


<p>Form 5305-C (August 2004) Department of the Treasury Internal Revenue Service</p>	 <p>Health Savings Custodial Account and Disclosure Statement (Under section 223(a) of the Internal Revenue Code)</p>	<p>Do Not file with the Internal Revenue Service</p>
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HSA Custodial Agreement

The account owner named is establishing this health savings account (HSA) exclusively for the purpose of paying or reimbursing qualified medical expenses of the account owner, his or her spouse, and dependents. The account owner represents that, unless this account is used solely to make rollover contributions, he or she is eligible to contribute to his HSA; specifically, that he or she: (1) is covered under a high deductible health plan (HDHP), (2) is not also covered by any other health plan that is not an HDHP (with certain exceptions for plans providing preventative care and limited types of permitted insurance and permitted coverage), (3) is not entitled to benefits under Medicare (generally, has not reached age 65), and (4) cannot be claimed as a dependent on another person's tax return.

The account owner and the custodian make the following agreement:

Article I. Contributions

1. The custodian will accept additional cash contributions for the tax year made by the account owner or on behalf of the account owner (by an employer, family member or any other person). No contributions will be accepted by the custodian in excess of the maximum amount for an account owner with family coverage plus the catch-up contribution.
2. Contributions for any tax year may be made at any time before the deadline for filing the account owner's federal income tax return for that year (without extensions).
3. Rollover contributions from an HSA or an Archer Medical Savings Account (Archer MSA) (if permitted under this agreement) need not be in cash and are not subject to the maximum annual contribution limit set forth in Article II.

Article II. Contribution Limits

1. For calendar year 2004, the maximum annual contribution limit for an account owner with single coverage is the lesser of the amount of the deductible under the HDHP but not more than \$2,600. For calendar year 2004, the maximum annual contribution limit for an account owner with family coverage is the lesser of the amount of the deductible under the HDHP but not more than \$5,150. These limits are subject to cost-of-living increases after 2004. Eligibility and contribution limits are determined on a month-to-month basis.
2. Contributions to Archer MSAs or other HSAs count toward the maximum annual contribution limit to this HSA.
3. For calendar year 2004, an additional \$500 catch-up contribution may be made for an account owner who is at least age 55 and less than age 65. The catch-up contribution increases to \$600 in 2005, \$700 in 2006, \$800 in 2007, \$900 in 2008, and \$1,000 in 2009 and later years.
4. Contributions in excess of the maximum annual contribution limit are subject to an excise tax. However, the catch-up contributions are not subject to an excise tax.

Article III. Account Owner Responsibilities

It is the responsibility of the account owner to determine whether contributions to this HSA have exceeded the maximum annual contribution limit described in Article II. If contributions to this HSA exceed the maximum annual contribution limit, the account owner shall notify the custodian that there exist excess contributions to the HSA. It is the responsibility of the account owner to request the withdrawal of the excess contribution and any net income attributable to such excess contribution.

Article IV. Nonforfeitable

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

Article V. Investment Limitations (see also Article XV)

1. No part of the custodial funds in this account may be invested in life insurance contracts or in collectibles as defined in section 408(m).
2. The assets of this account may not be commingled with other property except in a common trust fund or common investment fund.
3. Neither the account owner nor the custodian will engage in any prohibited transaction with respect to this account (such as borrowing or pledging the account or engaging in any other prohibited transaction as defined in section 4975).

Article VI. Distributions (See also Article XVI)

1. Distributions of funds from this HSA may be made at any time upon the direction of the account owner.
2. Distributions from this HSA that are used exclusively to pay or reimburse qualified medical expenses of the account owner, his or her spouse, or dependents are tax-free. However, distributions that are not used for qualified medical expenses are included in the account owner's gross income and are subject to an additional 10 percent tax on that amount. The additional 10 percent tax does not apply if the distribution is made after the account owner's death, disability, or reaching age 65.
3. The custodian is not required to determine whether the distribution is for the payment or reimbursement of qualified medical expenses. Only the account owner is responsible for substantiating that the distribution is for qualified medical expenses and must maintain records sufficient to show that the distribution is tax-free.

