Health Savings Account
Agreement and Disclosure Statement

THIS DOCUMENT MAY ONLY BE USED WITH A HILLTOP SECURITIES INC. ACCOUNT.

HOW TO GET STARTED TO ESTABLISH A HILLTOP SECURITIES INC. HEALTH SAVINGS ACCOUNT (HSA)

- Complete and sign the **Health Savings Account Application**.[1] All beneficiary information including Social Security numbers should be completed.

- Submit the completed **Health Savings Account Application** [1] to your Financial Professional.

- Enclose a check made payable to Hilltop Securities Inc. for the initial Account contribution, if applicable.

  Your check should reference which tax year the contribution should be credited.

1) CUSTODIAL FEES FOR STANDARD ASSETS

• Initial Set Up or Acceptance Fee	**No Charge**
• Annual Maintenance Fee	**No Charge**
• Spousal Annual Maintenance Fee	**No Charge**
• Non-Medical Reimbursement Distribution Fee	**No Charge**
• Transfer Fee	**See your Customer Information Brochure**
• Termination Fee	**$25.00**

The Custodial Fee Schedule for Standard Assets will apply to any Hilltop Securities Inc. IRA Account which is invested in widely held or publicly traded securities, such as Stocks, Bonds, Mutual Funds and/or Fixed income instruments.

Form **5305-C**
(December 2011)
Department of the Treasury
Internal Revenue Service

HSA
Health Savings Custodial Account
(Under Section 223(a) of the Internal Revenue Code)

Do Not File With the Internal Revenue Service

Article I

1.01 The custodian will accept additional cash contributions for the tax year made by the account owner or on behalf of the account owner (by an employer, family member or any other person). No contributions will be accepted by the custodian for any account owner that exceeds the maximum amount for family coverage plus the catch-up contribution.

1.02 Contributions for any tax year may be made at any time before the deadline for filing the account owner's federal income tax return for that year (without extensions).

1.03 Rollover contributions from an HSA or an Archer Medical Savings Account (Archer MSA) (unless prohibited under this agreement) need not be in cash and are not subject to the maximum annual contribution limit set forth in Article II.

1.04 Qualified HSA distributions from a health flexible spending arrangement or health reimbursement arrangement must be completed in a trustee-to-trustee transfer and are not subject to the maximum annual contribution limit set forth in Article II.

1.05 Qualified HSA funding distributions from an individual retirement account must be completed in a trustee-to-trustee transfer and are subject to the maximum annual contribution limit set forth in Article II.

Article II

2.01 For calendar year 2011, the maximum annual contribution limit for an account owner with single coverage is $3,050. This amount increases to $3,100 in 2012. For calendar year 2011, the maximum annual contribution limit for an account owner with family coverage is $6,150. This amount increases to $6,250 in 2012. These limits are subject to cost-of-living adjustments after 2012.

2.02 Contributions to Archer MSAs or other HSAs count toward the maximum annual contribution limit to this HSA.

2.03 For calendar year 2009 and later years, an additional $1,000 catch-up contribution may be made for an account owner who is at least age 55 or older and not enrolled in Medicare.

2.04 Contributions in excess of the maximum annual contribution limit are subject to an excise tax. However, the catch-up contributions are not subject to an excise tax.

Article III

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

Article IV

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

Article V

5.01 No part of the custodial funds in this account may be invested in life insurance contracts or in collectibles as defined in section 408(m).

5.02 The assets of this account may not be commingled with other property except in a common trust fund or common investment fund.

5.03 Neither the account owner nor the custodian will engage in any prohibited transaction with respect to this account (such as borrowing or pledging the account or engaging in any other prohibited transaction as defined in section 4975).

Article VI

6.01 Distributions of funds from this HSA may be made upon the direction of the account owner.

6.02 Distributions from this HSA that are used exclusively to pay or reimburse qualified medical expenses of the account owner, his or her spouse, or dependents are tax-free. However, distributions that are not used for qualified medical expenses are included in the account owner's gross income and are subject to an additional 20 percent tax on that amount. The additional 20 percent tax does not apply if the distribution is made after the account owner's death, disability, or reaching age 65.

6.03 The custodian is not required to determine whether the distribution is for the payment or reimbursement of qualified medical expenses. Only the account owner is responsible for substantiating that the distribution is for qualified medical expenses and must maintain records sufficient to show, if required, that the distribution is tax-free.

Article VII

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

7.02 If the beneficiary is the account owner's spouse, the HSA will become the spouse's HSA as of the date of death.

7.03 If the beneficiary is not the account owner's spouse, the HSA will cease to be an HSA as of the date of death. If the beneficiary is the account owner's estate, the fair market value of the account as of the date of death is taxable on the account owner's final return. For other beneficiaries, the fair market value of the account is taxable to that person in the tax year that includes such date.

Article VIII

8.01 The account owner agrees to provide the custodian with information necessary for the custodian to prepare any report or return required by the IRS.

8.02 The custodian agrees to prepare and submit any report or return as prescribed by the IRS.

Article IX

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

Article X

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

Article XI-Trust Provisions

11.01 **Applicable Law**: This Custodial Agreement shall be governed by the laws of the state where the Trust resides.

11.02 **Annual Accounting**: The Custodian shall, at least annually, provide the Account Beneficiary or Designated Beneficiary (in the case of death) with an accounting of such Account Beneficiary's account. Such accounting shall be deemed to be accepted by the Account Beneficiary or Designated Beneficiary, if the Account Beneficiary or Designated Beneficiary does not object in writing within 60 days after the mailing of such accounting statement.

11.03 **Amendment**: The Account Beneficiary (or the Designated Beneficiary if the Account Beneficiary has died) irrevocably delegates to the Custodian the right and power to amend this Custodial Agreement. Except as hereafter provided, the Custodian will give the Account Beneficiary 30 days prior written notice of any amendment. In case of an amendment, including a retroactive amendment, required by law, the Custodian will provide written notice to the Account Beneficiary of the amendment within 30 days after the amendment is made, or if later, by the time that notice of the amendment is required to be given under regulations or other guidance provided by the IRS. The Account Beneficiary (or Designated Beneficiary, if applicable) shall be deemed to have consented to any such amendment unless the Account Beneficiary (or Designated Beneficiary) notifies the Custodian to the contrary within 30 days after notice to the Account Beneficiary or Designated Beneficiary and requests a distribution or transfer of the balance in the account.

11.04 **Resignation and Removal of Custodian**:

(a) The Custodian may resign and appoint a successor trustee or custodian to serve under this agreement or under another governing agreement selected by the successor trustee or custodian by giving the Depositor written notice at least 30 days prior to the effective date of such resignation and appointment, which notice shall also include or be provided under separate cover a copy of such other governing instrument, if applicable, and the related disclosure statement. The Depositor shall then have 30 days from the date of such notice to either request a distribution of the entire account balance or designate a different successor trustee or custodian and notify the Custodian of such designation. If the Depositor does not request distribution of the account balance or notify the Custodian of the designation of a different successor trustee or custodian within such 30 day period, the Depositor shall be deemed to have consented to the appointment of the successor trustee or custodian and the terms of any new governing instrument, and neither the Depositor nor the successor shall be required to execute any written document to complete the transfer of the account to the successor trustee or custodian. The successor trustee or custodian may rely on any information, including beneficiary designations, previously provided by the Depositor to the Custodian.

(b) The Depositor may at any time remove the Custodian and replace the Custodian with a successor trustee or custodian of the Depositor's choice by giving 30 days notice of such removal and replacement. The Custodian shall then deliver the assets of the account as directed by the Depositor. However, the Custodian may retain a portion of the assets of the HSA as a reserve for payment of any anticipated remaining fees and expenses, and shall pay over any remainder of this reserve to the successor trustee or custodian upon satisfaction of such fees and expenses.

(c) The Custodian may resign and demand that the Depositor appoint a successor trustee or custodian of this HSA by giving the Depositor written notice at least 30 days prior to the effective date of such resignation. The Depositor shall then have 30 days from the date of such notice to designate a successor trustee or custodian, notify the Custodian of the name and address of the successor trustee or custodian, and provide the Custodian with appropriate evidence that such successor has accepted the appointment and is qualified to serve as trustee or custodian of an HSA.

(1) If the Depositor designates a successor trustee or custodian and provides the Custodian evidence of the successor's acceptance of appointment and qualification within such 30-day period, the Custodian shall then deliver all of the assets held by the Custodian in the account (whether in cash or personal or real property, wherever located, and regardless of value) to the successor trustee or custodian.

(2) If the Depositor does not notify the Custodian of the appointment of a successor trustee or custodian within such 30 day period, then the Custodian may distribute all of the assets held by the Custodian in the account (whether in cash or personal or real property, wherever located, and regardless of value) to the Depositor, outright and free of trust, and the Depositor shall be wholly responsible for the tax consequences of such distribution.

In either case, the Custodian may expend any assets in the account to pay expenses of transfer (including re-registering the assets and preparation of deeds, assignments, and other instruments of transfer or conveyance) to the successor trustee or custodian or the Depositor, as the case may be. In addition, the Custodian may retain a portion of the assets as a reserve for payment of any anticipated remaining fees and expenses. Upon satisfaction of such fees and expenses, the Custodian shall pay over any remainder of the reserve to the successor trustee or custodian or to the Depositor, as the case may be.

11.05 **Custodian's Fees and Expenses**:

(a) The Account Beneficiary or Designated Beneficiary agrees to pay the Custodian any and all fees specified in the Custodian's current published fee schedule for establishing and maintaining this HSA, including any fees for distributions from, transfers from, and terminations of this HSA. The Custodian may change its fee schedule at any time by giving the Account Beneficiary or Designated Beneficiary 30 days prior written notice.

(b) The Account Beneficiary or Designated Beneficiary agrees to pay any expenses incurred by the Custodian in the performance of its duties in connection with the account. Such expenses include, but are not limited to, administrative expenses, such as legal and accounting fees, and any taxes of any kind whatsoever that may be levied or assessed with respect to such account.

(c) All such fees, taxes, and other administrative expenses charged to the account shall be collected either from the assets in the account or from any contributions to or distributions from such account if not paid by the Account Beneficiary or Designated Beneficiary, but the Account Beneficiary or Designated Beneficiary shall be responsible for any deficiency.

(d) In the event that for any reason the Custodian is not certain as to who is entitled to receive all or part of the Custodial Funds, the Custodian reserves the right to withhold any payment from the Custodial account, to request a court ruling to determine the disposition of the Custodial assets, and to charge the Custodial account for any expenses incurred in obtaining such legal determination.

