

A blue-tinted photograph of a garden. In the foreground, there is a paved path leading towards a large globe. To the left, there are several tall, thin, pointed structures that look like stylized trees or fountains. The background shows a clear sky with some clouds.

P A X WORLD

# SIMPLE IRA

*Savings Incentive Match Plan  
for Employees of Small Employers*

## Plan Documents

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Dear SIMPLE IRA Shareholder:

July 1, 2007

PFFC Trust Company, the Custodian of your SIMPLE Individual Retirement Account, is pleased to inform you of an amendment to your SIMPLE 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 VIII, Section 7 of your 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,

PFFC Trust Company

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

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

"The participant 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 participant or be returned to the participant without being deemed to have been contributed to his/her custodial account. The participant 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 participant. 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 person whose signature appears on the SIMPLE IRA Account Application and Adoption Agreement indicated by the Custodian's records.

PFFC 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

# APPLICATION INSTRUCTIONS

**DO NOT USE THIS FORM TO ESTABLISH A COVERDELL EDUCATION SAVINGS ACCOUNT, ROTH, SEP OR TRADITIONAL IRA.**

## HOW TO COMPLETE THE ENCLOSED FORMS

**If you are opening a SIMPLE IRA which *will not* contain contributions that are being transferred from another SIMPLE IRA:**

To establish a SIMPLE IRA, please complete the “Application, Adoption Agreement and Beneficiary Designation” (Application). Please note that the Applicant’s name must be that of an individual, not a business, and we must have the complete name and address of your employer.

**Please make sure a copy of your employer’s SIMPLE IRA plan document is attached. Your employer’s SIMPLE plan must permit each eligible employee to select a financial institution that will serve as the custodian, trustee or issuer of the SIMPLE IRA.**

- The maximum allowable contribution to your SIMPLE IRA for tax years 2005 and 2006 is 100% of your salary up to \$10,000 as deferred compensation. This limit is in addition to your employer’s matching or non-elective contributions. No other contributions are allowed to your SIMPLE IRA.

In the case of an eligible employee who will be 50 or older before the end of the calendar year, the above limitation is increased to \$12,000 for 2005, and \$12,500 for 2006 and later years.

- Prospectuses for the Pax World Funds may be obtained by calling the Fund at 800-767-1729 or visiting our web site at [www.paxworld.com](http://www.paxworld.com). Please be sure to read the prospectus carefully before investing.
- Please be sure to read carefully the “Terms and Conditions of the SIMPLE IRA Adoption Agreement” in Section 5 of the Application. There is a \$12.00 annual custodial maintenance fee on each account in the fund.

**If you are opening a SIMPLE IRA which *will contain* contributions that have been transferred from another SIMPLE IRA:**

- Please read and follow the general instructions above for establishing a SIMPLE IRA. Be sure to note on the Application that your contribution is a transfer of another SIMPLE IRA.
- To transfer the distribution from your current SIMPLE IRA directly

from the custodian, trustee or issuer of that plan to your new custodian for the SIMPLE IRA, please complete a "Transfer of Assets Form" which is included in this booklet, or can be obtained by calling the fund at 800-767-1729.

**MAIL THE COMPLETED APPLICATION AND CHECK  
(IF APPLICABLE) TO:**

*First Class Mail:*

Pax World Funds

P.O. Box 9824

Providence, RI 02940-8024

*Overnight Mail:*

Pax World Funds

c/o PFPC Inc.

101 Sabin St.

Pawtucket, RI 02860-1427

800-372-7827

# SIMPLE 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 Funds SIMPLE Individual Retirement Account (IRA) contributions will be invested.

## REVOCATION OF YOUR SIMPLE IRA

You have the right to revoke your Pax World Funds SIMPLE IRA and receive the entire amount of your initial contribution by notifying PFPC Trust Company, the Custodian of your Pax World Funds SIMPLE IRA, in writing within seven (7) days of establishment of your SIMPLE IRA. If you revoke your 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 IRA, notice should be delivered or mailed to:

*First Class Mail:*

PFPC Trust Company  
Attn: Pax World SIMPLE IRA  
P.O. Box 9824  
Providence, RI 02940-8024

*Overnight Express:*

PFPC Trust Company  
Attn: Pax World SIMPLE IRA  
101 Sabin St.  
Pawtucket, RI 02860-1427  
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 Funds SIMPLE IRA;
3. Your Pax World Funds SIMPLE IRA account number;
4. The date your Pax World Funds SIMPLE 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 Funds SIMPLE IRA was opened. A revoked SIMPLE IRA will be reported to the IRS and the Participant on Forms 1099R and 5498.