Article VII. Payable Upon Death

If the account owner dies before the entire interest in the account is distributed, the entire account will be disposed of as follows:

1. If the beneficiary is the account owner's spouse, the HSA will become the spouse's HSA as of the date of death.
2. If the beneficiary is not the account owner's spouse, the HSA will cease to be an HSA as of the date of death and the fair market value of the account will be taxable to that person (or the estate of the account owner) in the tax year that includes such date.

Article VIII. Reporting Requirements

1. The account owner agrees to provide the custodian with information necessary for the custodian to prepare any report or return required by the IRS.
2. The custodian agrees to prepare and submit any report or return as prescribed by the IRS.

Article IX. Controlling Provisions

Notwithstanding any other article that may be added or incorporated in this agreement, the provisions of Articles I through VIII and this sentence are controlling. Any additional article in this agreement that is inconsistent with section 223 or IRS published guidance will be void.

Article X. Amendments (see also Article XIII)

This agreement will be amended from time to time to comply with the provisions of the Code or IRS published guidance. Other amendments may be made with the consent of the persons whose signatures appear below.

Article XI. Additional Provisions

Article XI may be used for any additional provisions. If no other provisions will be added, draw a line through this space. If provisions are added, they must comply with the requirements of Article IX.

Article XII. Definitions.

In addition to the definitions above and in the IRS Instructions, the words "you," "your," and "HSA owner" refer to the Account Owner or an appointed third party or your spouse, upon your death. "We," "us," and "our" refer to the Custodian. The Custodian is the financial institution named on the top of this agreement. The "Custodial Account" has the same meaning as "HSA."

Article XIII. Amendments.

We have the right to amend this agreement at any time. We will deliver the amendment to you and you will be deemed to have automatically consented to the amendment thirty (30) days from the date we mail the amendment to you, unless you notify us in writing that you do not consent.

Article XIV. Resignation or Removal of Us as Custodian.

1. Termination of Agreement. Either party may terminate this agreement at any time by giving 30 days prior written notice to the other. Within the 30 day termination period, you must transfer your HSA to a successor HSA custodian or trustee or request a distribution of the assets in the HSA. If you do not, we will have the right to distribute all assets in the HSA in a single payment to you, to transfer the account to a successor custodian of our choosing, or to distribute the assets in-kind to you. We reserve the right to withhold any funds we deem advisable for payment of any liabilities, including applicable fees or expenses owing to the Custodian.

2. Resignation by Custodian. We may resign as custodian, without your consent, upon thirty (30) days prior written notice to you. Upon our resignation, we will either appoint a successor custodian (see next paragraph), ask you to appoint a successor custodian, or we distribute the remaining assets in the HSA to you. If we distribute the assets, you are responsible for the tax consequences of the distribution.

3. Appointment of Successor Custodian. Pursuant to this Article, we may resign as custodian and appoint a successor custodian that we choose. The successor custodian (or trustee) must be a bank (as defined in Code Section 408(n)), an insurance company (as defined in section 816), or another person who satisfies the IRS requirements for HSA custodial duties. You will have thirty (30) days from the date of the notice to either request a complete distribution of the HSA or to designate a different successor custodian or trustee. If you do not request a complete distribution or designate a new custodian or trustee, you will be deemed to have automatically accepted the successor custodian. The successor custodian may have a new HSA Custodial Agreement with terms different than this Agreement. In that case, you will receive a copy of the new agreement.

Article XV. Investments.

You are responsible for all investments selected in your HSA. If the Custodian offers investment choices beyond insured deposits of the Custodian, then this is a self-directed HSA and allows for investment in FDIC insured products of the Custodian as well as other investments. The Custodian may limit your investment alternatives to what is administratively feasible for it to offer. The Custodian does not approve, review, audit or otherwise investigate self-directed investment options. We are not responsible for any investments selected and do not review your investments choices. The Custodian is not liable for your investment losses. The Custodian does not give investment advice and shall not have a duty to question any investment directives received from you. The Custodian has no investment discretion.

Article XVI. Distributions.