11.06 **Withdrawal Requests**: All requests for withdrawal shall be in writing on a form provided by the Custodian. Such written notice must also contain the reason for the withdrawal and the method of distribution being requested. The Custodian, in its sole discretion, may permit payments from this HSA to be made directly to the health service provider as permitted on the form provided by the Custodian. However, any such payments made to any person other than the Account Beneficiary (or Designated Beneficiary, if applicable) shall be reported in accordance with IRS instructions to the Account Beneficiary or Designated Beneficiary, as appropriate. The Custodian also, in its sole discretion, may develop other administrative processes to effectuate payments from this HSA, including but not limited to, check writing privileges or debit cards.

11.07 **Responsibilities**: The Account Beneficiary agrees that all information and instructions given to the Custodian by the Account Beneficiary is complete and accurate and that the Custodian shall not be responsible for any incomplete or inaccurate information provided by the Account Beneficiary or Account Beneficiary's Designated Beneficiary(ies). The Account Beneficiary agrees to be responsible for all tax consequences arising from contributions to and distributions from this Custodial account and acknowledges that no tax advice has been provided by the Custodian. The Account Beneficiary also agrees to be responsible for determining his or her eligibility to participate in this HSA, including the amount and deductibility of HSA contributions to or for distributions from the HSA for Federal and/or state income tax purposes. The Account Beneficiary also agrees to be responsible for determining whether or not the health plan meets the requirements of a High Deductible Health Plan and whether any payments from the HSA are used for eligible medical expenses.

11.08 **Designated Beneficiary**: Except as may be otherwise required by State law, in the event of the Account Beneficiary's death, the balance in the account shall be paid to the beneficiary or beneficiaries designated by the Account Beneficiary on a beneficiary designation form acceptable to and filed with the Custodian. The Account Beneficiary may change the Account Beneficiary's beneficiary or beneficiaries at any time by filing a new beneficiary designation with the Custodian. If no beneficiary designation is in effect, if none of the named beneficiaries survive the Account Beneficiary, or if the Custodian cannot locate any of the named beneficiaries after reasonable search, any balance in the account will be payable to the Account Beneficiary's Spouse, and if the Spouse has predeceased the Account Beneficiary or the Account Beneficiary has no Spouse, the benefit will be payable to the Account Beneficiary's estate. If the Account Beneficiary's Designated Beneficiary is his or her spouse, the spouse may elect to treat this HSA as the spouse's own HSA. The term Account Beneficiary also includes the Designated Beneficiary, where appropriate, throughout this Agreement.

Article XII-Self-Directed HSA Provisions

12.01 **Investment of Contributions**: At the direction of the Account Beneficiary (or the direction of the designated beneficiary upon the Account Beneficiary's death), the Custodian shall invest all contributions to the account and earnings thereon in investments acceptable to the Custodian, which may include marketable securities traded on a recognized exchange or "over the counter" (excluding any securities issued by the Custodian), covered call options, certificates of deposit, and other investments to which the Custodian consents, in such amounts as are specifically selected and specified by the Account Beneficiary in orders to the Custodian in such form as may be acceptable to the Custodian, without any duty to diversify and without regard to whether such property is authorized by the laws of any jurisdiction as a trust investment. The Custodian shall be responsible for the execution of such orders and for maintaining adequate records thereof. However, if any such orders are not received as required, or, if received, are unclear in the opinion of the Custodian, all or a portion of the contribution may be held uninvested without liability for loss of income or appreciation, and without liability for interest pending receipt of such orders or clarification, or the contribution may be returned. The Custodian may, but need not, establish programs under which cash deposits in excess of a minimum set by it will be periodically and automatically invested in interest-bearing investment funds. The Custodian shall have no duty other than to follow the written investment directions of the Account Beneficiary, and shall be under no duty to question said instructions and shall not be liable for any investment losses sustained by the Account Beneficiary.

12.02 **Registration**: All assets of the account shall be registered in the name of the Custodian or of a suitable nominee. The same nominee may be used with respect to assets of other investors whether or not held under agreements similar to this one or in any capacity whatsoever. However, each Account Beneficiary's account shall be separate and distinct; a separate account therefore shall be maintained by the Custodian, and the assets thereof shall be held by the Custodian in individual or bulk segregation either in the Custodian's vaults or in depositories approved by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

12.03 **Investment Advisor**: The Account Beneficiary may appoint an Investment Advisor, qualified under Section 3(38) of the Employee Retirement Income Security Act of 1974 (ERISA), to direct the investment of his HSA. The Account Beneficiary shall notify the Custodian in writing of any such appointment by providing the Custodian a copy of the instruments appointing the Investment Advisor and evidencing the Investment Advisor's acceptance of such appointment, an acknowledgment by the Investment Advisor that it is a fiduciary of the account, and a certificate evidencing the Investment Advisor's current registration under the Investment Advisor's Act of 1940. The Custodian shall comply with any investment directions furnished to it by the Investment Advisor, unless and until it receives written notification from the Account Beneficiary that the Investment Advisor's appointment has been terminated. The Custodian shall have no duty other than to follow the written investment directions of such Investment Advisor and shall be under no duty to question said instructions, and the Custodian shall not be liable for any investment losses sustained by the Account Beneficiary.

12.04 **No Investment Advice**: The Custodian does not assume any responsibility for rendering advice with respect to the investment and reinvestment of Account Beneficiary's account and shall not be liable for any loss which results from Account Beneficiary's exercise of control over his account. The Custodian and Account Beneficiary may specifically agree in writing that the Custodian shall render such advice, but the Account Beneficiary shall still have and exercise exclusive responsibility for control over the investment of the assets of his account, and the Custodian shall not have any duty to question his investment directives.

12.05 **Prohibited Transactions**: Notwithstanding anything contained herein to the contrary, the Custodian shall not lend any part of the corpus or income of the account to; pay any compensation for personal services rendered to the account to; make any part of its services available on a preferential basis to; acquire for the account any property, other than cash, from; or sell any property to, any Account Beneficiary, any member of a Account Beneficiary's family, or a corporation controlled by any Account Beneficiary through the ownership, directly or indirectly, of 50 percent or more of the total combined voting power of all classes of stock entitled to vote, or of 50 percent or more of the total value of shares of all classes of stock of such corporation.

12.06 **Unrelated Business Income Tax**: If the Account Beneficiary directs investment of the account in any investment which results in unrelated business taxable income, it shall be the responsibility of the Account Beneficiary to so advise the Custodian and to provide the Custodian with all information necessary to prepare and file any required returns or reports for the account. As the Custodian may deem necessary, and at the Account Beneficiary's expense, the Custodian may request a taxpayer identification number for the account, file any returns, reports, and applications for extension, and pay any taxes or estimated taxes owed with respect to the account. The Custodian may retain suitable accountants, attorneys, or other agents to assist it in performing such responsibilities.

12.07 **Disclosures and Voting**: The Custodian shall deliver, or cause to be executed and delivered, to Account Beneficiary all notices, prospectuses, financial statements, proxies and proxy soliciting materials relating to assets credited to the account. The Custodian shall not vote any shares of stock or take any other action, pursuant to such documents, with respect to such assets except upon receipt by the Custodian of adequate written instructions from Account Beneficiary.

12.08 **Miscellaneous Expenses**: In addition to those expenses set out in Article XI, section 11.05 of this plan, the Account Beneficiary agrees to pay any and all expenses incurred by the Custodian in connection with the investment of the account, including expenses of preparation and filing any returns and reports with regard to unrelated business income, including taxes and estimated taxes, as well as any transfer taxes incurred in connection with the investment or reinvestment of the assets of the account.

12.09 **Nonbank Custodian Provision**: If the Custodian is a nonbank Custodian, the Account Beneficiary shall substitute another trustee or custodian in place of the Custodian upon receipt of notice from the Commissioner of the Internal Revenue Service or his delegate that such substitution is required because the Custodian has failed to comply with the requirements of Income Tax Regulations Section 1.408-2(e), or is not keeping such records, making such returns, or rendering such statements as are required by applicable law, regulations, or other rulings. The successor trustee or custodian shall be a bank, insured credit union, or other person satisfactory to the Secretary of the Treasury pursuant to Section 408(a)(2) of the Code. Upon receipt by the Custodian of written acceptance by its successor of such successor's appointment, Custodian shall transfer and pay over to such successor the assets of the account (less amounts retained pursuant to Article XI, Section 11.04 of the Custodial Agreement) and all records (or copies thereof) of the Custodian pertaining thereto, provided that the successor trustee or custodian agrees not to dispose of any such records without the Custodian's consent.

Article XIII-Glossary of Terms

13.01 **Account Beneficiary**: The individual on whose behalf the HSA is established and who meets the definition of an Eligible Individual.

13.02 **Adoption Agreement:** The form furnished by the Custodian used to establish the HSA. The Adoption Agreement is deemed to be a part of this Custodial Agreement.

13.03 **Archer MSA** or **Medical Savings Account (MSA)**: A medical savings account described in Section 220 IRC.
13.04 **Dependents**: Dependents include any individuals who receive over half of their support for the calendar year from the taxpayer as defined in Section 152 IRC.
13.05 **Designated Beneficiary:** The term “designated beneficiary” means the person or persons named by the Account Beneficiary as beneficiary of the account upon the death of the Account Beneficiary.
13.06 **Employer**: The Employer includes the Account Beneficiary’s employer, the employer of the Account Beneficiary’s spouse, a self-employed individual, or the spouse of a self-employed individual. All employers which are members of a controlled group under Section 414 are considered a single employer for purposes of these rules.
13.07 **Eligible Individual:** The term “eligible individual” means with respect to any month, any individual who:
(a) is covered under a high deductible health plan (HDHP) as of the first day of such month;
(b) is not also covered under any other health plan that is not a HDHP while being covered by the high deductible health plan;
(c) is not enrolled in Medicare; and
(d) cannot be claimed as a dependent on another person’s income tax return.
The rule that requires that the eligible individual not be covered under any other health plan does not include:
(a) coverage for any benefit provided by “permitted insurance”; and
(b) coverage (whether through insurance or otherwise) for accidents, disability, dental care, vision care, or long-term care.
13.08 **Flexible Spending Arrangement (FSA)**: A flexible spending plan described in Section 125 IRC.
13.09 **Health Reimbursement Arrangement (HRA):** A Health Reimbursement Arrangement described in Sections 105 or 106 IRC.
13.10 **Health Savings Account (HSA):** A health savings account described in Section 223 IRC.
13.11 **High Deductible Health Plan (HDHP)**: Generally, an HDHP is a health plan that satisfies certain requirements with respect to deductibles and out-of-pocket expenses. In the case of self-only coverage, the High Deductible Health Plan's annual deductible cannot be less than $1,000, adjusted for COLAs. In the case of any other coverage (family coverage), the annual deductible cannot be less than $2,000, adjusted for COLAs.

