

# Roth IRA

*Individual Retirement Account*

## Plan Documents

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Dear Roth IRA Shareholder:

July 1, 2007

PFPC Trust Company, the Custodian of your Roth Individual Retirement Account, is pleased to inform you of an amendment to your Roth Individual Retirement Account Custodial Agreement to provide for "mirror" voting of mutual fund shares, as described below.

The enclosed amendment (on reverse) generally provides that all mutual fund shares held in your Custodial Account will be voted by the Custodian in

accordance with your instructions. However, to the extent that you do not provide such instructions, the Custodian will "mirror" vote your mutual fund shares. This means that the Custodian will vote your mutual fund shares for or against any proposition in the same proportion as all mutual fund shares for which timely instructions were received, unless otherwise required by law.

This amendment is made in accordance with Article IX, Section 7 of your Roth Individual Retirement Account Custodial Agreement and is effective as of the date shown above.

If you have any questions regarding this amendment, please contact Shareholder Services at 800.372.7827.

Sincerely,

PFPC Trust Company

#### AMENDMENT TO ROTH INDIVIDUAL RETIREMENT ACCOUNT CUSTODIAL AGREEMENT

Pursuant to the power delegated to it in Article IX Section 7 of the Roth Individual Retirement Account Custodial Agreement (the "Custodial Agreement"), PFPC Trust Company (the "Custodian") hereby amends Article IX, Section 3 of the Custodial Agreement in its entirety to provide:

"The Depositor shall, from time to time, direct the Custodian to invest the funds of his/her custodial account in Fund Shares. Any funds, which are not directed as to investment, shall, at the sole discretion of the Custodian, be held uninvested until such direction is received from the Depositor or be returned to the Depositor without being deemed to have been contributed to his/her custodial account. The Depositor shall be the beneficial owner of all Fund Shares held in the custodial account. All Fund Shares held in the custodial account shall be voted by, or in accordance with the proper voting instructions of, the Depositor. Absent such instructions, the Custodian is hereby directed to and shall vote such Fund Shares for or against any proposition in the same

proportion as all Fund Shares for which timely instructions have been received, unless otherwise required by law."

IN WITNESS WHEREOF, the Custodian has caused this Amendment to be executed and effective as of the date notice hereof is mailed to the address of the Depositor indicated by the Custodian's records.

PFPC TRUST COMPANY

A handwritten signature in black ink, appearing to read "Jonathan Freedman", with a long horizontal flourish extending to the right.

Jonathan Freedman, Vice President

# PFPC TRUST COMPANY

## DISCLOSURE STATEMENT AMENDMENT

### *Important Information About U.S. Government Requirements That May Affect Your Account*

PFPC Trust (“PFPC”, “we”, or “us”) provides custodial and administrative services for your retirement or savings account. As a result of this role, persons who open a retirement or savings account are considered ‘customers’ of PFPC (“you” or “your”).

To help the U.S. Government fight the funding of terrorism and money laundering activities, Federal law requires PFPC, as a financial institution, to obtain, verify, and record information that identifies each person who opens an account. All accounts we open are opened on a conditional basis — conditioned on our ability to verify your identity in accordance with Federal law.

When establishing an account, you are required to provide your full legal name, address, government issued identification number (e.g. social security number), date of birth, and other information within your account-opening application that will allow us to identify you. We may also request a copy of your driver’s license or other identifying documents and may consult third-party databases to help verify your identity. If the account you are opening will be registered in the name of a beneficiary, trust, or estate or charity we may require additional identifying documentation.

**If you fail to provide any requested identifying information or documentation when opening your account, your new account application may be rejected.**

**If we open your account, and you subsequently fail to provide all identification materials we request or if we are subsequently unable to adequately verify your identity as required by U.S. Government regulations, we reserve the right to take any one or more of the following actions:**

- We may place restrictions on your account which block all purchase transactions and we may place additional restrictions on your account blocking other transactional activities if we determine such additional restrictions are appropriate under Federal law or regulation.
- We may close your account, sell (i.e., "liquidate") the assets in your account in the prevailing market at the time, and send you a check representing the cash proceeds of your account. This distribution will be reported to the Internal Revenue Service and may result in unfavorable consequences to you under Federal and state tax laws.

**You May Incur Losses.** Despite being opened as a conditional account, your account will be invested as you instruct and you will be subject to all market risks during the period between account opening and any liquidation necessitated by your failure to furnish requested identifying information or by an inability to adequately verify your identity. You may also be subject to additional market risks if the additional transactional restrictions discussed in the first bullet above are placed on your account. In addition, the closing of your account may subject you to fees and charges imposed by the fund or funds in which you are invested, and any sales charges you may have paid in connection with your purchases will not be refunded.

**You Assume All Responsibility For These Losses.** PFPC expressly disclaims any responsibility or liability for losses you incur as result of your failure to furnish identification materials we request, including investment losses and any other loss or damage (including but not limited to lost opportunities and adverse tax consequences). If you proceed with the account opening process, you accept all risks of loss resulting from any failure of yours to furnish the identification materials we request or from a subsequent inability to adequately verify your identity in accordance with Federal law.

# PAX WORLD ROTH IRA – INTRODUCTION

## **What is a Roth IRA?**

A Roth individual retirement arrangement (Roth IRA) is a tax-advantaged retirement account to which you can make after-tax contributions that can grow tax-free. Unlike traditional IRAs, contributions to Roth IRAs are not tax-deductible. However, if you keep a Roth IRA for at least five years and are at least age 59½ (or satisfy one of the other qualifying events described below) when you begin to withdraw from the account, the entire account, including earnings, can be distributed tax-free and penalty-free.

