in addition to any deduction that may apply. To be eligible for the tax credit, you must be age 18 or older by the end of the applicable tax year, not a dependent of another taxpayer, not a full-time student, and satisfy certain restrictions on distributions.

**Moving Assets To and From IRAs.** There are a variety of transactions that allow you to move your retirement assets to and from IRAs and certain other eligible retirement plans. We have sole discretion on whether we will accept, and how we will process, movements of assets to and from IRAs. We or any other financial organizations involved in the transaction may require documentation for such activities.

1. **IRA-to-IRA Transfers.** You may transfer all or a portion of your traditional IRA assets from one traditional IRA to another traditional IRA. An IRA transfer means that the IRA assets move from one IRA to another IRA in a manner that prevents you from cashing the IRA assets, or even depositing the assets anywhere except in the receiving IRA. Transfers are not taxable or reportable, and the IRS does not impose timing or frequency restrictions on transfers. You may be required to complete a transfer authorization form prior to transferring your IRA assets.
2. **IRA-to-IRA Rollovers.** An IRA rollover is another way to move assets tax-free between IRAs. You may roll over all or a portion of your IRA assets by taking a distribution from an IRA and recontributing it as a rollover contribution into the same or another IRA. A rollover contribution is irrevocable. You must report your IRA rollover to the IRS on your federal income tax return. Your contribution may only be designated as a rollover if the IRA distribution is deposited within 60 calendar days following the date you receive the distributed assets. The 60-day period may be extended to 120 days for a first-time homebuyer distribution where there is a delay or cancellation in the purchase or construction of the home. You are limited to one rollover per IRA per 12 months. The distributing and receiving IRA, including the IRA assets rolled over, are subject to this 12-month rule. The 12-month period begins on the day after you receive a distribution that will be properly rolled over into an IRA. The 12-month rule does not apply to rollovers related to first-time homebuyer distributions.