The sum of the annual deductible and the other annual out-of-pocket expenses required to be paid under the plan (other than for premiums) for covered benefits may not exceed $5,000, adjusted for COLAs, for self-only coverage, and $10,000, adjusted for COLAs, for family coverage. In the case of family coverage, a plan is an HDHP only if, under the terms of the plan and without regard to which family member or members incur expenses, no amounts are payable from the HDHP until the family has incurred annual covered medical expenses in excess of the minimum annual deductible. A plan does not fail to be an HDHP merely because it does not have a deductible (or has a small deductible) for certain preventive care. Except for certain preventive care, a plan may not provide benefits for any year until the deductible for that year is met.

A High Deductible Health Plan shall not include a plan where substantially all of the coverage is for accidents, disability, dental care, vision care, or long-term care. Also a high deductible health plan shall not fail to be treated as an HDHP merely because the individual has coverage for any benefit provided by “permitted insurance”. Permitted insurance is insurance under which substantially all of the coverage provided relates to liabilities incurred under workers’ compensation laws, tort liabilities, liabilities relating to ownership or use of property (e.g., automobile insurance), insurance for a specified disease or illness, and insurance that pays a fixed amount per day (or other period) of hospitalization.
13.12 **IRC**: Refers to the Internal Revenue Code, as amended.
13.13 **Medical Care**: Medical Care includes amounts paid for the types of medical care described in Section 213(d) IRC.
13.14 **Permitted Insurance**: Permitted Insurance shall include the types of insurance described in Section 223(c)(3) IRC.
13.15 **Qualified Medical Expenses**: Qualified medical expenses include amounts paid with respect to the individual, the individual's spouse, and the individual's dependents, for medical care defined under Section 213(d) and such amounts are not compensated for by insurance or otherwise. Qualified Medical Expenses do not include any payment for insurance, except in the following cases:
(a) a health plan during any period of continuation coverage required under any Federal law;
(b) a qualified long-term care insurance contract (as defined in section 7702B(b));
(c) a health plan during a period in which the individual is receiving unemployment compensation under any Federal or State law; or
(d) in the case of an Account Beneficiary who has attained the age specified in section 1811 of the Social Security Act, any health insurance other than a Medicare supplemental policy (as defined in section 1882 of the Social Security Act).
13.16 **Custodial Account:** The term Custodial Account means the account established under the terms of this HSA Agreement.
13.17 **Custodian:** The Custodian shall be the financial organization identified on the Adoption Agreement and is approved by the IRS to serve as Custodian for Health Savings Accounts pursuant to Section 223(d)(1)(B) IRC.

Additional Tax Increased. For tax years beginning after December 31, 2010, the additional tax on distributions not used for qualified medical expenses increases from 10% to 20%.

General Instructions
Section references are to the Internal Revenue Code.

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

Do not file Form 5305-C with the IRS. Instead, keep it with your records. For more information on HSAs, see Notice 2004-2, 2004-2 I.R.B. 269, Notice 2004-50, 2004-33 I.R.B. 196, Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans, and other IRS published guidance.

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

High Deductible Health Plan (HDHP). For calendar year 2018, an HDHP for self-only coverage has a minimum annual deductible of $1,350 and an annual out-of-pocket maximum (deductibles, co-payments and other amounts, but not premiums) of $6,650. In 2019, the $1,350 minimum annual deductible remains at $1,350 and the annual out-of-pocket maximum increases to $6,750. For calendar year 2018, an HDHP for family coverage has a minimum annual deductible of $2,700 and an annual out-of-pocket maximum of $13,300. In 2019, the $2,700 minimum annual deductible remains at $2,700 and the annual out-of-pocket maximum increases to $13,500. These limits are subject to cost-of-living adjustments after 2019.

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

Qualified medical expenses. Qualified medical expenses are amounts paid for medical care as defined in section 213(d) for the account owner, his or her spouse, or dependents (as defined in section 152) but only to the extent that such amounts are not compensated for by insurance or otherwise. With certain exceptions, health insurance premiums are not qualified medical expenses.

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

Specific Instructions

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

HSA DISCLOSURE STATEMENT

GENERAL REQUIREMENTS OF AN HSA

- Contributions must be made in cash, except for a rollover or transfer contribution from another HSA or Archer MSA and the Custodian accepts non-cash rollover or transfer contributions.
- For years prior to 2007, the annual regular contributions may not exceed the lesser of 100% of the annual deductible permitted under the Account Beneficiary's High Deductible Health Plan for such year or a specified dollar limit, subject to the monthly contribution limit explained later.
- For years beginning in 2007, the annual regular contributions may not exceed the specified dollar limit depending upon the HDHP's coverage (self-only or family), as adjusted for COLAs. These limits are explained later.
- Regular annual contributions for any taxable year may be deposited at any time during that taxable year and up to the due date for the filing of the Federal income tax return for that taxable year, no extensions. This generally means April 15th of the following year.
- The Custodian of an HSA must be a bank, insurance company or a person who is approved to act in such a capacity by the Secretary of the Treasury.
- No portion of the HSA funds may be invested in life insurance contracts.
- The interest in the HSA is nonforfeitable at all times.
- The assets in the HSA may not be commingled with other property except in a common trust fund or common investment fund.
- HSAs may not be invested in collectibles (as described in Section 408(m) of the Internal Revenue Code.) A collectible is defined as any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or any other tangible personal property specified by the IRS. However, if the Custodian permits, specially minted US Gold and Silver bullion, coins and certain state-issued coins are permissible HSA investments.
- The assets of the HSA remain tax-exempt while the funds are in the Account.

WHO IS ELIGIBLE TO ESTABLISH AN HSA?

Regular contributions can be made to an HSA for any taxable year if the individual is an "Eligible Individual". The maximum contribution will be based on the number of months the individual is covered under a qualifying high deductible health plan (HDHP) and meets the definition of an eligible individual. The Account Beneficiary is responsible for determining whether he or she is an Eligible Individual, whether the health plan is an HDHP and the amount of the annual HSA contributions. The HSA custodian or trustee may, but is not required to, require proof or certification that the Account Beneficiary is an eligible individual, including that the individual is covered by a health plan that meets all of the requirements of an HDHP.

DEFINITIONS

Account Beneficiary

The Account Beneficiary is the individual on whose behalf the HSA is established and maintained. The Account Beneficiary must be an "eligible individual" in order to make HSA contributions.

Archer MSA

An Archer MSA is a Medical Savings Account described in section 220 of the Internal Revenue Code.

Designated Beneficiary

The person or persons named by the Account Beneficiary that will become entitled to the HSA balance upon the Account Beneficiary's death.

Employer

Employers include the individual's employer, the spouse's employer, a self-employed individual, or the spouse of a self-employed individual. Employers that are members of a controlled group under Section 414 are considered a single employer for purposes of these rules.

Eligible Individual

The term "Eligible Individual" means, with respect to any month, any individual who:
(a) is covered under a high deductible health plan (HDHP) as of the first day of such month;
(b) is not also covered under any other health plan that is not a high deductible health plan while being covered by the high deductible health plan;
(c) is not enrolled in Medicare; and
(d) cannot be claimed as a dependent on another person's income tax return.

The rule that requires that the employee not be covered under any other health plan does not include:
(a) coverage for any benefit provided by "permitted insurance" (See below for definition); and
(b) coverage (whether through insurance or otherwise) for accidents, disability, dental care, vision care, or long-term care.

High Deductible Health Plan (HDHP)

In the case of self-only coverage, the High Deductible Health Plan's annual deductible cannot be less than $1,000, adjusted for COLAs. In the case of any other coverage (family coverage), the annual deductible cannot be less than $2,000, adjusted for COLAs (see COLA chart below). The health plan's deductible cannot be less than:

	Self-only Coverage	Family Coverage
2009	$1,150	$2,300
2010	$1,200	$2,400
2011	$1,200	$2,400
2012	$1,200	$2,400

2013	$1,250	$2,500
2014	$1,250	$2,500
2015	$1,300	$2,600
2016	$1,300	$2,600
2017	$1,300	$2,600
2018	$1,350	$2,700
2019	$1,350	$2,700

The sum of the annual deductible and the other annual out-of-pocket expenses required to be paid under the plan (other than for premiums) for covered benefits may not exceed $5,000, adjusted for COLAs, for self-only coverage, and $10,000, adjusted for COLAs, for family coverage (see COLA chart below). The maximum out-of-pocket cannot exceed:

	Self-only Coverage	Family Coverage
2009	$5,800	$11,600
2010	$5,950	$11,900
2011	$5,950	$11,900
2012	$6,050	$12,100
2013	$6,250	$12,500
2014	$6,350	$12,700
2015	$6,450	$12,900
2016	$6,550	$13,100
2017	$6,550	$13,100
2018	$6,650	$13,300
2019	$6,750	$13,500

In the case of family coverage, a plan is an HDHP only if, under the terms of the plan and without regard to which family member or members incur expenses, no amounts are payable from the HDHP until the family has incurred annual covered medical expenses in excess of the minimum annual deductible. A plan does not fail to be an HDHP merely because it does not have a deductible (or has a small deductible) for certain preventive care (see below). Except for certain preventive care, a plan may not provide benefits for any year until the deductible for that year is met.

A High Deductible Health Plan shall not include a plan where substantially all of the coverage is for accidents, disability, dental care, vision care, or long-term care. Also a high deductible health plan shall not fail to be treated as an HDHP merely because the individual has coverage for any benefit provided by “permitted insurance” (see below).

Generally, an HDHP cannot provide any benefits for any year until the deductible for that year is satisfied.

Permitted Insurance

Permitted insurance is insurance under which substantially all of the coverage provided relates to liabilities incurred under workers’ compensation laws, tort liabilities, liabilities relating to ownership or use of property (e.g., automobile insurance), insurance for a specified disease or illness, and insurance that pays a fixed amount per day (or other period) of hospitalization.

Preventive Care Safe Harbor

IRS Notice 2004-23 provides a “safe harbor” for preventive care benefits allowed to be provided by a HDHP without satisfying the minimum deductible requirements. An HDHP may provide preventive care benefits without a deductible or with a deductible below the minimum annual deductible. Preventive care includes, but is not limited to, the following:

- Periodic health evaluations, including tests and diagnostic procedures ordered in connection with routine examinations, such as annual physicals.
- Routine prenatal and well-child care.
- Child and adult immunizations.
- Tobacco cessation programs.
- Obesity weight-loss programs.
- Screening services that are more fully described in the Appendix of Notice 2004-23

However, preventive care does not generally include any service or benefit intended to treat an existing illness, injury, or condition. Also, the determination of whether health care that is required by State law to be provided by an HDHP without regard to a deductible is “preventive” for purposes of the exception for preventive care under section 223(c)(2)(C) will be based on the standards set forth in Notice 2004-23 and other IRS guidance, rather than on how that care is characterized by State law.