In general, anyone who has earned income, regardless of his or her age, can open and contribute to a Roth IRA provided they meet the income eligibility limits described below. If you have a non-wage earning spouse and file a joint return; your spouse can open a separate spousal Roth IRA to which you may contribute.

## **Can I move money from a Traditional IRA to a Roth IRA?**

You can convert a Traditional IRA into a Roth IRA if your AGI (single or joint) is **not** more than \$100,000. If you are married, you must file a joint income tax return in order to be eligible for a Roth conversion. The amount of the conversion distributed from your Traditional IRA will be taxed as ordinary income, with the exception that any amount representing a return of non-deductible IRA contributions will not be taxed. You may not convert any portion of a Required Minimum Distribution (RMD).

## **Can I move money directly from a qualified retirement plan (such as a 401(k)) into a Roth IRA?**

You may not rollover from a 401(k) or other qualified retirement plan directly into a Roth IRA. You need to rollover into a Traditional IRA first, and then convert the Traditional IRA to a Roth IRA, paying ordinary income tax on the amount that is converted from the Traditional to the Roth.

## **When can I begin taking distributions?**

You are not required to take distributions from your Roth IRA during your lifetime. You may withdraw amounts you contributed to your Roth IRA at any time with no taxes or penalties. The earnings on your contributions will be tax-free and penalty-free as well, provided the contributions being withdrawn have been in your Roth IRA for at least five (5) years **and** you meet any one of the following criteria:

- (a) you have reached 59½, or
- (b) withdrawal is used toward first time home purchase, or

- (c) withdrawal is made because you become disabled, or
- (d) withdrawal is made due to your death.

### **How do I open a Pax World Roth IRA account?**

1. Complete and sign the Pax World Roth IRA Application. If you are opening an IRA for your spouse, each individual must complete a separate Application.
2. Read carefully the “Terms and Conditions of the Roth IRA Adoption Agreement” in Section 5 of the Application. There is a \$12 annual custodial maintenance fee for each IRA account.
3. The minimum initial investment per Fund is \$250. Please call 800-767- 1729 to request a prospectus, which should be read carefully before investing.
4. Make checks payable to “Pax World Funds.” If you are making Contributions for yourself and your spouse, you may include a single check with both Applications.
5. Mail the completed Application and check to:

<i>First Class Mail:</i>	Or	<i>Overnight Delivery:</i>
Pax World Funds		Pax World Funds
PO Box 9824		c/o PFPC Inc.
Providence, RI 02940-8024		101 Sabin St.
		Pawtucket, RI 02860-1427
		Telephone: 800-372-7827

### **How do I convert a Traditional IRA to a Pax World Roth IRA?**

1. Follow the general instructions above to establish a Pax World Roth IRA account.
2. Complete the appropriate Conversion Form:
  - If your existing IRA is a Pax World IRA, complete the **Conversion Form (Internal)**.
  - If your existing IRA is held in another financial institution, complete the **Conversion Form (External)**. Be sure to check with the existing IRA custodian to see if they require a signature guarantee on the Conversion Form.
  - If you have already received a check for the proceeds from your Traditional IRA, complete the **Rollover/Conversion Certification** form. The conversion must be completed within 60 days of your receipt of the IRA distribution.
3. Return the completed Conversion Form, along with your completed Pax World Roth IRA Application, to Pax World Funds. In the case of a Rollover/Conversion Certification, you must also include a check made payable to Pax World Funds.
4. For External Conversions, Pax World will forward your Conversion Form to the current custodian, who will then send the money directly to your Pax World Roth IRA account.

## How do I transfer an existing Roth IRA to a Pax World Roth IRA?

1. Follow the general instructions above to establish a Pax World Roth IRA account.
2. Complete the **Transfer of Assets** form. Be sure to check with the existing Roth IRA custodian to see if they require a signature guarantee on the Transfer of Assets form. *If you have already received a check for the proceeds of the existing Roth IRA, complete the **Rollover/Conversion Certification** form instead of the Transfer of Assets form.*
3. Return the completed Transfer of Assets or Rollover Certification form, along with your completed Pax World Roth IRA Application, to Pax World Funds. In the case of a Rollover Certification, you must also include a check made payable to Pax World Funds.
4. For a Transfer of Assets, Pax World will forward your Transfer of Assets form to the current custodian, who will then send the money directly to your Pax World Roth IRA account.

# ROTH INDIVIDUAL RETIREMENT ACCOUNT DISCLOSURE STATEMENT

The following information is the disclosure statement required by federal tax regulations. You should read this disclosure statement, the Custodial Account Agreement, and the prospectuses for the Funds in which your Pax World Roth Individual Retirement Account (Roth IRA) contributions will be invested.