# TRADITIONAL IRA DISCLOSURES

3. **Rollovers and Transfers from SIMPLE IRAs.** You may not roll over or transfer assets from a SIMPLE IRA to a traditional IRA or other eligible retirement plan until two years have passed since the date on which you first participated in an employer's SIMPLE, which is the initial contribution date. If you participated in SIMPLEs of different employers, the initial contribution date and two-year period are determined separately for SIMPLE IRA assets from each employer.
  4. **Rollovers from Employer-Sponsored Eligible Retirement Plans.** You may directly or indirectly roll over assets from an eligible retirement plan, sponsored by your employer, into your IRA. Your plan administrator or employer is responsible for determining the amount of your assets in its eligible retirement plan that are eligible for rollover to an IRA or other eligible retirement plan.
    - a. **Eligible Retirement Plan.** Eligible retirement plans include qualified trusts under IRC Section 401(a), annuity plans under IRC Section 403(a), annuity contracts under IRC Section 403(b), and certain governmental IRC Section 457(b) plans. Common names for these plans include 401(k), profit sharing, pension, money purchase, federal thrift savings, and tax-sheltered annuity plans.
    - b. **Eligible Distribution.** Not all distributions from an employer-sponsored eligible retirement plan are eligible for rollover to an IRA. The most common distributions, which are not eligible for rollover, include RMDs, defaulted loans, substantially equal periodic payments as defined in IRC Section 402(c)(4)(A), distributions paid to nonspouse beneficiaries, and hardship distributions. Your employer determines which assets may not be rolled over, and must provide you with an IRC Section 402(f) notice of taxation, which explains the tax issues concerning distributions.
    - c. **Direct Rollover.** A direct rollover moves eligible retirement plan assets from your employer-sponsored eligible retirement plan to your IRA in a manner that prevents you from cashing the plan assets, or even depositing the assets anywhere except in the receiving IRA. A direct rollover is reported to the IRS but, if properly completed, the transaction is not subject to tax or penalty. There are no IRS limitations, such as the 60-day period or 12-month rule, on direct rollovers. This Agreement should not be used for a direct rollover from an eligible retirement plan to an inherited traditional IRA.
    - d. **Indirect Rollover and Withholding.** An indirect rollover begins with a plan distribution made payable to you. If you receive distributions during the tax year totaling more than \$200, your employer is required to withhold 20 percent on the taxable portion of your eligible rollover distribution as a prepayment of federal income taxes on distributions. You may make up the 20 percent withholding from your own funds at the time you deposit the distribution into an IRA. If the 20 percent is not made up at the time you deposit your distribution into an IRA, that portion is generally treated as taxable income. If you are younger than age 59 1/2, you are subject to a 10 percent early-distribution penalty tax on the taxable amount of the distribution that is not rolled over, unless a penalty tax exception applies. Your distribution is only eligible to be contributed to an IRA during the 60 days following your receipt of a plan distribution. Your decision to contribute the assets to the IRA as a rollover contribution is irrevocable. The 12-month rule does not apply to rollovers from employer-sponsored eligible retirement plans. State withholding may apply to eligible rollover distributions.
    - e. **Separate or Conduit IRA.** In certain cases, it may be to your benefit to make the rollover contribution into a separate or conduit IRA. Conduit IRAs can provide individuals with a means of tracking IRA assets from different sources, which may be subject to certain restrictions or favorable tax treatment.
  5. **Waiver of the 60-Day Period.** The Secretary of the Treasury may waive the 60-day period for completing rollovers in certain situations such as casualty, disaster, or other events beyond the reasonable control of the individual who is subject to the 60-day period.
  6. **Traditional IRA to Employer-Sponsored Eligible Retirement Plans.** You may directly or indirectly roll over a taxable distribution from your IRA to an employer-sponsored eligible retirement plan which accepts rollover contributions. Nontaxable or nondeductible IRA assets may not be rolled over into employer-sponsored eligible retirement plans. You can generally roll over, to employer-sponsored eligible retirement plans, only the aggregate taxable balance in all of your traditional IRAs and SIMPLE IRAs. The 12-month rule does not apply to these rollovers.
  7. **Transfers Due to Divorce.** Your former spouse, pursuant to a divorce decree or legal separation order, may transfer assets from your traditional IRA to his/her traditional IRA.
  8. **Qualified Reservist Contributions.** If you are a qualified reservist ordered or called to active duty after September 11, 2001 for more than 179 days (or for an indefinite period), and take an IRA distribution or take certain elective deferrals from an eligible retirement plan after September 11, 2001, and before the end of your active duty, you may make one or more contributions of these assets to your IRA within two years of the end of your active duty.
  9. **Qualified Settlement Income.** You may roll over certain qualified settlement income (e.g. an amount received in connection with the Exxon Valdez litigation) to your IRA under limits provided by law. Generally, the 12-month rule does not apply to such rollovers. It is in your best interest to seek the guidance of a tax or legal professional before taking advantage of such rollover and/or taking such assets from the IRA.
  10. **Rollovers Due to Airline Carrier Bankruptcy.** If you are a qualified airline employee and receive an airline payment amount as defined by law, this amount may be rolled over to a traditional IRA. You must roll over the airline payment amount within 180 days of its receipt.
- Movement of Assets Between Traditional and Roth IRAs.**
1. **Traditional IRA to Roth IRA Conversions.** You may convert all or a portion of your traditional IRA assets to a Roth IRA. Your conversion assets (excluding prorated nondeductible contributions) are subject to federal income tax. Your conversion must be reported to the IRS. The 10 percent early-distribution penalty tax does not apply to conversions. If you elect to convert your assets using a rollover transaction, the 60-day rule applies. The 12-month rule does not apply to conversions.
  2. **Traditional IRA and Roth IRA Recharacterizations.** You may recharacterize, or choose to treat all or a portion of your regular and catch-up traditional IRA contribution as a regular Roth IRA contribution. Similarly, you may recharacterize your regular and catch-up Roth IRA contribution as a regular traditional IRA contribution. You may cancel a conversion through a recharacterization of all or a portion of the amount converted from a traditional IRA to a Roth IRA. You may also recharacterize the amount rolled or directly rolled over to a Roth IRA from an eligible retirement plan, or other recharacterization, as provided by law. A recharacterization election is irrevocable. You must complete a recharacterization no later than your federal income tax-filing due date, including extensions, for the year you make the initial contribution. If you timely file your federal income tax return, you may still recharacterize as late as October 15 for calendar year filers. Recharacterizations must occur by transfer, which means that the assets, adjusted for gains and losses on the recharacterized amount, must be transferred into another IRA. The recharacterized contribution is treated as though you deposited it into the second IRA on the same day you actually deposited it in the first IRA. Recharacterization transactions are reported to the IRS. The election to recharacterize may be completed on your behalf after your death. A written notice of recharacterization, as defined by Treasury Regulation 1.408A-5, Q&A 6(a), is required for recharacterization transactions.
  3. **Traditional IRA to Roth IRA Reconversions.** A reconversion occurs when all or a portion of traditional IRA assets previously converted to a Roth IRA are recharacterized back to a traditional IRA and then converted again. After recharacterizing a conversion, you cannot reconvert until the later of: (1) the beginning of the year



# TRADITIONAL IRA DISCLOSURES

following the year the amount was converted, or (2) the end of the 30-day period following the day of the recharacterization. In other words, you cannot reconvert in the same year as the first conversion. Reconversion transactions are reported to the IRS.

**IRA Distributions.** You, or after your death your beneficiary, may take an IRA distribution at any time. However, depending on the timing and amount of your distribution you may be subject to income taxes and/or penalty taxes.