Transitional Relief for Coverage Under HDHP and Separate Plan for Drug Benefits

IRS Revenue Ruling 2004-38 provides that if an individual is covered by both an HDHP that does not cover prescription drugs and by a separate prescription drug plan (or rider) that provides benefits before the minimum annual deductible of the HDHP has been satisfied, such individual is not eligible to establish an HSA and cannot make contributions to an HSA. The result is the same if the prescription drug benefit is provided as a benefit under a health plan (and not separately) or as a benefit for the individual under the spouse’s plan.

If a separate prescription drug plan (or rider) does not provide benefits until the minimum annual deductible of the HDHP has been satisfied, or the drug plan is part of an HDHP and subject to the minimum annual deductible, the individual is an eligible individual for purposes of establishing and making contributions to an HSA.

Because of the short period between the enactment of HSAs and its effective date, many employers and health insurance providers have been unable to modify the benefits provided under their existing health plans to conform to the requirements of an HDHP. Consequently, the IRS provides transitional relief to this rule in Revenue Procedure 2004-22. For months before January 1, 2006, an individual who would otherwise be an “eligible individual”, but is covered by a prescription drug benefit before the minimum annual deductible under the HDHP is satisfied, will continue to be an "eligible individual" and may make contributions to an HSA based on the annual deductible of the HDHP. This transitional relief expires on January 1, 2006.

Special Rules for Network Plans

In the case of a plan using a network of providers, special rules apply. A network plan is a plan that generally provides more favorable benefits for services provided by its network of providers than for services provided outside of the network. In the case of a plan using a network of providers, the plan does not fail to be an HDHP solely because the out-of-pocket expense limits for services provided outside of the network exceeds the maximum annual out-of-pocket expense limits allowed for an HDHP.

Qualified Medical Expenses

Qualified medical expenses include amounts paid with respect to the Account Beneficiary, the Account Beneficiary's spouse, and the Account Beneficiary's dependents, for medical care defined under section 213(d) and such amounts are not compensated for by insurance or otherwise.

To be "qualified medical expenses", such expenses must be incurred only after the HSA has been established. However, IRS Notice 2004-25 provides a transitional rule for calendar year 2004 only. Under this transitional rule, eligible individuals who establish an HSA on or before April 15, 2005, may pay or reimburse on a tax-free basis an otherwise qualified medical expense if the qualified medical expense was incurred on or after the later of: (1) January 1, 2004, or (2) the first day of the first month that the individual became an eligible individual.

Generally, qualified medical expenses shall not include payment for insurance. Exceptions to this rule include any expense for coverage under:
- (a) a health plan during any period of continuation coverage required under Federal law (COBRA);
- (b) a qualified long-term care insurance contract (as defined in section 7702B(b) IRC); or
- (c) a health plan during a period in which the individual is receiving unemployment compensation under any Federal or State law.

For individuals over age 65, premiums for the following health insurance may also be paid from the HSA:
- (a) Medicare Part A
- (b) Medicare Part B
- (c) Medicare HMO
- (d) Employee's share of employer-sponsored health insurance
- (e) Employer-sponsored retiree health insurance

However, premiums for Medigap policies are not qualified medical expenses.

Medical Care

Amounts for medical care that can be paid from an HSA include:

- (a) the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body;
- (b) for transportation primarily for and essential to medical care referred to above; or
- (c) Amounts paid for certain lodging while away from home primarily for and essential to medical care, if such medical care is provided by a physician in a licensed hospital or medical care facility and there is no significant element of personal pleasure, recreation, or vacation in the travel away from home. The amount is limited to $50 per night per individual.

The term medical care does not include cosmetic surgery.

Compensation

Compensation shall not include amounts paid to an HSA, if it is reasonable to believe that such contributions can be excludable from income under Section 106(b).

Spouse and Dependent

Dependent includes any of the following individuals who receive over half of their support for the calendar year from the taxpayer and is not being claimed as a dependent on another taxpayer's return:

- (a) Son or daughter, or a descendent of either;
- (b) Stepson or stepdaughter;
- (c) Brother, sister, stepbrother, or stepsister;
- (d) Father or mother, or ancestor of either;
- (e) Stepfather or stepmother;
- (f) Son or daughter of a brother or sister;
- (g) Brother or sister of the father or mother;
- (h) Son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law; or
- (i) An individual (other than an individual who at any time during the year was the taxpayer's spouse) who, for the taxable year of the taxpayer, has as his/her principal place of residence, the home of the taxpayer and is a member of the taxpayer's household.

The terms brothers and sisters include half-blood relatives. A child shall include a legally adopted child, a child who is placed in the taxpayer's home by an authorized placement agency for legal adoption, a foster child.

A dependent does not include an individual who is not a citizen of the US or of a country contiguous to the US. This does not include a child who is legally adopted by a US taxpayer.

In December 2013, the IRS issued Notice 2014-1, which specifically addresses the definition of a spouse for the purposes of determining HSA contribution limits for tax years beginning in 2013 and forward. Beginning with the 2013 tax year, a same-sex married couple who are treated as married for federal tax purposes will be subject to the joint deduction limit for HSA contributions ($6,450 for 2013, $6,550 for 2014). If the combined contributions of each spouse for 2013 exceed the family coverage deduction limitation, the excess amount may be distributed from the HSAs of one or both spouses no later than their tax filing deadline. Any such excess contributions that remain undistributed as of the due date for the filing of the spouse's tax return (including extensions) will be subject to excise taxes under section 4973.

CONTRIBUTIONS

Source of Regular Contributions

Cash contributions can either be made by an eligible individual, by any other person on behalf of an eligible individual, or by the employer of an employee who is an eligible individual. Unlike Archer MSAs, contributions to an HSA can be made by any of the above during the same year. Contributions made by another person are treated as if made by the Account Beneficiary. Regular HSA contributions are contributions other than rollover contributions or transfers from another HSA or Archer MSA, a mistake of fact reimbursement, or a one-time transfer from an FSA or HRA that are treated as a rollover contribution explained later. HSA contributions must be reduced by aggregate contributions to an Archer MSA. The same annual contribution limit applies regardless of whether the contributions are made by the individual, the individual's employer or another person. If an individual has more than one HSA, the aggregate annual contributions to all of the individual's HSAs are subject to the limit. After an individual has enrolled in Medicare, further contributions, including catch-up contributions, are no longer allowed. The monthly limit for such individual beginning the first month such individual is enrolled in Medicare shall be zero.

Contribution limits for 2004 through 2006

The maximum annual cash contribution is the sum of the limits determined separately for each month that the Account Beneficiary is an eligible individual. The maximum monthly contribution is the lesser of 100% of the annual deductible under the qualifying HDHP, or the maximum dollar limit divided by twelve.

HSA Contribution Limits beginning for 2007

Beginning for contributions made for 2007 and thereafter, an eligible individual's annual HSA contribution limit is the specified maximum dollar limit, regardless of the health plan's deductible amount. This provision permits eligible individuals to make higher HSA contributions when the health plan's deductible amount is lower than the specified dollar limits.

Maximum Dollar Limit

Self-only Coverage	Family Coverage
For 2004, $2,250	For 2004, $4,500
For 2005, $2,650	For 2005, $5,250
For 2006, $2,700	For 2006, $5,450
For 2007, $2,850	For 2007, $5,650
For 2008, $2,900	For 2008, $5,800
For 2009, $3,000	For 2009, $5,950
For 2010, $3,050	For 2010, $6,150
For 2011, $3,050	For 2011, $6,150
For 2012, $3,100	For 2012, $6,250
For 2013, $3,250	For 2013, $6,450
For 2014, $3,300	For 2014, $6,550
For 2015, $3,350	For 2015, $6,650
For 2016, $3,350	For 2016, $6,750
For 2017, $3,400	For 2017, $6,750
For 2018, $3,450	For 2018, $6,900
For 2019, $3,500	For 2019, $7,000
For 2020, $3,550	For 2020, $7,100

These dollar limits are adjusted for cost-of-living increases annually, rounded to the nearest increment of $50.

Partial Year Coverage under Qualifying HDHP

Prior to 2007, an eligible individual's annual contribution limit was based upon the number of months during the year that the individual was actually covered under a qualifying high deductible health plan (HDHP). For example, if the individual began HDHP coverage on July 1st and the HDHP's deductible amount was $2,000, the individual's contribution limit for that year was $1,000 ($2,000/12 X 6 = $1,000). However, the HDHP's deductible amount was not prorated. Consequently, the eligible individual still had to reach the HDHP's $2,000 deductible before the health plan would pay any benefits.

Beginning for contributions made for 2007 and thereafter, if an eligible individual is covered under the HDHP during the last month of the year, the individual is eligible to make the full HSA contribution, depending upon the type of coverage under the HDHP (self-only or family). This provision, therefore, "deems" that the individual was covered under the HDHP for the entire year and thus permits the individual to make the full contribution regardless of the actual number of months he was covered under the HDHP.

For example, an individual becomes enrolled under his company's HDHP with self-only coverage in December 2012. His 2012 HSA contribution limit is $3,100 even though he was covered under the HDHP for only one month during 2012.

applies for the year when the individual ceases to be eligible to make HSA contributions, except due to death or becoming disabled. The testing period begins the last month of the taxable year and ends on the last day of the 12th month following such month.

Prorating Still Applies in Some Cases

Prorating the contribution limit in accordance with the monthly-limitation rule still applies if the eligible individual does not remain covered under the HDHP for the entire year. For example, an eligible individual is covered under a qualifying HDHP with self-only coverage from January through June of 2012. This individual's contribution limit for 2012 is $1,550 ($3,100/12 X 6 = $1,550).

Catch-up Contributions

For the Account Beneficiary (and spouse who is covered under the HDHP) who reaches age 55 before the end of a taxable year, an additional cash contribution may be made each year as follows:

2004: $500
2005: $600
2006: $700
2007: $800
2008: $900
2009 and thereafter: $1,000 (not subject to cost-of-living increases).

Catch-up contributions are also computed on a monthly basis. After an individual has enrolled in Medicare, further contributions, including catch-up contributions, are no longer allowed.

Annual HSA contributions must be made in cash (except as noted below) and may be made by an eligible individual, any other person on behalf of an eligible individual, or the employer of an eligible individual during any given year. Rollover and/or transfer contributions may be made in cash or in kind.

Qualified HSA Funding Distribution

Beginning for contributions made for 2007 and thereafter, a special one-time, tax-free transfer from an IRA to an HSA is permitted. This one-time transfer counts toward the eligible individual's HSA contribution limit for the year of the transfer.