## REVOCATION OF YOUR ROTH IRA

You have the right to revoke your Pax World Roth IRA and receive the entire amount of your initial contribution by notifying PFPC Trust Company, the Custodian of your Pax World Roth IRA, in writing within seven (7) days of establishment of your Roth IRA. If you revoke your Roth IRA within seven days, you are entitled to a return of the entire amount paid by you, without adjustment for such items as sales commission, administrative expenses, or fluctuations in market value. If you decide to revoke your Roth IRA, notice should be delivered or mailed to:

<i>First Class Mail:</i>	Or	<i>Overnight Delivery:</i>
PFPC Trust Company		PFPC Trust Company
Attn: Pax World Roth IRA		Attn: Pax World Roth IRA
PO Box 9824		101 Sabin St.
Providence, RI 02940-8024		Pawtucket, RI 02860-1427
		Telephone: 800-372-7827

This notice should be signed by you and include the following:

1. The date;
2. A statement that you elect to revoke your Pax World Roth IRA;
3. Your Pax World Roth IRA account number;
4. The date your Pax World Roth IRA was established;
5. Your signature and your printed or typed name.

Mailed notice will be deemed given on the date that it is postmarked, if it is properly addressed and deposited either in the United States mail, first class postage prepaid, or with an Internal Revenue Service (IRS) approved overnight service. This means that if you mail your notice it must be postmarked on or before the seventh day after your Pax World Roth IRA was opened. A revoked Roth IRA will be reported to the IRS and the Depositor on Forms 1099R and 5498.

## YOUR ROTH INDIVIDUAL RETIREMENT ACCOUNT

You have opened a Pax World Roth Individual Retirement Account, which is an account for the exclusive benefit of you and your beneficia-

ries, created by a written instrument (the Custodial Account Agreement). The following requirements apply to your Pax World Roth IRA:

1. Contributions, transfers and rollovers may be made only in “cash” by check, draft or other form acceptable to the Custodian;
2. The Custodian must be a bank, trust company, savings and loan association, credit union or a person who is approved to act in such capacity by the Secretary of the Treasury;
3. No part may be invested in life insurance contracts;
4. Your interest must be nonforfeitable;
5. The assets of the custodial account may not be mixed with other property except in a common investment fund;
6. There is no age limit on contributions as long as you have earned income;
7. Your adjusted gross income must be within the eligibility limits (discussed under “Contributions” below); and
8. There are no mandatory withdrawals during your lifetime.

## CONTRIBUTIONS

Subject to the income eligibility limits described below, the maximum allowable contribution to your IRAs (Roth, deductible, and non-deductible) each tax year is the lesser of (a) \$4,000\* or (b) 100% of your compensation or earnings from self-employment. If your spouse is not employed or earns less than you earn, your spouse may also contribute to a Roth IRA. The maximum contribution to your spouse’s Roth IRA is the lesser of (a) \$4,000\* or (b) the combined compensation of both spouses, minus the dollar amount of the IRA contribution made by the compensated (or more highly compensated) spouse. The total combined contribution to each individual’s IRAs (Roth, deductible, and non-deductible) cannot exceed these limits. Contributions made to SEP or SIMPLE IRAs are not taken into account for purposes of the \$4,000\* contribution limit. Additionally, Roth IRA contributions cannot be commingled with SEP or SIMPLE IRA contributions.

Contributions can continue to be made to a Roth IRA after you attain age 70½ as long as the requirements of earned income, set forth above, are met.

\* A maximum amount of \$4,000 per year for tax years 2005 through 2007 may be contributed. That contribution limit is increased to \$5,000 for 2008 and thereafter. For individuals who have reached the age of 50 before the close of the tax year, the contribution limit is increased to \$4,500 per year for 2005, \$5,000 for 2006 and 2007, and \$6,000 for 2008 and thereafter. For tax years after 2008, the above limits will be increased to reflect a cost-of-living adjustment, if any.

<i>Tax Year</i>	<i>Maximum Contribution</i>	<i>Maximum Contribution if Age 50 or Older</i>
2005	\$4,000	\$4,500
2006-2007	\$4,000	\$5,000
2008-beyond	\$5,000	\$6,000

There is a phase-out of eligibility to make a Roth IRA contribution if your adjusted gross income (AGI) is between certain levels.

For a single depositor, the maximum annual contribution is phased out to zero between AGI of \$95,000 and \$110,000; for a married depositor who files jointly, between AGI of \$150,000 and \$160,000; and for a married depositor who files separately, between \$0 and \$10,000. Single filers with AGI above \$110,000, joint filers with AGI above \$160,000 and married separate filers with AGI above \$10,000 may not contribute to a Roth IRA. These limits may be adjusted from time to time by the Internal Revenue Service. Please consult IRS Publication 590 for information on calculating your Roth IRA contribution limit.

Contributions can be made to your Roth IRA for a tax year at any time during the year or by the due date for filing your tax return for that year, not including extensions. For most people, this means that contributions for the 2005 tax year must be made by April 15, 2006.

## **Conversions**

You may only convert a Traditional into a Roth IRA if your AGI (single or joint) does not exceed \$100,000 for the tax year unless you are married and file separately. (If you are a married individual, filing a separate return, and have lived apart from your spouse for the entire year, you may be eligible to be treated as a single taxpayer.) For purposes of the conversion, neither the conversion amount nor the amount of any required minimum distribution from your Traditional IRA is included in the AGI limit of \$100,000. If a distribution is converted from a Traditional IRA, i.e. deposited to your Pax World Roth IRA within 60 calendar days of receipt, the amount of the conversion distribution will be taxed as ordinary income, except that the amount of any distribution from the Traditional IRA, which represents the return of non-deductible contributions is not taxed. The IRS enforces the 60-day time limit strictly. The 10% penalty for distributions under age 59½ will not apply to the amount converted if held in your Roth IRA for at least five years and certain other criteria are met. See the section on Taxation of Distributions below. Your Traditional IRA may also be converted to a Roth IRA by means of a direct transfer between the two financial institutions.