- 1. Removal of Excess Contributions.** You may withdraw all or a portion of your excess contribution and attributable earnings before your federal income tax return due date, including extensions, for the taxable year for which you made the contribution. The excess contribution amount distributed will not be taxable but the attributable earnings on the contribution will be taxable in the year in which you made the contribution and may be subject to the 10 percent early-distribution penalty tax. In certain situations, you may treat your excess as a regular and catch-up IRA contribution for the next year. If you timely file your federal income tax return, you may still remove your excess contribution, plus attributable earnings, as late as October 15 for calendar year filers.
- 2. Distributions of Unwanted IRA Contributions by Tax-Filing Date.** You may withdraw all or a portion of your regular and catch-up IRA contribution and attributable earnings in the same manner as an excess contribution. However, you cannot apply your unwanted contribution as a regular IRA contribution for a future year. The unwanted contribution amount distributed will not be taxable, but the attributable earnings on the contribution will be taxable in the year in which you made the contribution, and may be subject to the 10 percent early-distribution penalty tax. If you timely file your federal income tax return, you may still remove your unwanted contribution, plus attributable earnings, as late as October 15 for calendar year filers.
- 3. Distribution of Nondeductible and Nontaxable Contributions.** If any of your traditional IRAs or SIMPLE IRAs contain nondeductible contributions, rollovers of nontaxable distributions from employer-sponsored eligible retirement plans, or other nontaxable basis amounts, any distributions you take from any of your traditional IRAs or SIMPLE IRAs, that are not rolled over, will return to you a proportionate share of the taxable and nontaxable balances in all of your traditional IRAs and SIMPLE IRAs at the end of the tax year of your distributions. IRS Form 8606, *Nondeductible IRAs*, has been specifically designed to calculate this proportionate return. You must complete IRS Form 8606 each year you take distributions under these circumstances, and attach it to your tax return for that year to validate the nontaxable portion of your IRA distributions reported for that year.
- 4. Qualified Health Savings Account (HSA) Funding Distribution.** If you are an HSA eligible individual, you may elect to take a qualified HSA funding distribution from your IRA (not including ongoing SEP and SIMPLE IRAs) to the extent such distribution is contributed to your HSA in a trustee-to-trustee transfer. This amount is aggregated with all other annual HSA contributions and is subject to your annual HSA contribution limit. A qualified HSA funding distribution election is irrevocable and is generally available once in your lifetime. A testing period applies. The testing period for this provision begins with the month of the contribution to your HSA and ends on the last day of the 12th month following such month. If you are not an eligible individual for the entire testing period, unless you die or become disabled, the amount of the distribution made under this provision will be includable in gross income for the tax year of the month you are not an eligible individual, and is subject to a 10 percent penalty tax.
- 5. Tax-Free Distributions to Charities.** If you have attained age 70 1/2, you may be able to make tax-free distributions directly from your IRA to a qualified charitable organization if permitted by law. Tax-free distributions have been limited to \$100,000 in past years. Consult with your tax or legal professional to determine the availability of this tax-free distribution.

## Required Minimum Distributions (RMDs) For You.

- 1. After Age 70 1/2.** Your first RMD must be taken by April 1 following the year you attain age 70 1/2, which is your required beginning date (RBD). Second year and subsequent distributions must be taken by December 31 of each such year. An RMD is taxable in the calendar year you receive it.
- 2. Distribution Calculations.** Your RMD will generally be calculated by dividing your previous year-end adjusted balance in your IRA by a factor from the uniform lifetime table provided by the IRS. This table is indexed to your age attained during a distribution year. This table is used whether you have named a beneficiary and regardless of the age or type of beneficiary you may have named. However, if for any distribution year, you have as your only named beneficiary for the entire year, your spouse, who is more than ten years younger than you, the uniform lifetime table will not be used. To calculate your RMD for that year you will use the ages of you and your spouse at the end of that year to determine a joint life expectancy factor from the IRS's joint and last survivor table. This will be the case even if your spouse dies, or you become divorced and do not change your beneficiary, during that year.
- 3. Failure to Withdraw an RMD.** If you do not withdraw your RMD by its required distribution date, you will owe a 50 percent excess accumulation penalty tax on the amount not withdrawn. You can always take more than your RMD in any year but no additional amounts can be credited to a subsequent year's RMD.
- 4. Multiple IRAs.** If you have more than one traditional IRA or SIMPLE IRA you must calculate a separate RMD for each one. You may, however, take the aggregate total of your RMDs from any one or more of your personal traditional IRAs or SIMPLE IRAs.
- 5. No Rollovers of RMDs.** An RMD must be satisfied before you can roll over any portion of your IRA account balance. The first distributions made during a year will be considered RMDs and can be satisfied by earlier distributions from your other traditional IRAs or SIMPLE IRAs that are aggregated. Any RMD that is rolled over will be subject to taxation and considered an excess contribution until corrected.
- 6. Transfers of RMDs.** Transfers are not considered distributions. You can transfer any portion of your traditional IRA or SIMPLE IRA at any time during the year provided you satisfy your aggregate RMDs before the end of the distribution year.

**RMDs For Your Beneficiaries.** Your beneficiaries will generally have until December 31 of the year following your death year to begin RMDs. Exceptions exist for your surviving spouse and for any beneficiary who must distribute or chooses to distribute his/her share of your traditional IRA within a five-year period. If your death occurs on or after your RBD, your beneficiaries must withdraw any of your RMD that you had not received during the year of your death.

- 1. Distribution Calculations In General.** Most beneficiaries will use a single life expectancy method to satisfy these RMDs unless they elect the five-year rule. The five-year rule requires your beneficiary to completely withdraw your IRA assets by the end of the fifth year following your death year. The single life expectancy factor, using the IRS's single life table, will be determined by using the age on December 31 in the year following death of the oldest designated beneficiary unless multiple beneficiaries exist and separate accounting applies. This initially determined factor is reduced by one for each subsequent year's calculation.

This general rule for determining life expectancy applies if your IRA has at least one designated beneficiary, whether your death occurs before or on or after your RBD. However, if you die on or after your RBD, your remaining life expectancy, determined in your death year and reduced by one in each subsequent year, may be used to determine the distribution each year. This is true if your remaining life expectancy is longer than the beneficiary's life expectancy that same year, determined in the year after your death and reduced by one in each subsequent year, or if your IRA is treated as having no designated beneficiary.

# TRADITIONAL IRA DISCLOSURES

A special exception to the five-year rule allows certain death beneficiaries to exclude 2009 when calculating the five-year period. In order to apply this exception, the IRA owner or plan participant must have died before his/her RBD, after 2003, and prior to 2009. For example, assume the IRA owner died in 2008. If the death beneficiary, by affirmative election or default, selected the five-year rule, the five-year period would normally require total distribution by December 31, 2013. However, by applying the exception, the beneficiary must now take total distribution by December 31, 2014.