Prior to 2007, if an IRA owner wanted to use the money in an IRA to make an annual HSA contribution, the distribution from the IRA was taxable and subject to the 10% additional tax if the individual was under the age of 59½. Prior law did not provide for a tax-free transfer from an IRA to an HSA.

Beginning for annual HSA contributions made for 2007 or thereafter, an HSA-eligible individual may make an irrevocable once-in-a-lifetime, tax-free "Qualified HSA Funding Distribution" from an IRA to an HSA, subject however to strict requirements. The amount of the HSA funding distribution must be made in the form of a trustee-to-trustee transfer from the IRA to the HSA. The amount of the transfer cannot exceed the maximum HSA contribution limit for the year that the amount is transferred. Consequently, this one-time transfer from an IRA to an HSA counts toward the individual's total HSA contribution limit for the year depending upon the type of coverage under the HDHP (self-only or family).

However, a special rule applies in the year of the initial transfer. If the individual has self-only coverage under the HDHP and makes a transfer under this rule from an IRA to an HSA, and then changes to family coverage under the HDHP in that same year, an additional transfer can be made to bring the individual up to the amount of the family coverage contribution limit, but must do so in the same year. Also, the IRA cannot be a SEP or SIMPLE.

This one-time transfer is different from the one-time transfer from an FSA or HRA discussed later. Whereas the FSA or HRA transfer does not count against the individual's HSA contribution limit for the year, a transfer from the individual's IRA does count toward the HSA contribution limit. Also, the amount transferred cannot be deducted as an HSA contribution because the amount transferred is not a taxable distribution from the IRA. Moreover, unlike the FSA or HRA transfers, there is no deadline to make this one-time transfer from an IRA to an HSA. The amount transferred from the IRA to the HSA will be treated as coming first from the taxable portion of the IRA. Thus, this will be an exception to the normal pro-rata taxation rules applicable to traditional IRAs.

However, if the individual ceases to be an HSA-eligible individual during the "testing period", the amount transferred is taxable and subject to the 10% additional tax if the individual is under the age of 59½ unless the individual dies or becomes disabled. For this purpose, the testing period begins with the month in which the qualified HSA funding distribution is contributed to an HSA and ends on the last day of the 12th month following such month.

Other General Rules

HSA contributions may be made regardless of whether the eligible individual has compensation. The HSA contribution limit is reduced by any contributions for the year to an Archer MSA. If the Account Beneficiary has more than one HSA, the aggregate of all contributions are subject to the contribution limit.

The taxpayer reports all contributions and distributions by submitting Form 8889 with his or her income tax return. If a penalty is due because of an excess contribution, Form 5329 must be completed in addition to Form 8889.

Married Individuals

Jointly-owned HSAs are not permitted. An HSA is established by or on behalf of an eligible individual.

In the case of eligible individuals who are married to each other, if either spouse has family coverage, both are treated as having family coverage. If each spouse has family coverage under a separate health plan, both spouses are treated as covered under the plan with the lowest deductible. The total contribution limit for the spouses is divided equally between the spouses, unless they agree on a different division. The family coverage limit is reduced by any contribution to an Archer MSA. However, both spouses may make the catch-up contributions for individuals age 55 or over without exceeding the family coverage limit. There is no formal method specified how a married couple agrees on a different division of the total contribution amount. If only one spouse is an eligible individual, only that spouse may contribute to an HSA.

Timing of HSA Contributions

HSA contributions must be made for a calendar year no later than the due date for filing the taxpayer's Federal income tax return for such calendar year, not including extensions. Contributions for the taxable year can be made in one or more payments. The maximum contribution may be made on the first day of the year.

Deduction Permitted If Contribution made by Eligible Individual or Another Individual

If an eligible individual makes a contribution to an HSA, or another individual makes a contribution on behalf of an eligible individual, an “above-the-line” deduction is permitted by the eligible individual for the taxable year equal to an amount which is the aggregate amount paid in cash during such taxable year to an HSA, subject to the contribution limit. However, if the HSA eligible individual makes the one-time, tax-free transfer from an IRA to fund the HSA for the year, no deduction is permitted with respect to the amount transferred. Contributions made by an employer within the contribution limits of the HSA are not deductible by the eligible individual, but rather treated as employer-provided coverage for medical expenses and are excluded from income. HSA contributions are deductible whether or not the eligible individual itemized deductions. An individual who may be claimed as a dependent on another person’s tax return is not an eligible individual and may not deduct contributions to an HSA. HSA rules are applied without regard to community property laws.

Employer Contributions to HSA

Employer contributions to an HSA are not included in the compensation of the employee. The employer treats the HSA contributions as employer-provided coverage for medical expenses under an accident or health plan. The employer must report the amount of the HSA contribution on the employee's W-2 Form in accordance with IRS instructions for that form. Employer contributions to an HSA are not subject to withholding from wages for income tax purposes or subject to FICA, FUTA or the Railroad Retirement Tax Act. Contributions to an employee’s HSA through a cafeteria plan are treated as employer contributions. In this case, the employee cannot deduct employer HSA contributions on his or her Federal income tax return as HSA contributions or as medical expense deductions under section 213.

If the employer chooses to make HSA contributions, then the employer is required to make comparable HSA contributions for all participating employees (i.e., eligible employees with comparable coverage) during the same period. A comparable HSA employer contribution is (1) the same dollar amount or (2) the same percentage of the annual deductible under the high deductible health plan covering the employees divided into groups of "comparable coverage".
Comparable coverage can vary between self-only coverage, family coverage and part-time employees. A part-time employee means an employee who customarily works less than 30 hours per week. The comparability rule does not apply to amounts rolled over from an employee’s HSA or Archer MSA, or to contributions made through a cafeteria plan.

If employer contributions do not comply with the comparability rule during a period, then the employer is subject to an excise tax equal to 35% of the aggregate amount contributed by the employer to HSAs for that period.

Employer Contributions to an Employee’s HSA Do Not Constitute an “ERISA” Plan

The Labor Department’s Employee Benefits Security Administration issued Field Assistance Bulletin No. 2004-01 that rules that HSAs generally will not constitute an employee welfare benefit plan for purposes of Title I of ERISA. As noted in the FAB, HSAs are personal health care savings vehicles rather than a form of group health insurance so long as the establishment of the HSA is completely voluntary on the part of the employee and the employer does not: (1) limit the ability of the eligible individual to move their funds to another HSA; (2) impose conditions on the utilization of HSA funds; (3) make or influence the investment decisions with respect to funds contributed to an HSA; (4) represent that the HSAs are an employee welfare benefit plan established or maintained by the employer; or (5) receive any payment or compensation in connection with the HSA.

EXCESS CONTRIBUTIONS

Generally an excess HSA contribution is any contribution made for a taxable year that exceeds the contribution limits, and such excess contribution is subject to a 6% excise tax on the principal amount of the excess each year until the excess is corrected. Excess HSA contributions are not deductible by the individual if made by or on behalf of the individual. Excess HSA contributions made by the individual’s employer are included in the gross income of the employee.

Withdrawing Excess By Tax Filing Due Date - This 6% excise tax may be avoided, if the excess amount plus the earnings attributable to the excess are distributed by the individual’s tax filing deadline including extensions for the year *for which* the excess contribution was made, and no deduction is taken for such excess amount. If the excess is corrected in this manner, the principal amount of the excess returned is not taxable; however, the earnings attributable to the excess are taxable in the year in which the distribution is received. Such earnings are also subject to the 20% additional tax unless another exception applies.

Excess contributions made for one taxable year can be carried over to subsequent years, in order of time, subject to the subsequent year’s contribution limit. The 6% excise tax is applied each year on the uncorrected excess amount as of the end of each taxable year.

ROLLOVER HSAs

Rollover Contributions – Rollover contributions are permitted from another HSA or Archer MSA. A rollover from another HSA or Archer MSA is any amount received from one HSA or MSA and rolled over to an HSA. The entire amount received from the first HSA or MSA is not required to be rolled over. However, any amount not rolled over will be taxed at ordinary income tax rates for Federal income tax purposes, and may be subject to an additional 20% tax if the distribution does not meet one of the exceptions.

The following special rules also apply to rollovers between HSAs, or from an Archer MSA to an HSA:

- The rollover must be completed no later than the 60th day after the day the distribution was received.
- A total distribution is not required from the distributing HSA or MSA in order to make a rollover contribution into another HSA.

If a rollover is made from an HSA or MSA to an HSA, another rollover cannot be made until 12 months has passed since the first rollover. If a second rollover is made before the 12-month period has expired, such subsequent rollover cannot be treated as a tax-free rollover, and thus will be considered a taxable distribution.

If an HSA is inherited by another person due to the death of the Account Beneficiary, no rollover is permitted unless the spouse of the decedent is the designated beneficiary.

Rollovers from any other type of account (such as IRAs, health reimbursement arrangements, or health flexible spending arrangements) to an HSA are not permitted.

One-Time Transfer from an FSA or HRA to an HSA

Unused amounts in a Health Flexible Spending Arrangement (FSA) are forfeited at the end of each year. Balances in Health Reimbursement Arrangements (HRAs) are amounts solely funded by the employer and employees do not contribute to the HRA.

Under the Tax Relief and Health Care Act of 2006, an HSA-eligible individual may make a one-time, tax-free transfer from an FSA or HRA to an HSA called a "qualified HSA distribution". The amount transferred is limited to the lesser of (1) the balance in the FSA or HRA on September 21, 2006; or (2) the balance in the FSA or HRA on the date of the transfer. Also, this one-time transfer must be done on or before December 31, 2011.

The transferred amount is treated as a rollover contribution to the HSA and thus does not reduce the HSA-eligible individual's HSA contribution limit for the year of the transfer. The amount transferred from the FSA or HRA to the HSA must be made directly by the employer to the trustee or custodian of the HSA. This provision applies only to existing FSAs or HRAs on September 21, 2006. An FSA or HRA established after September 21, 2006, would have had a balance of zero on September 21, 2006, consequently having zero eligible to make this one-time transfer contribution.

If the HSA-eligible individual makes this one-time transfer from an FSA or HRA to an HSA, but then ceases to be an HSA-eligible individual at any time during the "testing period", the amount transferred will be taxed and subject to an additional 10% tax for the year the individual ceases to be HSA-eligible. This taxation does not apply if the individual dies or becomes disabled. For this purpose, the testing period begins with the month in which the qualified HSA distribution is transferred to the HSA and ends on the last day of the 12th month following such month. The amount transferred is treated as an employer contribution made to the employee's HSA, and therefore is not deductible by the employee.

TRANSFERS

A direct transfer of all or a portion of funds is permitted from this HSA to another HSA or from another HSA or MSA to this HSA. Transfers do not constitute a distribution since the funds are not treated as received. The monies are transferred directly to the new custodian or trustee. Direct transfers are not subject to the 60-day period or the 12-month rule described above under "Rollover HSAs".