## YOUR SIMPLE INDIVIDUAL RETIREMENT ACCOUNT

You have opened a Pax World Funds SIMPLE Individual Retirement Account (SIMPLE IRA), which is an account for the exclusive benefit of you and your beneficiaries, created by a written instrument (the Custodial Account Agreement). The following requirements apply to your Pax World Funds SIMPLE 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 or savings and loan association;
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; and
6. You must begin receiving distributions from your account no later than April 1 of the year following the year in which you become 70½ years old; and distributions must be completed over a period that is not longer than the joint life expectancy of you and your beneficiary.

## CONTRIBUTIONS

You may not contribute more than 100% of your salary up to \$10,000 as a salary deferral for tax years 2005 and 2006, in addition to your employer’s contribution. In the case of an eligible employee who will be 50 or older before the end of the calendar year, the above limitation is increased to \$12,000 for 2005, and \$12,500 for 2006 and later years.

<i>Year</i>	<i>Maximum Contribution</i>	<i>Maximum Contribution if Age 50 or Older</i>
2005	\$10,000	\$12,000
2006 and beyond	\$10,000	\$12,500

Both of these limits are subject to cost-of-living increases after 2006.

## Recharacterization

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. If you have been advised that you are eligible to make a contribution to a Traditional or Roth IRA and choose to recharacterize a portion of your SIMPLE IRA salary reduction contributions, you must notify the Custodian in writing. The value of your recharacterized contribution can not exceed the annual IRA contribution limits as set forth by the IRS. In addition, the recharacterized contribution must include any allocable earnings or losses, which may result in a negative amount.

Recharacterized contributions are 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 recharacterizations are complex and you should consult a tax adviser prior to recharacterizing. Recharacterization forms are available from the Custodian by calling 800-372-7827 and should be used for all recharacterization requests. Please consult IRS Publication 590 for more information regarding recharacterizations.

## **EXCESS CONTRIBUTIONS**

Amounts contributed to your Pax World Funds SIMPLE IRA in excess of the allowable limit will be subject to a nondeductible 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 year in which the excess was contributed to the SIMPLE IRA and the return of earnings may also be subject to the 10% excise tax on early distributions discussed below. If the early distribution is within 2 years of the date on which you first participated in any SIMPLE IRA maintained by your employer, the excise tax will be increased from 10% to 25%. (Note: Your employer will include the excess contribution amount in your total compensation.) A 1099-R will be issued for the year in which the distribution occurred, not the year in which the excess contribution was made. The 1099-R 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.

## **INCOME TAX CONSEQUENCES OF SALARY REDUCTION CONTRIBUTIONS**

Salary reduction contributions to a SIMPLE IRA are excludable from federal income tax and not subject to federal income tax withholding. Salary reduction contributions to a SIMPLE IRA are subject to tax under the Federal Insurance Contributions Act (“FICA”), the Federal Unemployment Tax Act (“FUTA”), and the Railroad Retirement Tax Act (“RRTA”), and should be reported accordingly by your employer on Form W-2, Wage and Tax Statement. Your employer’s matching and non-elective contributions to your SIMPLE IRA are not subject to FICA, FUTA, or RRTA taxes, and are not required to be reported on Form W-2. Check with your tax adviser for further information.

# TAXATION OF DISTRIBUTIONS

## General

The income of your Pax World Funds SIMPLE IRA is not taxed until the money is distributed to you. Distributions are taxable as ordinary income when received. Distributions received before you attain age 59½, or within 2 years of the date on which you first participated in any SIMPLE IRA maintained by your employer, may be subject to penalties up to 25%. See the Early Distributions section under PENALTY TAX ON CERTAIN TRANSACTIONS, below. Distributions under \$10 will not be reported to you on IRS Form 1099R after December 31, 1996, 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.