- 2. Designated Beneficiary.** A designated beneficiary is any named beneficiary who has an interest in your IRA on the determination date, which is September 30 of the year following your death year. Named beneficiaries who completely distribute their interests in your IRA, or completely disclaim their interests in your IRA under IRC Section 2518, will not be considered when designated beneficiaries are determined. Named beneficiaries who die after your death but before the determination date will still be considered for the sake of determining the distribution period. If any named beneficiary that is not an individual, such as an estate or charity, has an interest in your IRA on the determination date, and separate accounting does not apply, your IRA will be treated as having no designated beneficiary.

If you name a qualified trust, which is defined in Treasury Regulation 1.401(a)(9)-4, Q&A 5, as your IRA beneficiary, the beneficiaries of the qualified trust are treated as the beneficiaries of your IRA for purposes of determining designated beneficiaries and the appropriate life expectancy period after your death. A qualified trust provides documentation of its beneficiaries to the custodian.

- 3. Death Before Your Required Beginning Date (RBD) With No Designated Beneficiary.** If you die before your RBD and your IRA is treated as having no designated beneficiary, your named beneficiaries will be required to completely withdraw your IRA assets by the end of the fifth year following your death year.
- 4. Death On or After Your RBD With No Designated Beneficiary.** If you die on or after your RBD and your IRA is treated as having no designated beneficiary, RMDs will continue to your named beneficiaries over your remaining single expectancy as determined in your death year. Once determined, this life expectancy factor will be reduced by one for each subsequent year of the distribution period.
- 5. Spouse Beneficiary.** If your spouse is your only designated beneficiary on the determination date, or if there are multiple designated beneficiaries and separate accounting applies, he/she will use his/her age each year to determine the life expectancy factor for calculating that year's RMD. If your spouse is the only designated beneficiary, or if there are multiple designated beneficiaries and separate accounting applies, and you die before your RBD, your surviving spouse can postpone commencement of his/her RMDs until the end of the year in which you would have attained age 70 1/2. If you die on or after your RBD, your surviving spouse will use the longer of his/her single life expectancy, determined each year after the death year using his/her attained age, or your remaining single life expectancy determined in your death year and reduced by one each subsequent year.

If your spouse is the only designated beneficiary, or if there are multiple designated beneficiaries and separate accounting applies, he/she can treat your IRA as his/her own IRA after your death. This generally happens after any of your remaining RMD amount for the year of your death has been distributed. This is not available to your surviving spouse if he/she is the sole beneficiary of a qualified trust that is named as beneficiary of your IRA.

Your spouse beneficiary could take a distribution of his/her share of your IRA and roll it over to an IRA of his/her own.

- 6. Beneficiaries Naming Successor Beneficiaries.** Our policy may allow your beneficiaries to name their own successor beneficiaries to your IRA. A successor beneficiary would receive any of your IRA assets that remain after your death and the subsequent death of your beneficiaries. This distribution would be in accordance with Article IV.3 of the Agreement, and generally would not allow a successor beneficiary to calculate RMDs based on his/her own life expectancy.
- 7. Separate Accounting.** Our policies may permit separate accounting to be applied to your IRA for the benefit of your beneficiaries. If permitted, separate accounting must be applied in accordance with Treasury Regulation 1.401(a)(9)-8, Q&A 2 and 3. A beneficiary is considered the only designated beneficiary of his/her share of the IRA assets if separate accounting applies.

## Federal Income Tax Status of Distributions.

- 1. Taxation.** IRA distributions which are not rolled over will be taxed as income in the year distributed except for the portion of your aggregate SIMPLE IRA and traditional IRA distributions that represents your nondeductible contributions, nontaxable rollover amounts, or other nontaxable basis amounts. You may also be subject to state or local taxes and withholding on your IRA distributions.
- 2. Earnings.** Earnings, including gains and losses, on your IRA will not be subject to federal income taxes until they are considered distributed.
- 3. Ordinary Income Taxation.** Your taxable IRA distribution is usually included in gross income in the distribution year. IRA distributions are not eligible for special tax treatments, such as ten year averaging, that may apply to other employer-sponsored retirement plan distributions.

**Estate and Gift Tax.** The designation of a beneficiary to receive IRA distributions upon your death will not be considered a transfer of property for federal gift tax purposes. Upon your death, the value of all assets remaining in your IRA will usually be included in your gross estate for estate tax purposes, regardless of the named beneficiary or manner of distribution. There is no specific estate tax exclusion for assets held within an IRA. After your death, beneficiaries should pay careful attention to the rules for the disclaiming any portion of your IRA under IRC Section 2518.

**Federal Income Tax Withholding.** IRA distributions are subject to federal income tax withholding unless you or, upon your death, your beneficiary affirmatively elect not to have withholding apply. The required federal income tax withholding rate is 10 percent of the distribution. Upon your request for a distribution, by providing IRS Form W-4P or an appropriate substitute, we will notify you of your right to waive withholding or elect to have greater than 10 percent withheld.

**Annual Statements.** Each year we will furnish you and the IRS with statements reflecting the activity in your IRA. You and the IRS will receive IRS Forms 5498 and 1099-R. IRS Form 5498 or an appropriate substitute indicates the fair market value of the account, including IRA contributions, for the year. IRS Form 1099-R reflects your IRA distributions for the year.