If all or a portion of an HSA is transferred to a former spouse's HSA under a divorce decree (or under a written instrument incident to divorce) or separation instrument, the HSA Account Beneficiary will not be deemed to have made a taxable distribution, but merely a transfer. The portion so transferred will be treated at the time of the transfer as the HSA of the Account Beneficiary's spouse or former spouse.

Special rules apply to a one-time transfer from an FSA or HRA to an HSA. Such transfer is treated as a rollover as described under "Rollover HSAs."

Special rules apply to a one-time transfer from an IRA to an HSA. Such transfer is treated as a regular contribution for the year of the transfer as described earlier under "Contributions".

DISTRIBUTIONS

Distributions – In General

Distributions from an HSA are permitted at any time. The custodian or trustee may, in its own discretion, permit payments from this HSA through any of the following:

(a) Payments made directly to the Account Beneficiary;
(b) Payments made directly to the medical service provider;
(c) Check writing capabilities; or
(d) Debit, credit or stored-value cards.

The Account Beneficiary may request a distribution from the HSA as qualified medical expenses are incurred, or may periodically reimburse himself or herself from the HSA for qualified medical expenses that have been incurred and paid by the individual.

HSAs generally are not subject to withholding with the exception of the required withholding for certain expatriates. See IRS Form 8854.

Taxation of Distributions

Any amounts distributed from an HSA for qualified medical expenses of the Account Beneficiary, his or her spouse, or dependents *are not* included in the Account Beneficiary's gross income for the year and *are not* subject to any additional income tax. Amounts in an HSA can be used for qualified medical expenses and will be excludable from gross income even if the individual is not currently eligible for contributions to the HSA.

Any amounts distributed from an HSA that are not used to exclusively pay for qualified medical expenses of the Account Beneficiary, his or her spouse, or dependents *are* included in the gross income of the Account Beneficiary. Also, such distributions will be subject to an additional 20% income tax unless another exception applies.

Exceptions to the additional income tax include:

(a) Distributions due to the Account Beneficiary becoming disabled (defined under section 72(m)(7) IRC)

(b) Distributions made to the designated beneficiary(ies) upon the death of the Account Beneficiary.
(c) Distributions made to a taxpayer after such individual becomes eligible for Medicare. (The age specified in section 1811 of the Social Security Act. This is currently age 65.)
(d) Distributions from an HSA that are subsequently rolled over to another HSA within 60 days after the day of receipt of the distribution and meet the other requirements for a Rollover HSA.

Distributions are not required to begin at age 70½.

The Account Beneficiary is solely responsible for determining the taxability or non-taxability of any distribution from an HSA. IRS Form 8889 is filed by the taxpayer to report contributions to an HSA, distributions from an HSA, or an acquisition of interest in an HSA because of the death of the account beneficiary.

Death of the Account Beneficiary

Upon the Account Beneficiary's death, any balance remaining in the HSA becomes the property of the designated beneficiary named in the HSA instrument as the designated beneficiary of the account.

If the Account Beneficiary designated his or her spouse as the designated beneficiary, the surviving spouse shall be automatically treated as the Account Beneficiary of the HSA after the original Account Beneficiary's death. This means that when the Account Beneficiary dies, if the surviving spouse is the designated beneficiary, then such account is assumed automatically by the surviving spouse as his or her own HSA and will then be treated as the Account Beneficiary for whom the HSA is maintained. The surviving spouse is subject to income tax only to the extent distributions from the HSA are not used for qualified medical expenses.

If any other person is the designated beneficiary, then the HSA ceases to be an HSA on the date of the Account Beneficiary's death. If the designated beneficiary is a non-spouse, the fair market value of the HSA on the date of death is includible in such non-spouse beneficiary's gross income for such taxable year. If the Account Beneficiary's estate is the designated beneficiary, then the fair market value of the HSA on the decedent's date of death is includible in the decedent's gross income on the last tax return filed on behalf of the decedent. For such a person (except the decedent's estate), the includable amount is reduced by any payments from the HSA made for the decedent's qualified medical expenses, if paid within one year after death.

An appropriate deduction is allowed under section 691(c) to any person (other than the decedent or the decedent's spouse) with respect to amounts included in gross income by such person.

Other Distributions

Distributions from an HSA that are not used to pay qualified medical expenses are included in gross income for the year and may also be subject to an additional 20% income tax unless the distribution is received due to death; disability; attaining age 65; a qualifying rollover distribution; or the timely withdrawal of the principal amount of an excess contribution.

Mistake of Fact Distributions

from an HSA may be returned if there was reasonable cause due to a mistake-of-fact for the Account Beneficiary to believe the expenses incurred were qualified medical expenses. If there is 'clear and convincing evidence', the Account Beneficiary may repay the distribution to the HSA no later than April 15 of the year following the year the Account Beneficiary knew (or should have known) that the expense was not a qualified medical expense. Amounts repaid under this circumstance are not included in gross income and are not subject to the additional income tax. Repayment amounts will also not be treated as new contributions or as a rollover.

Coordination of Medical Expense Deduction

For purposes of determining the amount of the medical expense deduction on the taxpayer's Federal income tax return under section 213, any payment or distribution from an HSA for qualified medical expenses shall not be treated as an expense paid for medical care. Tax-free HSA distributions used for qualified medical expenses reduce the taxpayer's medical expense deduction for Federal income tax purposes.

PROHIBITED TRANSACTIONS

If the Account Beneficiary or designated beneficiary engage in a prohibited transaction (as defined under Section 4975 of the Internal Revenue Code) with the HSA, it will lose its tax exemption and the value of the account is included in gross income for that taxable year. If any portion of an HSA is pledged as collateral for a loan, the amount so pledged will be treated as a distribution and will be included in gross income for that year.

PENALTIES

If a distribution is made for non-medical reasons from an HSA, an additional 20% income tax will apply on the taxable amount of the distribution unless another exception applies discussed earlier.

If an excess contribution is made to an HSA 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 the account.

IRS Form 5329 must be filed with the Internal Revenue Service for any year an additional tax is due.

FEDERAL ESTATE AND GIFT TAXES

Generally, there is no specific exclusion for HSAs under the Federal estate tax rules. Therefore, in the event of death, the HSA balance will be includible in the Account Beneficiary's gross estate for Federal estate tax purposes. However, if the surviving spouse is the beneficiary of the HSA, the amount in the HSA may qualify for the marital deduction available under Section 2056 of the Internal Revenue Code. A transfer of property for Federal gift tax purposes does not include an amount that a beneficiary receives from an HSA plan.

HilltopSecurities
A Hilltop Holdings Company.

Hilltop Securities Inc. and/or Broker/Dealers for which it Clears
Hilltop Securities Inc. - Member: NYSE/ FINRA/ SIPC

❑ **New Account**
❑ **Account Update**

Health Savings Account Application

1. Funding Information

❑ Regular HSA Contribution for tax year: ____________________
❑ HSA Rollover (*Must also complete HSA Rollover Form*)
❑ Transfer from another HSA (*Must also complete Account Transfer Form*)

2. Customer Information

Full Name of Applicant (*First, Middle, Last*) | Social Security # | Date of Birth

Physical/ Home Address (*P.O. Box is not acceptable*) | City | State/Province | Country | Zip | Years at Residence

Mailing Address (P.O. Box acceptable if physical address provided above) | City | State/Province | Country | Zip

Home Phone Number | Cell Phone Number | Fax Number | Email Address

3. Account Information

Initial Contribution $: ______________________
Contributions to be made by: ❑ HSA Owner ❑ Employer ❑ Another Individual
If employer funded, name of employer: ____

__Type of Account:__

❑ Rollover from another HSA or Archer MSA
❑ Surviving Spouse Assumption
❑ Transfer from another HSA. Transfer received from: ____________________________________

4. Customer Identification

USA PATRIOT Act - Important Information About Opening A New Account

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. What this means to you: When you open an account, we will require your name, address, date of birth and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

For Applicant:

❑ Driver's License ❑ Passport/Visa ❑ Other ____

Issuer:____ ID Number: ______________________________________

Date of Issuance (*If applicable*): ________________________________ Date of Expiration (*If applicable*): ________________________

5. Customer Profile

Marital Status: ❑ Single ❑ Married ❑ Divorced ❑ Widowed **Number of Dependents:** ____________

Citizenship Status: ❑ U.S. Citizen ❑ Resident Alien (***Note:*** *Non-Resident Aliens are NOT permitted to open IRA Accounts.*)

Country of Citizenship if Non-U.S. : __________________________________

Employment Information: *(Please specify if self-employed, unemployed, retired, homemaker, student or other)***:**

Employer (*If self-employed or retired, specify type of business.*) | Occupation/Job Title | Business Telephone

Employer's Address | City | State/Province | Country | Zip

Trusted Contact Person Information (optional)

By choosing to provide information about a trusted contact person, you authorize us to contact the trusted contact person listed below and disclose information about your account to that person in the following circumstances: to address possible financial exploitation, to confirm the specifics of your current contact information, health status, or the identity of any legal guardian, executor, trustee or holder of a power of attorney, or as otherwise permitted by FINRA Rule 2165 (Financial Exploitation of Specified Adults).

First Name | Middle Name | Last Name

Home Address | Apt. /Suite No. | City | State/ Province | Country | Zip

Home Phone Number | Cell Phone Number | Work Number | Email Address

Relationship to Primary Applicant/ Co-Applicant

Customer Affiliations and Disclosures

Indicate the affiliation of yourself, your spouse, or any other immediate family members *(i.e. parents, siblings, children or in-laws)* with the following (*Please include name and relationship as is applicable*):		Self	Family Member
A. Employed by or associated with the securities industry or a financial regulatory agency? (*If yes, please specify the entity name and address to which duplicate account mailings should be sent, as well as including a letter from employer approving this account.)*:	❑ No	❑ Yes	❑ Yes
B. An officer, director or 10% (or more) shareholder in a publicly-owned company? *(If yes, please specify company name and trading symbol.)*:	❑ No	❑ Yes	❑ Yes
C. A senior military, governmental or political official in either the U.S. or a foreign jurisdiction? *(If yes, identify the name of the official, office held, and country.)*:	❑ No	❑ Yes	❑ Yes

Have you granted account trading authorization to another party? (If yes, please specify the agent name and provide a copy of the written agreement conferring trading and account authority.) ❑ Yes ❑ No ____

Financial Institution References: Reference 1:______________________________ Reference 2: ______________________________

Customer Investment Objectives and Risk Tolerance

Select the categories that best describe your investment objectives and the risk that you are willing to assume in this account. Different investment products and strategies involve different degrees of risk. The greater the expected returns of a product or strategy, the greater the risk that you could lose some or all of your investment. Investments should be chosen based on your objectives, timeframe, and tolerance for market fluctuations. *(Note that a secondary investment objective is not required)*

Select One Primary Investment Objective with Your Associated Risk Tolerance *(Check one box only)*				**Select One Secondary Investment Objective with Your Associated Risk Tolerance** *(Check one box only)*			
Capital Preservation	❑ Low	**You may not choose a secondary investment objective if you select Capital Preservation.**					
Income	❑ Low	❑ Moderate	❑ High	**Income**	❑ Low	❑ Moderate	❑ High
Growth		❑ Moderate	❑ High	**Growth**		❑ Moderate	❑ High
Speculation			❑ High	**Speculation**			❑ High

Investment Objective Descriptions

Capital Preservation: The object of capital preservation is to protect your initial investment by choosing investments that minimize the potential of a loss of principal. The long-term risk of this strategy is that returns may not offset inflation.