## Transfers and Rollovers to another SIMPLE IRA

In general, you may transfer the assets of your SIMPLE IRA to another SIMPLE IRA in a direct trustee-to-trustee transfer, or “rollover” a distribution from your SIMPLE IRA to another SIMPLE IRA, at any time. If a distribution is rolled over, i.e. deposited to another SIMPLE IRA within 60 calendar days of receipt, the amount rolled over is not taxable. The IRS enforces the 60-day time limit strictly. You may rollover a portion of a distribution in which case the remainder will be subject to tax. In addition, only one rollover of your SIMPLE IRA assets is permitted each 365 days.

## Transfers and Rollovers to an IRA which is not a SIMPLE IRA — 2-Year Rule

After you have participated in your employer’s SIMPLE plan for two years, you may also transfer or rollover the assets of your SIMPLE IRA to a Traditional IRA. Until this two-year period has expired, any amount that is paid from a SIMPLE IRA directly to the trustee of a Traditional IRA, or is paid from a SIMPLE IRA to you and contributed to a Traditional IRA (even if within the 60-day time limit), is a distribution from your SIMPLE IRA which is subject to taxation, including the early distribution penalties.

## Transfers and Rollovers into your SIMPLE IRA

Transfers and rollovers can be made into your Pax World Funds SIMPLE IRA from another SIMPLE IRA. IRS regulations prohibit transfers and rollovers into a SIMPLE IRA from any source other than another SIMPLE IRA.

## Consult your Tax Adviser

The rules regarding SIMPLE IRA transfers and rollovers are complex. You should consult a tax adviser prior to any transfer or rollover of any assets either from or to a SIMPLE IRA.

## PENALTY TAX ON CERTAIN TRANSACTIONS

### Excess Contributions

If you make an excess contribution to your SIMPLE IRA and it is not corrected on a timely basis, an excise tax of 6% is imposed on the excess amount. This tax will apply each year to any part or all of the excess that remains in your account.

### Early Distributions

Your receipt or use of any portion of your account before you attain age 59½ is considered an early or premature distribution. The distribution is subject to a penalty tax equal to 10% of the distribution unless one of the following exceptions applies to the distribution:

1. Due to your death; or
2. Made because you became disabled; or
3. Used specifically for deductible medical expenses which exceed 7.5% of your adjusted gross income; or
4. Used for health insurance cost due to your unemployment; or
5. Used for higher education expenses defined in section 529(e)(3) of the Internal Revenue Code; or
6. Used toward the expenses of a first time home purchase up to a lifetime limit of \$10,000; or
7. 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
8. 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 required to begin receiving minimum distributions from your SIMPLE IRA no later than April 1 following the calendar year in which you reach the age of 70½. The distribution may be paid either in installments, or in a lump sum. The installments may be paid over your life, or over the joint and last survivor life expectancy of you and your designated beneficiary. If the amount distributed during a taxable year is less than the minimum amount required to be distributed, you will be subject to a penalty tax equal to 50% of the difference between the amount distributed and the amount required to be distributed. You are responsible for monitoring this schedule from year to year to make sure that you are withdrawing the required minimum amount.

A 70½ Required Distribution Election form is available from the Custodian by calling 800-372-7827, and should be obtained and used to make your elections for your required minimum distribution request.

## Excess Distributions

The 15% excess distribution and accumulation taxes have been permanently repealed. You should consult your tax adviser to determine whether you are exempt from these taxes.

## ADDITIONAL INFORMATION ON DISTRIBUTIONS

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

### Distribution Due to Death

If, prior to your death, you have not started to take your required distributions and you properly designated a beneficiary(ies), the entire value of your SIMPLE IRA must be distributed to your beneficiaries within five years after your death, unless the designated beneficiary elects in writing, no later than September 30 of the year following the year in which you die, to take distributions over his/her life expectancy.

If, prior to your death, you have started taking your required distributions and you properly designated a beneficiary(ies), distributions following your death must continue at least as rapidly as under your required distribution election.

If your designated beneficiary is your spouse, then he/she may elect to either treat the IRA as his/her own or to rollover the funds into his/her own IRA, in addition to the above options.

If you do not properly designate a beneficiary, or all designated beneficiaries have predeceased you, your surviving spouse will become the beneficiary of your IRA; if no surviving spouse or unmarried, then the distribution will be made to your estate. Consult IRS Publication 590 or your estate planning adviser for a complete discussion of rules governing distributions due to death.

## 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 SIMPLE 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 entire account will be includible in your gross income. If you are under age 59½, you would also be subject to the penalty tax on early distributions.