A conversion is reported as a distribution from the Traditional IRA (IRS Form 1099R) and a conversion contribution to the Roth IRA (IRS Form 5498). The rules regarding conversions to Roth IRAs are complex and you should consult a tax adviser prior to a conversion.

## Recharacterization of Contributions

You may be able to treat a contribution made to one type of IRA as having been made to a different type of IRA. This is called recharacterizing the contribution. An individual may choose to recharacterize a Roth IRA contribution to a Traditional IRA if they discover that they do not meet the income guidelines required for a Roth contribution. Conversely, an individual may decide to recharacterize part or all of a Traditional IRA contribution to a Roth IRA if they discover that the contribution is not fully tax deductible due to their participation in an employer's retirement plan.

All or part of a contribution you make to your Roth IRA, along with any allocable earnings or losses, may be recharacterized and treated as if made to your Traditional IRA on the date the contribution was originally made to your Roth IRA. All or part of a contribution you make to your Traditional IRA may be recharacterized and treated as if made to your Roth IRA on the date the contribution was originally made to your Traditional IRA. Recharacterization of a contribution is irrevocable, and must be completed on or before the due date, including extensions, for filing your federal income tax return for the tax year in which the contribution was originally made. Please refer to IRS Publication 590 for more information.

A recharacterized contribution is reported as a distribution from the first IRA (IRS Form 1099R) and a recharacterization contribution to the second IRA (IRS Form 5498) for the tax year in which the recharacterization occurs. The rules regarding recharacterization are complex and you should consult a tax adviser prior to any recharacterization.

## Recharacterization of a Conversion (Correction Process)

You may correct a conversion made in error by recharacterizing the conversion. A conversion is recharacterized by moving the conversion amount, plus allocable earnings, back to a Traditional IRA. The correction must take place prior to the due date, including extensions, for filing your federal income tax return for the tax year in which the conversion was originally made. A recharacterized conversion may be converted back to a Roth IRA, however limitations may apply. Assets which have been recharacterized back to a Traditional IRA cannot be reconverted to a Roth IRA in the same tax year or within thirty days. A recharacterized conversion is reported as a distribution from the Roth IRA (IRS Form 1099R) and a recharacterization contribution to the Traditional IRA (IRS Form 5498) for the tax year in which the recharacterization occurs. The rules regarding recharacterization are complex and you should consult a tax adviser prior to any recharacterization or reconversion.

Recharacterization forms are available from the Custodian by calling 800-372-7827 and should be used for all recharacterization requests.

## INCOME TAX DEDUCTION

Your contribution to a Roth IRA is not deductible on your federal income tax return.

## TAXATION OF DISTRIBUTIONS

Any distribution, or portion of any distribution, that consists of the return of contributions you made to your Pax World Roth IRA is not subject to federal income tax. For federal income tax purposes, contributions are presumed to be withdrawn first, then conversion contributions, then earnings.

The earnings on your contributions will not be subject to federal income tax when withdrawn if the assets being withdrawn have been in your Roth IRA for at least five (5) years from the first taxable year in which a contribution, including rollover and conversion contributions, was made to the Roth IRA. Additionally, any one of the following criteria must be met:

1. You are over the age of 59½; or
2. Used toward the expenses of a first time home purchase up to a lifetime limit of \$10,000; or
3. Made because you became disabled; or
4. Due to your death.

The earnings portion of distributions made prior to the end of the five year holding period, regardless of the reason, are subject to ordinary income tax and may be subject to a 10% penalty tax on early distributions. Distribution of conversion contributions prior to five years from the tax year of conversion are subject to the 10% penalty tax unless one of the exceptions listed below under Early Distributions applies, however, such distributions are not subject to ordinary income tax. Exceptions to the 10% additional tax on early distributions are described below in the section on Penalty Tax on Certain Transactions.

Rollovers from one Roth IRA to another Roth IRA are permitted within the 60-calendar day period after receipt. The amount rolled over within 60 days will not be taxable. The IRS enforces the 60-day time limit strictly. Rollovers from a Roth IRA to a Traditional, SEP or SIMPLE IRA or Coverdell Education Savings Account are not permitted.

If you make a tax-free rollover of any part of a distribution from a Roth IRA, you cannot, within a 1-year period, make a tax-free rollover of any later distribution from that same Roth IRA. You also cannot make a tax-free rollover of any amount distributed, within the same 1-year period, from the Roth IRA into which you made the tax-free rollover.

Distributions under \$10 will not be reported to you on IRS Form 1099R as allowed under IRS regulations. However, you must still report these

distributions to the IRS on IRS Form 1040 as well as other forms that may be required to properly file your tax return.

## **PENALTY TAX ON CERTAIN TRANSACTIONS**

### **Excess Contributions**

Amounts contributed to your Pax World Roth IRA in excess of the allowable limit will be subject to a non-deductible excise tax of 6% for each year until the excess is used up as an allowable contribution (in a subsequent year) or returned to you. The 6% excise tax on excess contributions will not apply if the excess contribution and earnings allocable to it are distributed by the due date for your federal income tax return, including extensions. If such a distribution is made, only the earnings are considered taxable income for the tax year in which the excess was contributed to the IRA. The return of earnings may also be subject to the 10% excise tax on early distributions discussed below. An IRS Form 1099R will be issued for the year in which the distribution occurred, not the year in which the excess contribution was made. The 1099R applies to amounts removed during the period January 1 through and including the due date of your federal income tax return for the prior tax year. Consult IRS Publication 590 for more information.