Pursuant to Article V, you are responsible to determine what is an eligible medical distribution. You understand that the Custodian does not verify your distributions for eligibility. If cases of distributions due to death or divorce, we will require you, your spouse, or your beneficiary to provide proper tax identification number(s). Any distribution by check, debit card, online banking or other method approved by us will be reported as a normal distribution, unless we inform you otherwise. If you make a mistake in taking a distribution, you can put it back into your HSA as the return of a mistaken distribution.

Article XVII. Eligibility.

Consistent with other provisions of this Agreement, you are responsible to determine your eligibility for this HSA. The Custodian assumes no responsibility regarding eligibility for an HSA. You agree that we are not responsible to inquire into the eligibility of your contributions to the HSA. You are responsible for all tax or investment consequences for the HSA.

Article XVIII. No Assumed Responsibilities.

We assume no responsibilities other than those required under the Code. We are not responsible for your employer's failure to make any contributions under the HSA; including we shall not be liable for any losses, damages, costs, penalties, or expenses you incur as a result of any failure or action by your employer. We are not responsible for monitoring or notifying you of your employer's contributions to your HSA. You acknowledge that we are not responsible for representations made to you by insurance agents, brokers or the insurance agency that sold you the HDHP in connection with this HSA.

Article XIX. Fees and Expenses.

You agree to pay the fees associated with the HSA. We have the right to modify the fees and will provide notification of modifications in a reasonable manner. We also may charge additional fees upon thirty (30) days prior written notice. You agree that we may collect these fees through automatic debiting of the HSA or through another method at our discretion. You agree that we may deduct any reasonable expenses we incur in the administration of your HSA from your HSA. Additionally, we have the right to liquidate your HSA assets to pay such fees and expenses. These expenses may include professionals hired by us in connection with your HSA. Any brokerage or asset-based fees attributable to your HSA will be charged to your HSA.

Article XX. Hold Harmless. You agree to hold us harmless and to indemnify us against any liability arising from actions we took in good faith pursuant to this agreement.

Article XXII. Miscellaneous.

1. Representations. You represent to us that any information you give to us is accurate and complete; including any information contained on the HSA Application that you signed in connection with this HSA. You understand and represent that you are responsible for any penalties, taxes, judgments or expenses you incur in connection with this HSA. You understand that we have no duty to determine your eligibility for your HSA or your tax consequences for actions you take with your HSA; including, without limitation, deductibility of contributions and the taxability of distributions. You agree that you are solely responsible for determining eligibility for contributions and the tax consequences of contributions and distributions. We do not have or assume that duty. You understand that the HSA custodial role is limited in nature and that we do not provide tax or legal advice. You must seek your own tax or legal advice.

2. Notices. Notices given by us are effective when we mail the notices to the address we have in our records. Any notice you give to us will be considered effective when we actually receive it.

3. Agreement to Update Information. You agree to inform us if you (i) change your address, (ii) create an excess in your HSA by contributing more than your eligible amount, (iii) engage in a prohibited transaction as defined by IRC Section 4975, or as is otherwise necessary for us to serve as custodian for your HSA.

4. Headings. The headings and articles of this agreement are for convenience of reference only and shall have no substantive effect on the provisions of this agreement.

5. Choice of Law. The agreement shall be construed and interpreted in accordance with Federal law. In cases where state law is applicable, the state law of the home office of the Custodian shall apply.

6. Disqualifying Provision. Any provision of this agreement which would disqualify the HSA shall be disregarded to the extent necessary to make the Custodial Account an HSA.

General Instructions

Section references are to the Internal Revenue Code.

Purpose of Form

Form 5305-C is a model (nonmandatory) custodial account agreement that has been approved by the IRS. An HSA is established after the form is fully executed by both the account owner and the custodian. The form can be completed at any time during the tax year. This account must be created in the United States for the exclusive benefit of the account owner.

Do not file Form 5305-C with the IRS. Instead, keep it with your records. For more information on HSAs, see Notice 2004-2, 2004-2 I.R.B. 269.

Definitions

Identifying Number. The account owner's social security number will serve as the identification number of this HSA. For married persons, each spouse who is eligible to open an HSA and wants to contribute to an HSA must establish his or her own account. An employer identification number (EIN) is required for an HSA for which a return is filed to report unrelated business taxable income. An EIN is also required for a common fund created for HSAs.