If you or your beneficiary use (pledge) all or any part of your SIMPLE 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 ordinary income, and subject to a penalty tax 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 SIMPLE 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 SIMPLE 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 800-TAX-FORM.

Any 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 Funds SIMPLE 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, which 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 mutual 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 Funds SIMPLE 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 IRA.

## **IRS APPROVED FORM**

Your Pax World Funds SIMPLE IRA is the Internal Revenue Service’s model custodial account contained in IRS Form 5305-SA. Certain additions have been made in Article VIII of the form. By following this

form, your Pax World Funds SIMPLE IRA meets the requirements of the Internal Revenue Code. However, the IRS has not endorsed the merits of the investments allowed under the SIMPLE IRA. **This form cannot be used with Coverdell Education Savings Accounts, Roth, SEP, or Traditional IRAs.**

# SIMPLE Individual Retirement Custodial Account Agreement

(Form 5305-SA March 2002)

The participant is establishing a savings incentive match plan for employees of small employers individual retirement account (SIMPLE IRA) under sections 408(a) and 408(p) of the Internal Revenue Code to provide for his or her retirement and for the support of his or her beneficiaries after death. PFPC Trust Company, the custodian, has given the participant the disclosure statement required under Regulations section 1.408-6. The participant and PFPC Trust Company make the following agreement:

## ARTICLE I

The custodian will accept cash contributions made on behalf of the participant by the participant's employer under the terms of a SIMPLE plan described in section 408(p). In addition, the custodian will accept transfers or rollovers from other SIMPLE IRAs of the participant. No other contributions will be accepted by the custodian.

## ARTICLE II

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

## ARTICLE III

1. No part of the custodial 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 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 and coins issued under the laws of any state, and certain bullion.

## ARTICLE IV

1. Notwithstanding any provision of this agreement to the contrary, the distribution of the participant's interest in the custodial account shall be made in accordance with the following requirements and shall otherwise comply with section 408(a)(6) and the regulations thereunder, the provisions of which are incorporated by reference.
2. The participant's entire interest in the custodial account must be, or begin to be, distributed not later than the participant's required beginning date, April 1 following the calendar year in which the participant reaches age 70½. By that date, the participant may elect, in a manner acceptable to the custodian, to have the balance in the custodial account distributed in:
  - (a) A single sum or
  - (b) Payments over a period not longer than the life of the participant or the joint lives of the participant and his or her designated beneficiary.
3. If the participant dies before his or her entire interest is distributed to him or her, the remaining interest will be distributed as follows:
  - (a) If the participant dies on or after the required beginning date and:
    - (i) the designated beneficiary is the participant's surviving spouse, the remaining interest will be distributed over the surviving spouse's life expectancy as determined each year until such spouse's death, or over the period in

- paragraph (a)(iii) below if longer. Any interest remaining after the spouse's death will be distributed over such spouse's remaining life expectancy as determined in the year of the spouse's death and reduced by 1 for each subsequent year, or, if distributions are being made over the period in paragraph (a)(iii) below, over such period.
- (ii) the designated beneficiary is not the participant's surviving spouse, the remaining interest will be distributed over the beneficiary's remaining life expectancy as determined in the year following the death of the participant and reduced by 1 for each subsequent year, or over the period in paragraph (a)(iii) below if longer.
  - (iii) there is no designated beneficiary, the remaining interest will be distributed over the remaining life expectancy of the participant as determined in the year of the participant's death and reduced by 1 for each subsequent year.
- (b) If the participant dies before the required beginning date, the remaining interest will be distributed in accordance with (i) below or, if elected or there is no designated beneficiary, in accordance with (ii) below:
- (i) The remaining interest will be distributed in accordance with paragraphs (a)(i) and (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), starting by the end of the calendar year following the year of the participant's death. If, however, the designated beneficiary is the participant's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the participant would have reached age 70½. But, in such case, if the participant's surviving spouse dies before distributions are required to begin, then the remaining interest will be distributed in accordance with (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), over such spouse's designated beneficiary's life expectancy, or in accordance with (ii) below if there is no such designated beneficiary.
  - (ii) The remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the participant's death.
4. If the participant dies before his or her entire interest has been distributed and if the designated beneficiary is not the participant's surviving spouse, no additional contributions may be accepted in the account.
5. The minimum amount that must be distributed each year, beginning with the year containing the participant's required beginning date, is known as the "required minimum distribution" and is determined as follows:
- (a) The required minimum distribution under paragraph 2(b) for any year, beginning with the year the participant reaches age 70½, is the participant's account value at the close of business on December 31 of the preceding year divided by the distribution period in the uniform lifetime table in Regulations section 1.401(a)(9)-9. However, if the participant's designated beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the participant's account value at the close of business on December 31 of the preceding year divided by the number in the joint and last survivor table in Regulations section 1.401(a)(9)-9. The required minimum distribution for a year under this paragraph (a) is determined using the participant's (or, if applicable, the participant and spouse's) attained age (or ages) in the year.
  - (b) The required minimum distribution under paragraphs 3(a) and 3(b)(i) for a year, beginning with the year following the year of the participant's death (or the year the participant would have reached age 70½, if applicable under paragraph 3(b)(i)) 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 individual specified in such paragraphs 3(a) and 3(b)(i).