### **Early Distributions**

The earnings portion of distributions made prior to the end of the five-year holding period or which fail to meet the criteria outlined above in Taxation on Distributions are subject to ordinary income taxes. The earnings portion of the distribution is also subject to the 10% penalty tax on early distributions unless one of the following exceptions applies to the distribution:

1. You are over age 59½; or
2. Due to your death; or
3. Made because you became disabled; or
4. Used specifically for deductible medical expenses which exceed 7.5% of your adjusted gross income; or
5. Used for health insurance cost due to your unemployment; or
6. Used for higher education expenses defined in section 529(e) (3) of the Internal Revenue Code; or
7. Used toward the expenses of a first time home purchase up to a lifetime limit of \$10,000; or
8. Part of a scheduled series of substantially equal payments over your life, or over the joint life expectancy of you and a beneficiary. If you request a distribution in the form of a series of substantially equal payments, and you modify the payments before 5 years have elapsed and before attaining age 59½, the penalty tax will apply retroactively to the year payments began through the year of such modification; or
9. Required because of an IRS levy.

The 10% penalty tax is in addition to any federal income tax that is owed at distribution. For more information on the 10% penalty tax and the exceptions listed above, consult IRS Publication 590.

## **REQUIRED DISTRIBUTIONS**

You are not required to take distributions from your Roth IRA during your lifetime.

## **DISTRIBUTION DUE TO DEATH**

If you have properly designated a beneficiary, the entire value of your IRA must be distributed to your beneficiaries within five years after your death, unless the designated beneficiary elects in writing, no later than September 30th of the year following the year in which you die, to take distributions over their life expectancy. Your designated beneficiary may name a subsequent beneficiary. Any subsequent beneficiaries must take distributions at least as frequently as the original designated beneficiary. If you do not properly designate a beneficiary, or all designated beneficiaries have predeceased you, your spouse shall become the beneficiary or, if no surviving spouse or unmarried, the distribution will be made to your estate. Consult IRS Publication 590 or an estate-planning adviser for a complete discussion of rules governing distributions due to death.

If your designated beneficiary is your spouse, then he/she may elect to either treat the Roth IRA as his/her own or to rollover the funds into his/her own Roth IRA. Consult IRS Publication 590 for a complete discussion of rules governing distributions due to death.

A Roth IRA distribution request form is available from the Custodian, by calling 800-372-7827, and should be obtained and used to request any distribution from your Roth IRA.

## **PROHIBITED TRANSACTIONS**

If you or your beneficiary engage in any prohibited transaction (such as any sale, exchange, borrowing, or leasing of any property between you and your Roth IRA; or any other interference with the independent status of the account), the account will lose its exemption from tax and be treated as having been distributed to you. The value of the earnings on your account will be includible in your gross income. If you are under age 59½, you would also be subject to the 10% penalty tax on early distributions.

If you or your beneficiary use (pledge) all or any part of your Roth IRA as security for a loan, then the portion so pledged will be treated as if distributed to you, and will be taxable to you as a nonqualified distribu-

tion, and subject to a 10% penalty tax on the taxable portion of such distribution if you have not attained age 59½ during the year which you make such a pledge.

## **INCOME TAX WITHHOLDING**

The Custodian is required to withhold federal income tax from any distribution from your Roth IRA to you at the rate of 10% unless you choose not to have tax withheld. You may elect out of withholding by advising the Custodian in writing, prior to the distribution, that you do not want tax withheld from the distribution. This election may be made on IRS Form W-4P, or any other form acceptable to the Custodian. If you do not elect out of tax withholding, you may direct the Custodian to withhold an additional amount of tax in excess of 10%, but not more than 90%.

State income tax withholding may also apply to distributions from your Roth IRA account when federal income tax is withheld. Please contact your tax advisor or state tax authority for information about your state's income tax holding requirements.

## **ADDITIONAL INFORMATION**

For more detailed information, you may obtain IRS Publication 590, Individual Retirement Arrangements (IRAs) from any district office of the Internal Revenue Service, from the IRS web site at [www.irs.gov](http://www.irs.gov) or by calling 1-800-TAX-FORM.

Any Roth IRA transaction may have tax consequences; consult your tax adviser to obtain information about the tax consequences in connection with your particular circumstances.

## **INFORMATION ABOUT YOUR INVESTMENTS**

A mutual fund investment involves investment risks, including possible loss of principal. In addition, growth in the value of your account is neither guaranteed nor projected due to the characteristics of a mutual fund investment. Detailed information about the shares of each mutual fund available for investment by your Pax World Roth IRA must be furnished to you in the form of a prospectus. The method for computing and allocating annual earnings is set forth in the prospectus. (See prospectus section entitled "Dividends and Distributions.") If you made an initial contribution of \$1,000 on the first day of a calendar year and no further investment during that year, your contribution would also be subject to certain costs and expenses that would reduce any yield you might obtain from your investment. (See the prospectus section entitled "Fees and Expenses" and the sections referred to therein.) For further

information regarding expenses, earnings, and distributions, see the Fund's financial statements, prospectus and/or statement of additional information. Should the fund you are invested in close, and the prospectus for said fund does not specify a successor fund, your shares of said fund will be liquidated and the proceeds will be used to purchase shares of the Pax World Money Market Fund.