High Deductible Health Plan (HDHP). For calendar year 2004, an HDHP for self-only coverage has a minimum annual deductible of \$1,000 and an annual out-of-pocket maximum (deductibles, co-payments and other amounts, but not premiums) of \$5,000. For calendar year 2004, an HDHP for family coverage has a minimum annual deductible of \$2,000 and an annual out-of-pocket maximum of \$10,000. These limits are subject to cost-of-living increases after 2004.

Self-only coverage and family coverage under an HDHP. Family coverage means coverage that is not self-only coverage.

Qualified medical expenses. Qualified medical expenses are amounts paid for medical care as defined in section 213(d) for the account owner, his or her spouse, or dependents (as defined in section 152) but only to the extent that such amounts are not compensated for by insurance or otherwise. With certain exceptions, health insurance premiums are not qualified medical expenses. See Notice 2004-25, 2004-15 I.R.B. 727 for transition relief for distributions for qualified medical expenses incurred in calendar year 2004.

Custodian. A custodian of an HSA must be a bank, a life insurance company, a person previously approved by the IRS to be a custodian of an individual retirement account (IRA) or Archer MSA, or any other person approved by the IRS.

Specific Instructions

Article XI. Article XI and any that follow it may incorporate additional provisions that are agreed to by the account owner and custodian. The additional provisions may include, for example, definitions, restrictions on rollover contributions from HSAs or Archer MSAs (requiring a rollover not later than 60 days after receipt of a distribution and limited to one rollover during a one-year period), investment powers, voting rights, exculpatory provisions, amendment and termination, removal of custodian, custodian's fees, state law requirements, treatment of excess contributions, distribution procedures (including frequency or minimum dollar amount), use of debit, credit, or stored-value cards, return of erroneous distributions, and descriptions or prohibited transactions. Attach additional pages if necessary.

HSA Disclosure Statement

1. **Purpose of Disclosure Statement.** This Disclosure Statement provides you an overview of Health Savings Accounts (“HSAs”). This Disclosure Statement supplements the HSA Custodial Agreement to give you a greater understanding of HSAs; however, this Disclosure Statement is not part of the legal agreement between you and the Custodian. Please consult a tax or legal advisor for questions on HSAs. You may also refer to the Internal Revenue Code (“Code”) along with other materials produced by the Internal Revenue Service (“IRS”) to aid in your understanding of HSAs.
2. **Overview of HSAs.** HSAs allow for you to pay for qualified medical expenses on a tax-favored basis for you and your family. The Federal government created HSAs as a complementary plan for individuals covered under High Deductible Health Plans (“HDHP”). Basically, individuals covered under a HDHP are allowed to contribute up to a certain amount into an HSA. The intent is for the individual to use the HSA to pay for day-to-day health care expenses with the HDHP in place in case something catastrophic happens. Any extra money in an HSA at the end of the year rolls into the next year.
3. **Eligibility.** In order to be eligible for an HSA, you must have a health insurance policy with a high deductible, not be eligible for Medicare, not be covered under another health plan, and not claimed as a dependent on another person’s tax return.
 - a. **High Deductible Health Plan.** A health insurance plan qualifies as a “High Deductible Health Plan” if the annual deductible is at least \$1,100 (2007) for individuals and at least \$2,200 (2007) for families. A HDHP must also cap total out-of-pocket expenses at \$5,500 (2007) for individuals and \$11,000 (2007) for families. If you have doubts, ask your insurance provider if your plan qualifies.
 - b. **Under Age 65.** You are not eligible for an HSA if you are entitled to receive benefits under Medicare and receive them (generally, people elect Medicare coverage at age 65).
 - c. **Not Covered Under Another Plan.** You may not be covered under another health plan that is not a High Deductible Health Plan. This provision has exceptions and you should check with your tax or legal advisor if you have questions. For example, IRS Notice 2004-2, states that you are allowed to have other “permitted insurance.” Permitted Insurance is insurance under which substantially all the coverage relates to liabilities incurred under worker’s compensations laws, tort liabilities, liabilities relating to ownership or use of property (e.g. automobile insurance), insurance for a specified disease or illness, and insurance that pays a fixed amount per day (or other period) for hospitalization. In addition to permitted insurance, you do not fail to be eligible for an HSA merely because, in addition to a HDHP, you have coverage for accidents, disability, dental care, vision care, or long-term care. Also, a plan does not fail to be treated as a HDHP for not having a deductible for preventative care. Some examples of preventative care include: (i) periodic health evaluations such as annual physicals, (ii) routine prenatal and well-child care, (iii) immunizations, (iv) tobacco cessation programs, (v) obesity weight-loss programs, and (vi) screening services.
 - d. **Dependent on Another Person’s Tax Return.** You are not eligible for an HSA if you are claimed as a dependent on another’s tax return.
4. **Contributions to an HSA.**
 - a. **Who Can Make Contributions?** Any eligible individual may contribute to an HSA. For an HSA established by an employee, the employee, the employee’s employer or both may contribute to the HSA of the employee in a given year. For an HSA established by a self-employed (or unemployed) individual, the individual may contribute to the HSA. Family members may also make contributions on behalf of other family members so long as that other family member is an eligible individual.
 - b. **How Much Can I Contribute?** Individuals are allowed to contribute and deduct up to \$2,850 (2007) and families up to \$5,650 (2007) on an annual basis subject to a “testing period.” If you do not maintain the HSA for a testing period beginning with the last month of the taxable year and ending on the last day of the 12th month following such month, the amount of you HSA contribution may be subject to taxes plus a 10% penalty for months that you were not eligible. Over 55? See “Catch-Up” below. The amounts you may contribute change each year – see below.
 - c. **Catch-Up Provisions for Individuals Between Age 55 and 65.** For individuals between the age 55 and 65, the HSA contribution limit is increased by the following amount.