Income: The primary objective of the income strategy is to provide current income rather than the long-term growth of principal.

Growth: The objective of the growth strategy is to increase the value of your investment over time while recognizing a high likelihood of volatility.

Speculation: A speculative objective assumes a higher risk of loss in anticipation of potentially higher-than-average gains by taking advantage of expected price changes. You recognize and are able to bear the full risk of the loss of some or all principal in such investments.

Risk Tolerance Descriptions

Low (Conservative): I want to preserve my initial principal in this account, with minimal risk, even if that means this account does not generate significant income or returns and may not keep pace with inflation.

Moderate: I am willing to accept some risk to my initial principal and tolerate some volatility to seek higher returns, and understand I could lose a portion of the money invested.

High (Aggressive): I am willing to accept high risk to my initial principal, including high volatility, to seek higher returns over time, and understand I could lose all or a substantial amount of the money invested.

Customer Financial Information

Financial Information

The more we know about you and your goals for this account, the better we can serve you. Please answer the following questions about your investment experience and financial situation to help us determine which investment products and strategies are suitable for you.

Investment Experience (*Include Years of Experience*)	**Annual Income**[1] (*From all Sources*)	**Net Worth**[2] (*Exclusive of Residence*)	**Liquid Net Worth**[3] (*Cash, Securities, etc.*)	**Federal Tax Rate**
❑ Stocks __________	❑ Under $25,000	❑ Under $50,000	❑ Under $50,000	❑ 10%
❑ Bonds __________	❑ $25,000-$49,999	❑ $50,000-$99,999	❑ $50,000-$99,999	❑ 12%
❑ Options __________	❑ $50,000-$99,999	❑ $100,000-$249,999	❑ $100,000-$249,999	❑ 22%
❑ Commodities __________	❑ $100,000-$249,999	❑ $250,000-$499,999	❑ $250,000-$499,999	❑ 24%
❑ Futures __________	❑ $250,000-$499,999	❑ $500,000-$999,999	❑ $500,000-$999,999	❑ 32%
❑ Mutual Funds __________	❑ $500,000-$999,999	❑ $1,000,000-$3,000,000	❑ $1,000,000-$3,000,000	❑ 35%
❑ Other *(List)* __________	❑ $1,000,000-$3,000,000	❑ Over $3,000,000	❑ Over $3,000,000	❑ 37%
	❑ Over $3,000,000			

Additional Customer Information

Annual Expenses[4] (*Recurring*)	**Special Expenses**[5] (*Future/ Non-Recurring*)
❑ $50,000 and under ❑ $50,001-100,000 ❑ $100,001-250,000 ❑ $250,001-500,000 ❑ Over $500,000	❑ $50,000 and under ❑ $50,001-100,000 ❑ $100,001-250,000 ❑ Over $250,000
The investments in this account will be: (*Check one*)	**Timeframe for Special Expenses**
❑ Less than 1/3 of my financial portfolio ❑Roughly1/3 to 2/3 of my financial portfolio ❑ More than 2/3 of my financial portfolio	**Special Expense:**________________ ❑ Within 2 years ❑ 3-5 years ❑ 6-10 years ❑ 11 years or more

Description of Terms

1 **Annual income** includes income from sources such as employment, alimony, social security, investment income, etc.

2 **Net worth** is the value of your assets minus your liabilities. For purposes of this application, assets include stocks, bonds, mutual funds, other securities, bank accounts, and other personal property. Do not include your primary residence among your assets. For liabilities, include any outstanding loans, credit card balances, taxes, etc. Do not include your mortgage.

3 **Liquid net worth** is your net worth minus assets that cannot be converted quickly and easily into cash, such as real estate, business equity, personal property and automobiles, expected inheritances, assets earmarked for other purposes, and investments or accounts subject to substantial penalties if they were sold or if assets were withdrawn from them.

4 **Annual expenses** might include mortgage payments, rent, long-term debts, utilities, alimony or child support payments, etc.

5 **Special expenses** might include a home purchase, remodeling a home, a car purchase, education, medical expenses, etc.

Investment Time Horizon - When is the earliest that you expect to need funds from this account?

❑ Under 3 years ❑ 3-5 years ❑ 6-10 years ❑ 11-20 years ❑ Over 20 years ❑ Unknown

I plan to use this account for the following (*Check all that apply*)	**What is your source of funds for this account** (*Check all that apply*)
❑ Generate income for current or future expenses ❑ Partially fund my retirement ❑ Wholly fund my retirement ❑ Steadily accumulate wealth over the long term ❑ Preserve wealth and pass it on to my heirs ❑ Pay for educational expenses ❑ Market speculation ❑ Other: ____	❑ Income from Earnings ❑ Investments/ Transfer from Brokerage Account ❑ Gift ❑ Sale of Business or Real Estate ❑ Inheritance ❑ Pension/ IRA/ Retirement Savings ❑ Spouse/ Parent/ Relative ❑ Legal/ Insurance Settlement ❑ Lottery/Gaming ❑Other: ____

Other Investment Information (*Optional*) - Please consider providing us with additional information about your other investments to help us more fully understand your financial situation and the types of investments or strategies that may be appropriate for your total investment portfolio. *(Use additional pages if needed)*

Investment Type/Description	Firm Holding Your Investment	Amount of Investment
		$
		$
		$

6. Beneficiary Designation

In the event of my death, pay the full value of my account (in equal proportions in the case of multiple beneficiaries unless I indicate otherwise) to the primary beneficiary(ies) as designated and fully identified below. I understand that if a primary beneficiary(ies) predeceases me, the remaining portion will be divided proportionately among any surviving primary beneficiaries.

If my primary beneficiary(ies) predeceases me, pay the full value of my account to the named contingent beneficiary(ies) designated below. I understand that if a contingent beneficiary predeceases me, the remaining portion will be divided proportionately among any surviving named contingent beneficiaries. Contingent beneficiaries and per stirpes heirs will only inherit assets if there are no surviving primary beneficiaries at the time of the account holder's death.

If I do not designate a beneficiary or if all of my beneficiaries predecease me, pay the full value of my account to my estate. Should all my beneficiaries disclaim my assets, predecease me, or not survive me by 120 hours, the assets will be distributed to my estate.

I understand that I may change or revoke this designation at any time by completing a Change of Beneficiary Form, which will become effective after HTS confirms receipt of my properly completed Change of Beneficiary Form.

I understand that if HTS determines that my beneficiary designation is not clear with respect to the amount of the distribution, the date on which the distribution shall be made, or the identity of the beneficiary(ies) who will receive the distribution, regardless of the assistance of my Authorized Agent designated below or lack thereof, HTS has the right, in its sole discretion, to consult counsel and to institute legal proceedings to determine the proper distribution of my account, all at the expense of my account, before distributing or transferring my assets.

For any named primary beneficiary(ies), I understand that I may either select to name a contingent beneficiary(ies) or select per stirpes, but I cannot choose both for the same primary beneficiary. If both are selected, I understand and agree that HTS will only honor my named beneficiaries, whether primary or contingent. I am aware that per stirpes selection applies to natural and adopted children, but does not include stepchildren. Additionally, per stirpes may not be designated as a primary beneficiary.

It is extremely important that you clearly indicate the percentage each beneficiary is to receive; make sure the percentages add up to 100% for the primary beneficiaries and 100% for named contingent beneficiaries. If you do not indicate percentages in the primary or contingent beneficiary sections or if they do not equal 100%, my assets shall be divided equally among the surviving beneficiaries in the respective class.

Mandatory Question Regarding Non-Spouse Beneficiary(ies)

If you are married and designating someone other than your spouse as a primary beneficiary of this account, please answer the following question:
Is this account being funded by community property, separate property, or both? Note that if HTS determines that the nature of the funds in the account are different than you represent below, HTS has the right, in its sole discretion, to consult counsel and to institute legal proceedings to determine the proper distribution of your account, all at the expense of your account, before distributing or transferring your assets.

- ☐ Community Property
- ☐ Separate Property
- ☐ Both (community property and separate property)
- ☐ This question does not apply to me (I am designating my spouse as the only primary beneficiary, or I am not married)

If you selected "Community Property" or "Both (community property and separate property)", please have your spouse complete the spousal consent below, as HTS cannot process this application without a completed spousal consent.

<u>HTS' Definition of Per Stirpes Distribution</u>

If you indicate per stirpes distribution to your predeceased primary beneficiary(ies), you agree that the definition of per stirpes in this form will govern how HTS will distribute your account assets. Note that the definition of per stirpes in this form will be followed even though HTS' definition may differ from the definition of per stirpes under your particular state's laws and/or your Will or Trust. Please carefully review the definition of per stirpes below. Before completing and submitting this form to HTS, consult an attorney if you have any questions about per stirpes.

If a primary beneficiary with per stirpes selected as his or her contingent beneficiary predeceases me, HTS will distribute the primary beneficiary's share to his or her living children (natural or legally adopted; **stepchildren are not legally defined as descendants for these purposes**) if any, in equal shares. **If you wish to include any stepchildren, you should name and fully identify your natural, legally adopted, and stepchildren as contingent beneficiaries rather than selecting per stirpes**. If the predeceased primary beneficiary has no living natural or legally adopted children, that primary beneficiary's portion will be distributed to the other primary beneficiaries, if any, in equal shares. If all per stirpes beneficiaries predecease me, HTS will distribute my account assets to my estate. I understand that per stirpes cannot be named as a primary beneficiary. I also understand and agree that I may either select to name a contingent beneficiary(ies) or select per stirpes as the secondary beneficiary of a named primary beneficiary, but I cannot choose both for the same primary beneficiary. If both are selected, I understand and agree that HTS will only honor my named beneficiaries, whether primary or contingent.