By January 31 of each year, you will receive a report of your fair market value as of the previous calendar year. If applicable, you will also receive a report concerning your annual RMD.

**Federal Tax Penalties and IRS Form 5329.** Several tax penalties may apply to your various IRA transactions, and are in addition to any federal, state, or local taxes. Federal penalties and excise taxes are generally reported and remitted to the IRS by completing IRS Form 5329, and attaching the form to your federal income tax return. The penalties may include any of the following taxes:

# TRADITIONAL IRA DISCLOSURES

- 1. Early-Distribution Penalty Tax.** If you take a distribution from your IRA before reaching age 59 1/2, you are subject to a 10 percent early-distribution penalty tax on the taxable portion of the distribution. However, certain exceptions apply. Exceptions to the 10 percent penalty tax are distributions due to death, disability, first-time home purchase, eligible higher education expenses, medical expenses exceeding a certain percentage of adjusted gross income, health insurance premiums due to your extended unemployment, a series of substantially equal periodic payments, IRS levy, traditional IRA conversions, qualified reservist distributions, and qualified HSA funding distributions. Properly completed rollovers, transfers, recharacterizations, and conversions are not subject to the 10 percent penalty tax.
- 2. Excess Contribution Penalty Tax.** If you contribute more to your IRA than you are eligible to contribute, you have created an excess contribution, which is subject to a 6 percent excise tax. The excise tax applies each year that the excess contribution remains in your IRA. If you timely file your federal income tax return, you may still remove your excess contribution, plus attributable earnings, as late as October 15 for calendar year filers.

- 3. Excess Accumulation Penalty Tax.** Any portion of a RMD that is not distributed by its deadline is subject to a 50 percent excess accumulation penalty tax. The IRS may waive this penalty upon your proof of reasonable error and that reasonable steps were taken to correct the error, including remedying the shortfall. See IRS Form 5329 instructions when requesting a waiver.

**Disaster Tax Relief.** Subject to IRC Section 1400Q, individuals in certain federally-declared disaster areas may be given the opportunity to take qualified distributions (subject to applicable time periods defined by law) in aggregation from IRAs and other eligible retirement plans up to the prescribed limit (e.g., \$100,000 for Midwestern Disaster). Typically, these rules permit an individual to prorate any amounts required to be included in gross income over a three tax year period or include it all in the year of distribution. In addition, an individual may be allowed three years after the date of receipt to roll over or repay all or part of the qualified distribution without being subject to the one rollover per 12-month rule or the 60-day requirement. Certain first-time homebuyer or hardship distributions may be eligible for rollover within a prescribed time period. Also, for additional disaster area information and IRS guidance on associated tax relief, refer to IRS notices and publications, or visit the IRS's web site at [www.irs.gov](http://www.irs.gov).

# HSA DISCLOSURES

## HEALTH SAVINGS ACCOUNT DISCLOSURE STATEMENT

**This Disclosure Statement.** This Disclosure Statement provides you, or your beneficiaries after your death, with a summary of the rules and regulations governing this HSA.

**Definitions.** The Health Savings Custodial Account agreement contains a definitions section. The definitions found in such section apply to this Agreement. It refers to you as the account owner, and us as the custodian. References to "you," "your," and "HSA owner" will mean the account owner, and "we," "us," and "our" will mean the custodian. Upon your death, your spouse beneficiary, if applicable, becomes "you" for purposes of this Disclosure Statement. In the event you appoint a third party, or have a third party appointed on your behalf to handle certain transactions affecting your HSA, such third party will be considered your agent and, therefore, "you" for purposes of this Disclosure Statement. Additionally, references to "HSA" will mean the custodial account.

**For Additional Guidance.** It is in your best interest to seek the guidance of a tax or legal professional before completing any HSA establishment documents. Your first reference for questions concerning your HSA should be Internal Revenue Code (IRC) Section 223, other relevant IRC sections, and all additional Internal Revenue Service (IRS) guidance; IRS publications that include information about HSAs; any additional provisions or amendments to such documents; and this Disclosure Statement. For more information, you can also refer to the instructions to your federal income tax return, your local IRS office, or the IRS's web site at [www.irs.gov](http://www.irs.gov).

### HSA Restrictions and Approval.

- 1. Health Savings Custodial Account Agreement.** This Disclosure Statement and the Health Savings Custodial Account agreement, amendments, application, and additional provisions set forth the terms and conditions governing your HSA. Such documents are the "Agreement."
- 2. Individual/Family Benefit.** This HSA must be for the exclusive benefit of you, your spouse, and your dependents and, upon your death, your beneficiaries. The HSA must be established in your name and not in the name of your beneficiary, living trust, or another party or entity.
- 3. Beneficiary Designation.** By completing the appropriate section on the corresponding Health Savings Account Application you may designate any person(s) as your beneficiary to receive your HSA assets upon your death. You may also change or revoke an existing designation in such manner and in accordance with such rules as we prescribe for this purpose. We may rely on the latest beneficiary designation on file at the time of your death, will be fully protected in doing so, and will have no liability whatsoever to any person making a claim to the HSA assets under a subsequently filed designation or for any other reason.
- 4. Cash Contributions.** Regular or annual HSA contributions must be in cash, which may include a check, money order, or wire transfer. It is within our discretion to accept in-kind contributions for rollovers, transfers, or similar transactions.
- 5. HSA Custodian.** An HSA custodian must be a bank, an insurance company, a person previously approved by the IRS to be a trustee of an individual retirement account (IRA) or Archer Medical Savings Account (MSA) or any other person approved by the IRS.