Tax Year	2004	2005	2006	2007	2008	2009
Catch-Up	\$500	\$600	\$700	\$800	\$900	\$1,000

- d. **What is the Contribution Deadline?** Contributions must be made prior to the tax due date for the individual’s income tax return, not including extensions. For most individuals this will be April 15, of the year following the year for which the contributions are made.
- d. **Can I Contribute Ahead of Time?** Yes. Contributions for the taxable year can be made in one or more payments at your convenience.
- e. **Contribution Limits Will Adjust.** The dollar limitations discussed in this Disclosure Statement are applicable to 2007 and are subject to annual adjustment based on Cost-Of-Living-Adjustments (“COLA”).
- f. **What is the Tax Treatment of Contributions?**
 - i. **Made by Individual.** Eligible contributions made by an individual are deductible on the individual’s income tax return. This is an “above the line” deduction and is deductible whether or not you itemize deductions. However, you cannot also deduct the contribution as a medical expense under Section 213.
 - ii. **Made by Employer.** Contributions made by your employer are excludable from 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 income tax return as HSA contributions because the employer has not included them as taxable income on your W-2. You can also not deduct employer contributions as a medical expense under Section 213.

- 5. Earnings Grow Tax-Deferred.** Any earnings in your HSA grow tax-deferred in the HSA.
- 6. Unused Contributions and Earnings Remain in HSA.** Any assets remaining in the HSA at the end of the year will roll into the next year for future use.
- 7. State and Local Taxes.** You may be subject to state and local taxes on both qualified and non-qualified distributions. Please consult with your tax advisor.
- 8. Rollovers and Transfers.** You may move your HSA from one custodian or trustee to another through a rollover or transfer. In limited circumstances, you may also move money from your Individual Retirement Account (IRA), Flexible Spending Account (FSA) or Health Care Reimbursement Arrangement (HRA) into your HSA.
- a. HSA to HSA Transfer.** A transfer occurs when you direct one HSA trustee or custodian to directly transfer your HSA assets to another HSA trustee or custodian. This must be done in a manner that you personally do not have access to the funds – the current trustee or custodian sends it directly to the new trustee or custodian. A transfer request form is generally used to accomplish a transfer. You may also transfer assets from an Archer MSA into an HSA.
 - b. HSA to HSA Rollover.** A rollover is another method to move assets from one HSA to another. In a rollover you take a distribution of your assets from your HSA and then roll them over into another HSA. You must complete your rollover within sixty calendar days of receiving your distribution and you are only allowed one rollover per HSA per 12-month period. A rollover is a reportable transaction to the IRS. You may also rollover funds from an Archer MSA into an HSA.
 - c. IRA to HSA.** Starting in 2007, you can transfer money from your traditional IRA into an HSA. This type of transfer is only allowed once in a lifetime and is limited to the amount you are eligible to contribute for that year. You cannot deduct the amount transferred (the money in most IRAs is already pre-tax). Penalties apply if you do not remain eligible for the HSA during a “testing period.”
 - d. FSA and HRA to HSA.** In limited circumstances, you may rollover money from your FSA or HRA into an HSA. Your employer must allow for this and the contribution must be made prior to January 1, 2012. The amount does not count against your HSA annual contribution limit. The amount; however, is limited to the lesser of (1) the balance of your FSA or HRA as of September 1, 2006 or (2) the balance in the FSA or HRA as of the date of the distribution.