## FEES AND CHARGES

The charges in connection with your Pax World Roth IRA are set forth in the Application. There is a \$12.00 annual custodial maintenance fee on each account in the Fund. The Custodian may also charge a service fee in connection with any distribution from your Roth IRA.

## IRS APPROVED FORM

Your Pax World Roth IRA is the Internal Revenue Service's model custodial account contained in IRS Form 5305-RA. Certain additions have been made in Article IX of the form. By following this form, your Pax World Roth IRA meets the requirements of the Internal Revenue Code. However, the IRS has not endorsed the merits of the investments allowed under the Roth IRA. **This form cannot be used in connection with Coverdell Education Savings Accounts, SEP, SIMPLE or Traditional IRAs.**

# CUSTODIAL ACCOUNT AGREEMENT

(Under section 408A of the Internal Revenue Code - Form 5305-RA (March 2002))

The depositor whose name appears in the accompanying Application is establishing a Roth individual retirement account (Roth IRA) under section 408A to provide for his or her retirement and for the support of his or her beneficiaries after death.

The custodian, PFPCTrust Company, has given the depositor the disclosure statement required under Regulations section 1.408-6.

The depositor and the custodian make the following agreement:

## ARTICLE I

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

## ARTICLE II

1. The annual contribution limit described in Article I is gradually reduced to \$0 for higher income levels. For a single depositor, the annual contribution is phased out between adjusted gross income (AGI) of \$95,000 and \$110,000, for a married depositor filing jointly, between AGI of \$150,000 and \$160,000; and for a married depositor filing separately, between AGI of \$0 and \$10,000. In the case of a conversion, the custodian will not accept IRA Conversion Contributions in a tax year if the depositor's AGI for the tax year the funds were distributed from the other IRA exceeds \$100,000 or if the depositor is married and files a separate return. Adjusted gross income is defined in section 408A(c)(3) and does not include IRA Conversion Contributions.
2. In the case of a joint return, the AGI limits in the preceding paragraph apply to the combined AGI of the depositor and his or her spouse.

## ARTICLE III

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

## ARTICLE IV

1. No part of the custodial account funds may be invested in life insurance contracts, nor may the assets of the custodial account be commingled with other property except in a common trust fund or common investment fund (within the meaning of section 408(a)(5)).
2. No part of the custodial account funds may be invested in collectibles (within the meaning of section 408(m)) except as otherwise permitted by section 408(m)(3), which provides an exception for certain gold, silver, and platinum coins, coins issued under the laws of any state, and certain bullion.

## ARTICLE V

1. If the depositor dies before his or her entire interest is distributed to him or her and the grantor's surviving spouse is not the sole beneficiary, the remaining interest will be distributed in accordance with (a) below or, if elected or there is no designated beneficiary, in accordance with (b) below:

- (a) The remaining interest will be distributed, starting by the end of the calendar year following the year of the depositor's death, over the designated beneficiary's remaining life expectancy as determined in the year following the death of the depositor.
  - (b) The remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the depositor's death.
2. The minimum amount that must be distributed each year under paragraph 1(a) above is the account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table in Regulations section 1.401 (a)(9)-9) of the designated beneficiary using the attained age of the beneficiary in the year following the year of the depositor's death and subtracting 1 from the divisor for each subsequent year.
3. If the depositor's surviving spouse is the designated beneficiary, such spouse will then be treated as the depositor.

## **ARTICLE VI**

1. The depositor agrees to provide the custodian with information necessary for the custodian to prepare any reports required under sections 408(i) and 408A(d)(3)(E), Regulations sections 1.408-5 and 1.408-6, and under guidance published by the Internal Revenue Service.
2. The custodian agrees to submit reports to the Internal Revenue Service and the depositor as prescribed by the Internal Revenue Service.

## **ARTICLE VII**

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

## **ARTICLE VIII**

This agreement will be amended from time to time to comply with the provisions of the Code, related regulations, and other published guidance. Other amendments may be made with the consent of the depositor and the custodian.

## **ARTICLE IX**

1. All funds in the custodial account (including earnings) shall be invested in shares of any one or more of the registered investment companies ("mutual funds"), or portfolios thereof, which have been designated by the company listed on the account opening documents ("company") as eligible for investment under this custodial account. The mutual funds, portfolios, and company shall be collectively referred to herein as "the Funds" and the shares of the Funds shall be collectively referred to as "Fund Shares." Fund Shares shall be purchased at the public offering price for Fund Shares next to be determined after receipt of the contribution by the custodian or its agent.
2. The shareholder of record of all Fund Shares shall be the custodian or its nominee.
3. The depositor shall, from time to time, direct the custodian to invest the funds of his/her custodial account in Fund Shares. Any funds that are not directed as to investment shall, at the sole discretion of the custodian, be held uninvested until such direction is received from the depositor or be returned to the depositor without being deemed to have been contributed to his/her custodial account. The depositor shall be the beneficial owner of all Fund Shares held in the custodial account, and the custodian shall not vote any such shares except upon written direction of the depositor.
4. The custodian agrees to forward, or to cause to be forwarded, to every depositor the then current prospectus(es) of the Funds, as applicable, which have been designated by the company as eligible for investment under the custodial account and selected by the depositor

for such investment, and all notices, proxies and related proxy soliciting materials applicable to said Fund Shares received by it.