- 6. Prohibition Against Life Insurance and Commingling.** None of your HSA assets may be invested in life insurance contracts, or commingled with other property, except in a common trust fund or common investment fund.
- 7. Nonforfeitability.** The assets in your HSA are not forfeitable.
- 8. Cash or In-Kind Rollovers.** You may be eligible to make a rollover contribution of your HSA or Archer MSA distribution, in cash or in kind, to an HSA. These and other potential rollovers to and from HSAs are described in greater detail elsewhere in this Disclosure Statement.
- 9. No Prohibited Transactions.** There are negative consequences if you enter into prohibited transactions with your HSA (e.g., you may not sell, exchange, or lease property, borrow or lend money, pledge the HSA, furnish goods, services or facilities, transfer to or use by or for your benefit any assets of the HSA). If you engage in a prohibited transaction with your HSA, the sanction, in general, is disqualification of the HSA. Thus, the HSA stops being an HSA as of the first day of the taxable year of the prohibited transaction. The assets of your HSA are deemed distributed, and the appropriate taxes, including the additional 20 percent tax for distributions not used to pay for or reimburse qualified medical expenses, apply.
- 10. IRS Approval of Form.** This Agreement includes an IRS Forms 5305 series agreement. This IRS document has been approved by the IRS. This approval is not a determination of its merits, and not an endorsement of the investments provided by us or the operation of the HSA.
- 11. State Laws.** State laws may affect your HSA in certain situations, including deductions, beneficiary designations, agency relationships, consent, taxes, tax withholding, and reporting.

### HSA Eligibility.

- 1. Eligibility for an HSA.** You are an eligible individual and may make or receive an HSA regular contribution if, with respect to any month, you:
  - are covered under a high-deductible health plan (HDHP);
  - are not covered by any other type of health plan that is not an HDHP (with certain exceptions for plans providing preventive care and limited types of permitted insurance and permitted coverage);
  - are not enrolled in Medicare; and
  - may not be claimed as a dependent on another person's tax return.
- 2. High-Deductible Health Plan.** Generally, an HDHP is a health plan that provides significant benefits and satisfies certain requirements with respect to deductibles and out-of-pocket expenses. For purposes of this HSA, a high-deductible health plan is a plan with a minimum annual deductible and an out-of-pocket expense limit as follows:

Tax Year	HDHP Coverage	Minimum Deductible	Out-of-Pocket Expense Limit
2012	Self-Only	\$1,200	\$ 6,050
	Family	\$2,400	\$ 12,100
2013	Self-Only	\$1,250	\$ 6,250
	Family	\$2,500	\$ 12,500
2014 and later	Self-Only	\$1,250 *	\$ 6,250 *
	Family	\$2,500 *	\$ 12,500 *

\*Subject to annual cost-of-living adjustments, if any.

# HSA DISCLOSURES

A plan shall not fail to be treated as an HDHP by reason of failing to have a deductible for preventive care. An HDHP may therefore provide preventive care benefits without a deductible or with a deductible below the minimum annual deductible.

**3. Permitted Insurance.** You are eligible for an HSA if you have coverage for any benefit provided by permitted insurance. An example of permitted insurance is insurance for a specific disease or illness, such as cancer insurance.

In addition, you are eligible for an HSA if you have coverage (whether provided through insurance or otherwise) for accidents, disability, dental care, vision care, or long-term care.

## HSA Contributions.

**1. Who Can Make Regular or Annual Contributions.** If you meet the eligibility requirements for an HSA, you, your employer, your family members, or any other person (including nonindividuals) may contribute to your HSA. This is true whether you are self-employed or unemployed.

### 2. Regular or Annual Contributions.

**a. Maximum Annual Contributions.** In general, the maximum annual contribution is the contribution limit based on HDHP coverage as shown in the following chart:

Tax Year	HDHP Coverage	Contribution Limit	Catch-Up Contribution Limit	Total Contribution Limit
2012	Self-Only	\$3,100	\$1,000	\$4,100
	Family	\$6,250	\$1,000	\$7,250
2013	Self-Only	\$3,250	\$1,000	\$4,250
	Family	\$6,450	\$1,000	\$7,450
2014 and later	Self-Only	\$3,250*	\$1,000	\$4,250*
	Family	\$6,450*	\$1,000	\$7,450*

\*Subject to annual cost-of-living adjustments, if any.

Your maximum annual contribution is generally determined by adding together your monthly contribution limits for the year. Your monthly contribution limit is determined on the first day of each month that you are an eligible individual. A monthly contribution limit is 1/12 of the annual contribution limit based on your health plan coverage (self-only or family) for such month.

However, your maximum annual contribution may be a greater amount if you are an eligible individual on the first day of the last month (December 1 for calendar-year taxpayers). If so, you are treated as an eligible individual for all months of the tax year and you may contribute up to such tax year's annual contribution limit based on your HDHP coverage (self-only or family) on December 1 (for calendar-year taxpayers).