- (c) The required minimum distribution for the year the participant reaches age 70½ can be made as late as April 1 of the following year. The required minimum distribution for any other year must be made by the end of such year.
6. The owner of two or more IRAs (other than Roth IRAs), may satisfy the minimum distribution requirement described above, by taking from one IRA the amount required to satisfy the requirement for another in accordance with the regulations under 408(a)(6).

## **ARTICLE V**

1. The participant agrees to provide the custodian with information necessary for the custodian to prepare any reports required under sections 1.408-5 and 1.408-6.
2. The custodian agrees to submit reports to the Internal Revenue Service (IRS) and the participant as prescribed by the IRS.
3. The custodian also agrees to provide the participant's employer the summary description described in section 408(l)(2) unless this SIMPLE IRA is a transfer SIMPLE IRA.

## **ARTICLE VI**

Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through III and this sentence will be controlling. Any additional articles that are not consistent with sections 408(a) and 408(p) and the related regulations will be invalid.

## **ARTICLE VII**

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

## **ARTICLE VIII**

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 participant 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 participant or be returned to the participant without being deemed to have been contributed to his/her custodial account. The participant 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 participant.
4. The custodian agrees to forward, or to cause to be forwarded, to every participant 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 participant for such investment, and all notices, proxies and related proxy soliciting materials applicable to said Fund Shares received by it.

5. Each participant shall have the right by written notice to the custodian to designate or to change a beneficiary to receive any benefit to which such participant 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 participant's death, or if the designated beneficiary has predeceased the participant, the participant's spouse shall become the beneficiary or, if no surviving spouse or unmarried, the beneficiary shall be the participant's estate.
6.
  - (a) The custodian shall have the right to receive rollover contributions as described in Article I of this Agreement. The custodian reserves the right to refuse to accept any property which is not in the form of cash.
  - (b) The custodian, upon written direction of the participant and after submission to the custodian of such documents as it may reasonably require, shall transfer the assets held under this Agreement (reduced by (1) any amounts referred to in paragraph 8 of this Article VIII and (2) any amounts required to be distributed during the calendar year of transfer) to a successor individual retirement account, to an individual retirement annuity for the Participant's benefit, or directly to the participant.

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 participant 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 thereunder 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 participant 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 participant and, unless so paid within such time period as the custodian may establish, shall be paid from the participant's custodial account. The custodian reserves the right to change or adjust its compensation upon 30 days advance notice to the participant.
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 participant (or the participant's beneficiary if the participant is deceased) when taking any action or determining any fact or question which may arise under this Custodial Agreement. The participant 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 participant 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 participant and the Funds, and may be removed by the participant 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 be 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 participant. 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 VIII). 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 participant (or the participant's beneficiary if the participant is deceased), make distributions out of the custodial account to the participant in the manner and amounts as may be specified in such instructions (reduced by any amounts referred to in Article VIII, paragraph 8). A SIMPLE IRA Withdrawal Authorization form is available from the custodian, and should be obtained and used to request any distribution from your SIMPLE IRA. Notwithstanding the provisions of Article IV above, 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, except as set forth in the second part of this paragraph (12) below, with respect to age 70 1/2 distributions. 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.