5. Each depositor shall have the right by written notice to the custodian to designate or to change a beneficiary to receive any benefit to which such depositor may be entitled in the event of his/her death prior to the complete distribution of such benefit. A beneficiary designation will be deemed to be in effect when received in good order by the custodian. If no such designation is in effect at the time of the depositor's death, or if the designated beneficiary has predeceased the depositor, the spouse shall become the beneficiary or, if no surviving spouse or unmarried, the beneficiary shall be the depositor's estate.
6. (a) The custodian shall have the right to receive rollover and conversion contributions as allowed under IRS Code Section 408A, however it is the depositor's responsibility to ensure that such rollovers and conversions are eligible to be contributed to this Roth IRA. The custodian reserves the right to refuse to accept any property that is not in the form of cash.  
  
(b) The custodian, upon written direction of the depositor and after submission to the custodian of such documents as it may reasonably require, shall transfer the assets held under this Agreement (reduced by any amounts referred to in paragraph 8 of this Article IX) to a successor Roth Individual Retirement Account or directly to the depositor.  
  
Any amounts received or transferred by the custodian under this paragraph 6 shall be accompanied by such records and other documents as the custodian deems necessary to establish the nature, value and extent of the assets and of the various interests therein.
7. Without in any way limiting the foregoing, the depositor hereby irrevocably delegates to the custodian the right and power to amend at any time and from time to time the terms and provisions of this Agreement and hereby consents to such amendments, provided they shall comply with all applicable provisions of the Code, the Treasury regulations there under and with any other governmental law, regulation or ruling. Any such amendments shall be effective when the notice of such amendments is mailed to the address of the depositor indicated by the custodian's records.
8. Any income taxes or other taxes of any kind whatsoever levied or assessed upon or in respect of the assets of the custodial account or the income arising therefrom, any transfer taxes incurred, all other administrative expenses incurred, specifically including, but not limited to, administrative expenses incurred by the custodian in the performance of its duties and fees for legal services rendered to the custodian, and the custodian's compensation may be paid by the depositor and, unless so paid within such time period as the custodian may establish, shall be paid from the depositor's custodial account. The custodian reserves the right to change or adjust its compensation upon 30 days advance notice to the depositor.
9. The benefits provided hereunder shall not be subject to alienation, assignment, garnishment, attachment, execution or levy of any kind, and any attempt to cause such benefits to be so subjected shall not be recognized, except to such extent as may be required by law.
10. The custodian may rely upon any statement by the depositor (or the depositor's beneficiary if the depositor is deceased) when taking any action or determining any fact or question which may arise under this Custodial Agreement. The depositor hereby agrees that neither the custodian nor the Funds will be liable for any loss or expense resulting from any action taken or determination made in reliance on such statement. The depositor assumes sole responsibility for assuring that contributions to the custodial account satisfy the limits specified in the appropriate provisions of the Code.
11. The custodian may resign at any time upon 30 days written notice to the depositor and the Funds, and may be removed by the depositor at any time upon 30 days written notice to the custodian. Upon the resignation or removal of the custodian, a successor custodian shall be appointed within 30 days of such resignation notice and in the absence of such appointment, the custodian shall appoint a successor unless the Agreement is sooner terminated. Any

successor custodian shall be a bank (as defined in section 408(n) of the Code) or such other person found qualified to act as a custodian under an individual account plan by the Secretary of the Treasury or his delegate. The appointment of a successor custodian shall be effective upon receipt by the custodian of such successor's written acceptance, which shall be submitted to the custodian, the Funds, and the depositor. Within 30 days of the effective date of a successor custodian's appointment, the custodian shall transfer and deliver to the successor custodian applicable account records and assets of the custodial account (reduced by any unpaid amounts referred to in paragraph 8 of this Article IX). The successor custodian shall be subject to the provisions of this Agreement (or any successor thereto) on the effective date of its appointment.

12. The custodian shall, from time to time, in accordance with instructions in writing from the depositor (or the depositor's beneficiary if the depositor is deceased), make distributions out of the custodial account to the depositor in the manner and amounts as may be specified in such instructions (reduced by any amounts referred to in Article IX, paragraph 8). A Roth IRA Withdrawal Authorization form is available from the custodian, and should be obtained and used to request any distribution from your Roth IRA. The custodian assumes (and shall have) no responsibility to make any distribution from the custodial account unless and until such written instructions specify the occasion for such distribution and the elected manner of distribution. Prior to making any such distribution from the custodial account, the custodian shall be furnished with any and all applications, certificates, tax waivers, signature guarantees, and other documents (including proof of any legal representative's authority) deemed necessary or advisable by the custodian, but the custodian shall not be liable for complying with written instructions which appear on their face to be genuine, or for refusing to comply if not satisfied such instructions are genuine, and assumes no duty of further inquiry. Upon receipt of proper written instructions as required above, the custodian shall cause the assets of the custodial account to be distributed in cash and/or in kind, as specified in such written instructions.
13. No distributions are required to be taken from the Roth IRA during the lifetime of the depositor. If the depositor desires to take distributions from the Roth IRA, such distributions shall be made as the depositor shall elect by written instructions to the custodian.
14. In the event any amounts remain in the custodial account after the death of the depositor, his or her beneficiary shall thereafter exercise the rights of the depositor as described in Article V.
15. The custodian is authorized to hire agents (including any transfer agent for Fund Shares) to perform certain duties under this Agreement.
16. This Agreement shall terminate coincident with the complete distribution of the assets of the depositor's account.
17. All notices to be given by the custodian to the depositor shall be deemed to have been given when mailed to the address of the depositor indicated by the custodian's records.
18. Neither the custodian nor the Funds shall be responsible for any losses, penalties or other consequences to the depositor or any other person arising out of the making of, or the failure to make, any contribution or withdrawal.
19. In addition to the reports required by paragraph (2) of Article VI, the custodian shall periodically cause to be mailed to the depositor in respect of each such period an account of all transactions affecting the custodial account during such period and a statement showing the custodial account as of the end of such period. If, within 30 days after such mailing, the depositor has not given the custodian written notice of any exception or objection thereto, the periodic accounting shall be deemed to have been approved and, in such case or upon the written approval of the depositor, the custodian and the Funds shall be released, relieved and discharged with respect to all matters and statements set forth in such accounting as though the account had been settled by judgment or decree of a court of competent jurisdiction.
20. In performing the duties conferred upon the custodian by the depositor hereunder, the custodian shall act as the agent of the depositor. The parties do not intend to confer any