If your maximum contribution amount determined under this method is greater than your monthly-determined maximum, and you contribute the greater amount, a testing period applies. The testing period for this provision begins with the last month of the contribution year and ends on the last day and the 12th month following such month (December 31 for calendar-year

taxpayers). If you do not continue to be an eligible individual for the entire testing period, unless you die or become disabled, the difference between your monthly-determined maximum and the amount you contributed is includable in your gross income for the year of failure and is subject to a 10 percent penalty tax. For example, if you are an eligible individual and enroll in self-only HDHP coverage on January 1 but change to family HDHP coverage on November 1 and retain family HDHP coverage through December 31 of the same year, you may be able to contribute up to the full annual contribution limit for family coverage (plus catch-up if you are eligible) because it is greater than the sum of the monthly contribution limits (10/12 of the self-only annual limit plus 2/12 of the family limit).

**b. Qualified HSA Funding Distribution.** If you are an eligible HSA individual, you may elect to take a qualified HSA funding distribution from your IRA (not including ongoing SEP and SIMPLE IRAs) to the extent such distribution is contributed to your HSA in a trustee-to-trustee transfer. This amount is aggregated with all other annual HSA contributions and is subject to your annual HSA contribution limit. The contribution is made for the tax year of the distribution. A qualified HSA funding distribution election is irrevocable and is generally available once in your lifetime. A testing period applies. The testing period for this provision begins with the month of the contribution to your HSA and ends on the last day of the 12th month following such month. If you are not an eligible individual for the entire testing period, unless you die or become disabled, the amount of the contribution made under this provision will be includable in gross income for the tax year of the month you are not an eligible individual, and is subject to a 10 percent penalty tax.

**c. Annual Contributions Aggregated.** If you have more than one HSA, the aggregate annual contributions to all the HSAs are subject to the contribution limit. This limit is decreased by the aggregate contributions to an Archer MSA. The same annual contribution limit applies whether the contributions are made by you, your employer, your family members, or any other person (including nonindividuals). Contributions may be made on your behalf even if you have no compensation or if the contributions exceed your compensation.

**d. Catch-Up Contributions.** Catch-up contributions are HSA contributions made in addition to any other regular HSA contributions. You are eligible to make catch-up contributions if you meet the eligibility requirements for regular contributions and are age 55 or older by the end of your taxable year and not enrolled in Medicare. As with the annual contribution limit, the catch-up contribution is generally computed on a monthly basis. However, you may be eligible to contribute the entire catch-up contribution amount even if you are not an eligible individual for the entire tax year using the same first day of the last month eligibility rules and testing period applicable to the annual contribution limit.



# HSA DISCLOSURES

**3. One or Both Spouses Have Family Coverage.** You and your spouse are treated as having family coverage if one or both of you has family coverage. The contribution limit is divided equally between you and your spouse, unless each of you agree on a different division. The family coverage limit is reduced further by any contribution to an Archer MSA. However, each of you may make the catch-up contributions without exceeding the family coverage limit.

**4. Contribution Deductibility.**

**a. Your Contributions.** Contributions made by you to an HSA, which do not exceed the maximum annual contribution amount, are deductible by you when determining your adjusted gross income. You are not required to itemize deductions in order to take this deduction. However, you cannot also deduct the contributions as medical expenses under Internal Revenue Code (IRC) Section 213. Contributions by family members or any other person (including nonindividuals) on your behalf are also deductible by you. A contribution from an IRA is not deductible.

**b. Employer Contributions.** Employer contributions are treated as employer-provided coverage for medical expenses under an accident or health plan and are excludable from your gross income. The employer contributions are not subject to withholding from wages for income tax or subject to the Federal Insurance Contributions Act (FICA), the Federal Unemployment Tax Act (FUTA), or the Railroad Retirement Tax Act. Contributions to your HSA through a cafeteria plan are treated as employer contributions. You cannot deduct employer contributions on your federal income tax return as HSA contributions or as medical expense deductions under IRC Section 213.

**5. Contribution Deadline.** You or your employer may make regular and catch-up HSA contributions any time for a taxable year up to and including your federal income tax return due date, excluding extensions, for that taxable year. The due date for most taxpayers is April 15.

**6. Return of Mistaken Distribution.** If you mistakenly distribute assets from the HSA, our policies may allow you to return the assets to the HSA. If you are able to return a mistaken distribution, you will need to be prepared to provide the IRS with clear and convincing evidence that the HSA distribution was the result of a mistake of fact due to reasonable cause. A mistaken distribution can be returned no later than April 15 following the first year you knew or should have known the distribution was a mistake.

**Moving Assets To and From HSAs.** There are a variety of transactions that allow you to move assets to and from your HSA. We have sole discretion on whether we will accept, and how we will process, movements of assets to and from HSAs. We or the other financial organization involved in the transaction may require documentation for such activities.

**1. HSA-to-HSA Transfers.** You may transfer all or a portion of your HSA assets from one HSA to another HSA. An HSA transfer means that the HSA assets move from one HSA to

another HSA in a manner that prevents you from cashing or liquidating the HSA assets, or even depositing the assets anywhere except in the receiving HSA. You may be required to complete a transfer authorization form prior to transferring your HSA assets.

**2. Archer MSA-to-HSA Transfers.** A transfer of Archer MSA assets to an HSA is permitted. However, HSA assets cannot be transferred to an Archer MSA.