Name and Address	Birth Date	Social Security #*	Relationship	Beneficiary Type*	Share %*
				☐ Primary ☐ Contingent ☐ Per Stirpes	_____%
				☐ Primary ☐ Contingent ☐ Per Stirpes	_____%
				☐ Primary ☐ Contingent ☐ Per Stirpes	_____%
				☐ Primary ☐ Contingent ☐ Per Stirpes	_____%

Authorized Party

If I indicate per stirpes, HTS will require the Authorized Party designated herein to assist HTS with the identity of the per stirpes beneficiary(ies) prior to distributing my account assets. I understand and agree that I will keep my designated Authorized Party up to date and will notify HTS should I wish to change my Authorized Party or should my Authorized Party predecease me or elect not to serve as my Authorized Party.

HTS is entitled to rely on my authorized agent when distributing my account assets. However, I also agree that HTS has no obligation to locate or identify any beneficiary(ies) or to independently verify any information submitted by my Authorized Party prior to distributing my account assets. I, my estate, and my successors in interest further understand and agree that, notwithstanding this Beneficiary section and any information or instructions provided by my Authorized Party, HTS may, in its sole discretion, require additional documentation, consult, or institute legal proceedings in order to determine the proper identity of my beneficiaries, all of which shall be at the expense of my account.

Name of Authorized Party (First Name) (Middle Initial) (Last Name)	**Relationship to You**
Home Street Address (P.O. Boxes are not accepted)	**City State Zip Code**
Email Address(es)	**Telephone Number**

7. Spousal Consent *(Required if participant's spouse is not designated as the sole primary beneficiary, and the account is being funded in whole or in part with community property.)*

As the spouse of the participant in the above-named Plan, I acknowledge that I understand my rights to be named the Primary Beneficiary of my spouse's account balance. I hereby consent to the designation made by my spouse to have the death benefit paid to the beneficiary(ies) named on my spouse's most current Beneficiary Designation instead of to me. I further acknowledge that I understand that the effect of my consent may be to forfeit benefits which I would be entitled to receive upon my spouse's death; that my spouse may not name a non-spouse beneficiary unless I consent to it; that the trustees may or may not permit me to revoke my consent to waiver at a later date; and that my spouse may not change beneficiary(ies) to anyone other than myself without my consent.

X____

Spouse's Signature *(Required if not sole primary beneficiary.)* Date

8. Sweep Account Instructions

For Cash Within the Account:

You must make ONE selection below. This type of account may not retain excess cash balances in Credit Interest (CIP). Excess cash balances must sweep to one of the funds or bank insured deposit options below. Applications without a selection will be rejected.

- ❑ Sweep to Bank Insured Deposit (FDIC Insured Deposit Account)
- ❑ Sweep to Dreyfus General Money Market Fund
- ❑ Sweep to Dreyfus General Muni Fund
- ❑ Sweep to Dreyfus General Government Fund
- ❑ Sweep to Dreyfus General Treasury Prime Fund
- ❑ Sweep to Federated California Muni Fund
- ❑ Sweep to Federated New York Muni Fund
- ❑ Sweep to Federated Govt Obligations CS Fund
- ❑ Sweep to Federated Muni Obligations CS Fund
- ❑ Sweep to Federated Prime Obligations CS Fund

The sweep program is provided by HTS to its customers offering you the option of automatically transferring excess cash balances in your securities account to either an account at a bank whose deposits are insured by the FDIC or a money market mutual fund product. A sweep of your excess cash balance allows you to earn interest on the funds while retaining the flexibility to quickly access that cash to purchase securities or withdraw it. HTS may change the products available under the sweep program, however you will receive 30 days notice before certain specified changes are made. For existing accounts, please notify your Financial Professional if you wish to sweep cash balances to the Bank Insured Deposit, Dreyfus General Money Market Fund, or other selection. Custodial Health Savings Accounts may not retain excess cash balances in CIP. Therefore, these specific types of accounts must affirmatively select either the money market fund option or Bank Insured Deposit option.

The Bank Insured Deposit is a program which involves a series of FDIC-insured bank accounts maintained at various participant banks, including PlainsCapital Bank, an affiliate of Hilltop Securities Inc. (HTS). Bank deposits are generally insured up to $250,000 per account holder, while your Custodial HSA on deposit may be separately insured up to $250,000. Balances in Bank Insured Deposit up to $5 million may be covered depending on the number of participant banks in the program. Account balances in excess of the combined coverage limits of the participant banks will be swept by HTS to a money market fund. A list of participant banks is available at www.hilltopsecurities.com. Deposits you may have directly placed with any participant bank should be taken into account when assessing your FDIC coverage. If you have a deposit with one of the participant banks that is separate from a balance in the Bank Insured Deposit, please notify your Financial Professional if the combined deposits are in excess of $250,000.

I acknowledge that I have been notified of the general terms and conditions of the products available through the sweep program. I acknowledge that the terms and conditions of my Bank Insured Deposit sweep selection will be mailed to me. Information regarding FDIC coverage is available at www.fdic.gov. Cash balances invested in the Bank Insured Deposit are not covered by SIPC or excess-SIPC coverage. Please consult your Financial Professional, as certain types of accounts may not be eligible to invest in the Bank Insured Deposit. HTS or your Financial Professional may receive a fee or compensation with respect to the Bank Insured Deposit. For more information concerning your cash account options, please contact your Financial Professional. For complete sweep account disclosures please see the Customer Information Brochure.

9. Account Agreement and Special Instructions *(Please read and sign)*

You hereby request that your Financial Professional maintain a brokerage account in the name(s) listed on this application. You acknowledge that you have received, read and understood the Hilltop Securities Inc. (HTS/Firm) Cash Account Agreement (Agreement) section of the Customer Information Brochure and that you agree to be bound by the terms and conditions of the Agreement that apply to your brokerage account, as is currently in effect and as may be amended from time to time, and that you will contact your Financial Professional regarding any questions that may relate to your account in a timely manner.

By signing this Application, you authorize HTS to invest or transfer on an ongoing basis any excess cash balances to another account or institution as per the sweep account option selected above. You also acknowledge that you have read, understand, and agree to be bound by all terms as contained in the Customer Information Brochure relating to sweep accounts. You agree to notify your Financial Professional should you wish to change your sweep account selection. You also authorize HTS to transfer your interest in the selected sweep option to another product in its sweep program upon 30 days written notice.

By signing this Application, you confirm your intention to reinvest cash credit balances held by HTS in your name, and you further confirm that this cash credit balance is being maintained in your account solely for the purpose of reinvestment. You acknowledge your understanding that cash balances of up to $250,000 are protected by the Securities Investor Protection Corporation (SIPC), but that SIPC coverage is not available for funds maintained solely for the purpose of earning interest.

Under rule 14b-1(c) of the Securities Exchange Act, a broker is required to disclose to an issuer the name, address, and securities positions of our customers who are beneficial owners of that issuer's securities unless the customer objects. If you object to the disclosure of such information, please check this box:

❑ Yes, I object to the disclosure of such information

Tax Withholding Certifications

Please check all boxes that apply, and sign and date in Section 10:

Account Applicant	
❑	**U.S. Person:** Under penalties of perjury, I certify that: **(1)** the number shown on this form is my correct taxpayer identification number; **(2)** I am not subject to backup withholding because: (a) I am exempt from backup withholding; or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends; or (c) the IRS has notified me that I am no longer subject to backup withholding; (3) I am a U.S. person (including a U.S. resident alien); and (4) the Foreign Account Tax Compliance Act (FATCA) code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.
❑	**Certification Instructions:** You must check this box if you cannot certify to item **(2)** above, meaning that you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return.
❑	**Non-Resident Alien:** I certify that I am not a U.S. citizen, U.S. resident alien, or other U.S. person for U.S. tax purposes, and I am submitting the applicable Form W-8BEN with this form to certify my foreign status and, if applicable, claim tax treaty benefits.

Under penalties of perjury, I certify that the above information (including my social security number) is correct. I hereby agree to participate in the IRA offered by the Custodian. I acknowledge receipt of a copy of the plan document under which this IRA is established and a copy of the Disclosure Statement with respect to this IRA. I direct that all benefits upon my death be paid as indicated above. In the event that this is a rollover contribution, the undersigned hereby irrevocably elects, pursuant to the requirements of Section 1.402(a)(5)-IT of the IRS regulations, to treat this contribution as a rollover contribution. The Custodian of this account is Hilltop Securities Inc. Notice of revocation must be delivered or mailed to Hilltop Securities Inc. / 1201 Elm Street, Suite 3500 / Dallas, TX 75270 / Phone #: (214) 859-1800.

By signing and dating this form, all applicants authorize the disclosure of their names, security position(s) and contact information, for purposes of receiving official communications concerning municipal securities, if relevant, to (a) an issuer of municipal securities; (b) a trustee for an issue of municipal securities in its capacity as trustee; (c) a state or federal tax authority; or (d) a custody agent for a stripped coupon municipal securities program in its capacity as custody agent. (*For additional information, please see MSRB Rules G-8(a)(xi) and G-15(g)(iii)(A).*)

"Power of Attorney" not related to limited trading authorization will be accepted if it complies with the POA standards established by Hilltop Securities Inc.

We do not process mistake of fact transactions as the IRS has not provided reporting guidelines for this type of transaction.

The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid backup and FATCA withholding. For IRS form W-9 instructions please use the following link: http://www.irs.gov/pub/irs-pdf/iw9.pdf.

In consideration of the firm accepting this account, I acknowledge that I have read, understand and agree to be bound by the Account Agreement terms as contained in the Customer Information Brochure, that I acknowledge receiving the Form CRS and the Brokerage Services Disclosure Brochure. **I further acknowledge that I have read and understand the pre-dispute arbitration clause contained in the Cash Account Agreement section of the Customer Information Brochure and agree to resolve any disputes arising out of my account by arbitration.** I certify that the foregoing client information is accurate and I am aware that the information is relied upon by the financial professional in servicing my account, and as such, I agree to notify the Firm in writing of any material changes, including those to the holder's financial situation or investment objectives.

10. Customer Signature

X ____ ____

Applicant's Signature Date Applicant's Printed Name

FOR BROKERAGE USE ONLY

X ____

Financial Professional's Signature Date

____

Financial Professional's Printed Name

Office #:_________ Financial Professional#:__________ Account#: ___________

Customer Information Brochure Delivered: ____/_____/____

Privacy Policy Delivered: ____/_____/____

Form CRS Delivered: ____/_____/____

Form CRS Delivery Method: _______________

Copies of all Written Agreements Delivered: ____/_____/____

X ____

Principal's Signature Date

____

Principal's Printed Name

X ____

Authorized Signature of Custodian Date

____

Authorized Printed Name of Custodian