- 9. Distributions.**
- a. How Are Distributions Taxed?** Distributions from an HSA used to pay for qualified medical expense of the account beneficiary (you), his or her spouse, or dependents are excludable from gross income.
 - b. What if You Are Currently Not Covered Under a HDHP?** 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 an HSA. For example, assume an individual was eligible for an HSA for a number of years and made contributions. Upon accepting a new job, the individual received different medical coverage and was no longer eligible for an HSA. The individual may no longer make additional contributions into the HSA; however, the individual may continue to use the HSA for qualified medical expenses.
 - c. What if I Use My HSA For Non-Medical Expenses?** Distributions used for purposes other than qualified medical expenses are includable in gross income and subject to an additional 10% penalty.
 - d. What are Qualified Medical Expenses?** Qualified medical expenses are defined by Section 213(d) of the Code and include the cost of doctor visits, prescription medication, eye care and dental care. The definition also includes some nonprescription drugs used to alleviate a pain or illness. See IRS Publication 502 for a more complete list. Health insurance premiums are generally not qualified medical expenses except for the following: qualified long-term care insurance, COBRA health care continuation coverage, and health care coverage while and individual is receiving unemployment compensation. In addition for individuals over age 65, premiums for Medicare Part A or B, Medicare HMO, and the employee share of premiums for employer sponsored health insurance, including premiums for employer-sponsored retiree health insurance can be paid from the HSA. Premiums for Medigap policies are not qualified medical expenses.
 - e. No Penalty for Distributions Taken Over Age 65.** Once you reach age 65, you may take distributions from your HSA and avoid penalties. Distributions, other than qualified medical expenses, will be subject to taxation.
 - f. Death Distributions.** After you die, any remaining assets in your HSA pass to your named beneficiaries. If you did not complete an HSA Beneficiary Form, then the remaining assets will pass to your estate.
 - i. Spouse as Beneficiary.** A spouse beneficiary may treat the HSA account as his or her own account. This may require a transfer to the spouse's HSA.
 - ii. Non-spouse.** If you name a non-spouse as the beneficiary, the HSA ceases to be an HSA as of the date of your death. The HSA is taxable to the non-spouse beneficiary.
 - g. Distribution of Excess Contributions.** You may be subject to an excess contribution penalty of 6% for making contributions in excess of your eligible amount. The 6% penalty applies per year the excess remains in the HSA. You may remove you excess, plus attributable earnings, prior to your tax due date to avoid the 6% penalty tax.
- 10. Other HSA Issues.**
- a. Cash Contributions.** HSA annual contributions must be made in cash.
 - b. Prohibited Transactions.** You are not allowed to engage in prohibited transactions in an HSA, as described by Code Section 4975. The prohibited transaction rules are complicated and require a review by a tax professional. If you engage in a prohibited transaction, your HSA will lose its tax-exempt status.
 - c. No Pledging of HSA.** You may not pledge your HSA as security for a loan. If you pledge your HSA as security for a loan, the amount pledged will be treated as a distribution and you will need to include in your taxable income.