**3. HSA-to-HSA Rollovers.** An HSA rollover is another way to move assets tax-free between HSAs. You may roll over all or a portion of your HSA assets by taking a distribution from an HSA and recontributing it as a rollover contribution into the same or another HSA. Rollovers to HSAs are not allowed from traditional or Roth IRAs and employer-sponsored retirement plans. You must report your HSA rollover to the IRS on your federal income tax return. Your contribution may only be designated as a rollover if the HSA distribution is deposited within 60 calendar days following the date you receive the distributed assets. You are limited to one rollover per HSA per 12 months. The distributing and receiving HSA, including the HSA assets rolled over, are subject to this 12-month rule. The 12-month period begins on the day after you receive a distribution that will be properly rolled over into an HSA.

**4. Archer MSA-to-HSA Rollovers.** Rollovers from an Archer MSA to an HSA are permitted. However, HSA assets cannot be rolled over to an Archer MSA. The distributing MSA and receiving HSA, including the MSA assets rolled over, are subject to the 12-month rule.

**HSA Distributions.** You or, after your death, your beneficiary may take an HSA distribution, in cash or in kind based on our policies, at any time. However, depending on the timing and amount of your distribution you may be subject to income taxes and/or penalty taxes. HSA custodians/trustees do not determine whether HSA distributions are used for qualified medical expenses.

**1. Removal of Excess Contributions.** You may withdraw all or a portion of your excess contribution and attributable earnings by your federal income tax return due date, including extensions, for the taxable year for which the contribution was made. The excess contribution amount distributed will generally not be taxable, but the attributable earnings on the contribution will be taxable in the year in which the distribution is received. If you timely file your federal income tax return, you may still remove your excess contribution, plus attributable earnings, as late as October 15 for calendar year filers.

**2. Qualified Medical Expenses.** Qualified medical expenses are expenses paid by you, your spouse, or your dependents for medical care as defined in IRC Section 213(d) or as otherwise permitted by law, but only to the extent the expenses are not covered by insurance or otherwise. The qualified medical expenses must be incurred only after the HSA has been established.

**3. Death.** Upon your death, any balance remaining in your HSA becomes the property of the beneficiaries named in the HSA agreement.

# HSA DISCLOSURES

- a. **Spouse.** If your spouse is the beneficiary of your HSA, the HSA becomes his/her HSA as of the date of your death. We may require your spouse to transfer the assets to an HSA of his/her own. Your spouse is subject to income tax only to the extent distributions from the HSA are not used for qualified medical expenses.
  - b. **Nonspouse.** If your beneficiary is not your spouse, the HSA ceases to be an HSA as of the date of your death. If your beneficiary is your estate, the fair market value of your HSA as of the date of your death is taxable on your final return. For other beneficiaries, the fair market value of your HSA is taxable to them in the tax year that includes such date. For such a person (except your estate), this amount is reduced by any payments from the HSA made for your qualified medical expenses, if paid within one year after your death.
- 4. Removal of Employer Contributions.** If your employer contributes an amount in excess of the maximum annual contribution amount, or if your employer makes a contribution to your HSA but you were never an eligible individual, your employer may request a distribution from your HSA to correct the error.
- Federal Income Tax Status of Distributions.**
1. **Taxation.** Distributions from your HSA used exclusively to pay for or reimburse qualified medical expenses of you, your spouse, or your dependents are excludable from gross income. In general, amounts in an HSA can be used for qualified medical expenses and will be excludable from gross income even if you are not currently eligible for contributions to the HSA. However, any amount of the distribution not used exclusively to pay for or reimburse qualified medical expenses of you, your spouse, or your dependents is includable in your gross income and is subject to an additional 20 percent tax penalty on the amount includable, except in the case of distributions made after your death, your disability, or your attainment of age 65. HSA distributions which are not rolled over will be taxed as income in the year distributed, unless they are used for qualified medical expenses. You may also be subject to state or local taxes and withholding on your HSA distributions.
  2. **Earnings.** Earnings, including gains and losses, on your HSA will not be subject to federal income taxes until they are considered distributed.
  3. **Ordinary Income Taxation.** Your taxable HSA distribution is usually included in gross income in the distribution year.
- Estate and Gift Tax.** The designation of a beneficiary to receive HSA distributions upon your death will not be considered a transfer of property for federal gift tax purposes. Upon your death, the value of all assets remaining in your HSA will usually be included in your gross estate for estate tax purposes, regardless of the named beneficiary or manner of distribution. There is no specific estate tax exclusion for assets held within an HSA.
- Federal Income Tax Withholding.** If federal withholding is applicable, the custodian may require the completion of a withholding election document.
- Annual Statements.** Each year we will furnish you and the IRS with IRS-required statements reflecting the activity in your HSA.
- Federal Tax Penalties.** Several tax penalties may apply to your various HSA transactions, and are in addition to any federal, state, or local taxes. Federal penalties and excise taxes are generally reported and remitted to the IRS along with your federal income tax return. The penalties may include any of the following taxes:
1. **Additional Tax.** Any amount of a distribution not used exclusively to pay for or reimburse qualified medical expenses of you, your spouse, or your dependents is subject to an additional 20 percent tax on the amount includable in your gross income, except in the case of distributions made after your death, your disability, or your attainment of age 65. Separately, any failure to meet a required testing period resulting in amounts includable in gross income will make such amounts subject to an additional 10 percent tax.
  2. **Excess Contribution Penalty Tax.** If a contribution to your HSA exceeds the amount you are eligible for, you have an excess contribution, which is subject to a 6 percent excise tax. The excise tax applies each year that the excess contribution remains in your HSA.





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