The participant may select as a method of distribution under Article IV, paragraph 2, option (a) or (b) above. If the participant requests age 70 1/2 distribution by timely written instruction but does not choose any of the methods of distribution described above by the April 1st following the calendar year in which he or she reaches age 70 1/2, distribution to the participant will be made in accordance with Article IV, paragraph 2, option (b). If the participant does not request age 70 1/2 distribution from the custodial account by timely written instruction, or does not specify a method of calculating the amount of the age 70 1/2 distribution which the participant will be taking from another IRA(s), no distribution will be made; however calculation of the current year Required Minimum Distribution amount which cannot be transferred or rolled over to another IRA will be made in accordance with Article IV, paragraph 2, option (b).

13. Distribution of the assets of the custodial account shall be made in accordance with the provisions of Article IV as the participant (or the participant's beneficiary if the participant is deceased) shall elect by written instructions to the custodian; subject, however, to the provisions of sections 401(a)(9), 408(a)(6) and 403(b)(10) of the Code, the regulations promulgated thereunder, Article VIII, paragraph 12 of this Agreement, and the following:
  - (i) The recalculation of life expectancy of the participant and/or the participant's spouse may be made only at the written election of the participant. The recalculation of life expectancy of the surviving spouse shall only be made at the written election of the surviving spouse.
  - (ii) If the participant dies before his/her entire interest in the custodial account has been distributed, and if the designated beneficiary of the participant is the participant's surviving spouse, the spouse may treat the custodial account as his/her own individual retirement arrangement. This election will be deemed to have been made if the surviving spouse makes a regular IRA contribution to the custodial account, makes a

rollover to or from such custodial account, or fails to receive a payment from the custodial account within the appropriate time period applicable to the deceased participant under section 401(a)(9)(B) of the Code.

The provisions of this paragraph (13) of Article VIII shall prevail over the provisions of Article IV to the extent the provisions of this paragraph (13) are permissible under proposed and/or final regulations promulgated by the Internal Revenue Service.

14. In the event any amounts remain in the custodial account after the death of the participant, the rights of the participant under this Agreement shall thereafter be exercised by his or her beneficiary.
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 participant's account.
17. All notices to be given by the custodian to the participant shall be deemed to have been given when mailed to the address of the participant 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 participant 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 V, the custodian shall periodically cause to be mailed to the participant 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 60 days after such mailing, the participant 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 participant, 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 participant hereunder, the custodian shall act as the agent of the participant. The parties do not intend to confer any fiduciary duties on the custodian and none shall be implied. Neither the custodian nor the Funds shall be liable (and neither assumed any responsibility) for the collection of contributions, the deductibility or 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 in accordance with Article IV and Paragraph 12, 13 of Article VIII, which matters are the sole responsibility of the participant or the participant's beneficiary, as the case may be.

The participant and the successors of the participant, 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 for 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 participant 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 participant'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.

## GENERAL INSTRUCTIONS

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

### Purpose of Form

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

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

For more information on IRAs, including the required disclosures the custodian must give the participant, Pub. 590, Individual Retirement Arrangements (IRAs).

### Definitions

**Participant** - The participant is the person who establishes the custodial account.

**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.

### Transfer SIMPLE IRA

This SIMPLE IRA is a "transfer SIMPLE IRA" if it is not the original recipient of contributions under any SIMPLE plan. The summary description requirements of section 408(l)(2) do not apply to transfer SIMPLE IRAs.

## SPECIFIC INSTRUCTIONS

**Article IV.** - Distributions made under this article may be made in a single sum, periodic payment, or a combination of both. The distribution option should be reviewed in the year the participant reaches age 70½ to ensure that the requirements of section 408(a)(6) have been met.

**Article VIII.** - Article VIII and any that follow it may incorporate additional provisions that are agreed to by the participant 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 participant, etc. Use additional pages if necessary and attach them to this form.

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**P A X** WORLD  
*ethical investments*

PAX World

30 Penhallow Street, Suite 400

Portsmouth, NH 03801

 800.767.1729

web [www.paxworld.com](http://www.paxworld.com)

email [info@paxworld.com](mailto:info@paxworld.com)

*For general fund information:*

 800.767.1729

*For shareholder account information:*

 800.372.7827

*For broker services:*

 800.635.1404

*Address all account inquiries to:*

PAX World

P. O. Box 9824

Providence, RI 02940-8024

 *printed in USA on recycled paper*