fiduciary duties on the custodian or the Funds, and none shall be implied. Neither the custodian nor the Funds shall be liable (and neither assumes any responsibility) for the collection of contributions, the propriety of any contribution under this Agreement, the selection of any Fund Shares for this custodial account, or the purpose or propriety of any distribution made, which matters are the sole responsibility of the depositor or the depositor's beneficiary, as the case may be.

The depositor and the successors of the depositor, including any designated beneficiary, executor or administrator of the depositor, shall, to the extent permitted by law, indemnify and hold the custodian and the Funds and their affiliates, successors and assigns harmless from any and all claims, actions or liabilities of the custodian, except such as may arise from the custodian's own bad faith, negligence, nonfeasance, or willful misconduct.

21. The custodian shall be responsible solely for the performance of those duties expressly assigned to it in this Agreement and by operation of law. In determining the taxable amount of a distribution, the depositor shall rely only on his or her federal tax records, and the custodian shall withhold federal income tax from any distribution from the custodial account as if the total amount of the distribution is includible in the depositor's income.
22. Except to the extent superseded by federal law, this Agreement shall be governed by, and construed, administered and enforced according to, the laws of the State of Delaware, and all contributions shall be deemed made in Delaware.
23. Notwithstanding any provisions of this Agreement to the contrary, specifically including but not limited to paragraph 3 of Article V and Article VII, a spouse beneficiary shall have available all death benefits options available under current IRA code section 408(a) even if the spouse is not the sole beneficiary.
24. Notwithstanding any provisions of this Agreement to the contrary, the depositor is deemed to have elected not to designate this account as a Roth Conversion IRA. Any reference on the Application to conversion is simply to clarify instructions from the depositor and does not in any way characterize the Roth IRA being established as a Roth Conversion IRA subject to Article I.
25. Participant – As referenced in the Adoption Agreement/Application and in any forms associated with this Custodial Agreement, carries the same definition as the Depositor identified in Article I and the Definitions Section of this Custodial Agreement

## **GENERAL INSTRUCTIONS**

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

### **Purpose of Form**

Form 5305-RA is a model custodial account agreement that meets the requirements of section 408A and has been automatically approved by the IRS. A Roth individual retirement account (Roth IRA) is established after the form is fully executed by both the individual (depositor) and the custodian. This account must be created in the United States for the exclusive benefit of the depositor or his or her beneficiaries.

Do not file Form 5305-RA with the IRS. Instead, keep it for your records.

Unlike contributions to traditional individual retirement arrangements, contributions to a Roth IRA are not deductible from the grantor's gross income; and distributions after 5 years that are made when the grantor is 59½ years of age or older or on account of death, disability, or the purchase of a home by a first-time home buyer (limited to \$10,000), are not includible in gross income. For more information on Roth IRAs, including the required disclosures the custodian must give the depositor, see Pub. 590, Individual Retirement Arrangements (IRAs).

## Definitions

**IRA Conversion Contributions.** IRA Conversion Contributions are amounts rolled over, transferred, or considered transferred from a nonRoth IRA to a Roth IRA. A nonRoth IRA is an individual retirement account or annuity described in section 408(a) or 408(b), other than a Roth IRA.

**Custodian.** The custodian must be a bank or savings and loan association, as defined in section 408(n), or any person who has the approval of the IRS to act as custodian.

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

## SPECIFIC INSTRUCTIONS

**Article I.** The depositor may be subject to a 6 percent tax on excess contributions if (1) contributions to other individual retirement arrangements of the depositor have been made for the same tax year, (2) the depositor's adjusted gross income exceeds the applicable limits in Article II for the tax year, or (3) the depositor's and spouse's compensation does not exceed the amount contributed for them for the tax year. The depositor should see the disclosure statement or Pub. 590 for more information.

**Article V.** This article describes how distributions will be made from the Roth IRA after the depositor's death. Elections made pursuant to this article should be reviewed periodically to ensure they correspond to the depositor's intent. Under paragraph 3 of Article V, the depositor's spouse is treated as the owner of the Roth IRA upon the death of the depositor, rather than as the beneficiary. If the spouse is to be treated as the beneficiary, and not the owner, an overriding provision should be added to Article IX.

**Article IX.** - Article IX and any that follow it may incorporate additional provisions that are agreed to by the depositor and custodian to complete the agreement. They may include, for example, definitions, investment powers, voting rights, exculpatory provisions, amendment and termination, removal of the custodian, custodian's fees, state law requirements, beginning date of distributions, accepting only cash, treatment of excess contributions, prohibited transactions with the depositor, etc. Attach additional pages if necessary.

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