

EDUCATION IRA/COVERDELL  
EDUCATION ACCOUNT APPLICATION  
AND DISCLOSURE STATEMENT



Account Number (if known)  
Registered Representative

Return your completed application to:

William Blair Funds, P.O. Box 219137  
Kansas City, MO 64121-9137  
Our overnight mail address is:  
William Blair Funds, 430 W. 7th Street, Suite 219137  
Kansas City, MO 64105-1407

To open an Education IRA account, please complete this form, as well as a William Blair IRA Application. For assistance with this form, please call 1-800-635-2886 or 1-800-742-7272.

THE USA PATRIOT ACT

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 for you: When you open an account, we will ask for your name, address, date of birth and other information that will allow us to identify you. You may also be asked to show other identifying documentation.

**Bolded fields must be completed and will be verified as required by the Patriot Act. If bolded fields are not completed, this application will be rejected.**

1. GRANTOR/DEPOSITOR (CONTRIBUTOR) INFORMATION

Name Social Security Number Birth Date  
Street Address and Apartment or P.O. Box Number  
(If mailing address is a post office, a street address is also required by the Patriot Act, APO and FPO addresses will be accepted.)  
City State Zip Code  
Daytime Telephone Number Evening Telephone Number  
Citizenship: You **must** check one: For foreign accounts, one of the following must be provided: Taxpayer ID, Alien ID, or passport number with country of issuance.  
 U.S. Citizen  Resident Alien  Nonresident Alien  
Alien ID or passport number \_\_\_\_\_  
Country of Issuance \_\_\_\_\_

2. DESIGNATED BENEFICIARY (FUTURE STUDENT) INFORMATION

Name Social Security Number  
Street Address and Apartment or P.O. Box Number  
City State Zip Code  
Daytime Telephone Number Evening Telephone Number  
Gender:  Male  Female  
Birth Date (Month, Day, Year)

3. RESPONSIBLE INDIVIDUAL (PARENT/GUARDIAN OF DESIGNATED BENEFICIARY) INFORMATION

Name Social Security Number  
Street Address and Apartment or P.O. Box Number  
City State Zip Code  
Daytime Telephone Number Evening Telephone Number  
Gender:  Male  Female  
Relationship to Designated Beneficiary

4. OPTIONAL PROVISIONS

- If the Trustee/Custodian checks this circle, the following optional provision is available to the Grantor/Depositor:
  - If the Grantor/Depositor checks this circle, the Responsible Individual shall continue to serve as the Responsible Individual for the Trust/Custodial Account after the Designated Beneficiary attains the age of majority under state law and until such time as all assets have been distributed from the Trust/Custodial Account and the Trust/Custodial Account terminates. If the Responsible Individual becomes incapacitated or dies after the Designated Beneficiary reaches the age of majority under state law, the Responsible Individual shall be the Designated Beneficiary.
  - If the Trustee/Custodian checks this circle, the following optional provision is available to the Grantor/Depositor:
    - If the Grantor/Depositor checks this circle, the Responsible Individual may change the Designated Beneficiary under this agreement to another member of the Designated Beneficiary's family described in section 529(e) (2) of the Internal Revenue Code of 1986, as amended, in accordance with the Trustee/Custodian's procedures.

5. DEPOSIT INFORMATION

Type of Deposit:  Regular  Rollover from another Education IRA  Transfer from another Education IRA  
Amount of Deposit: \$ \_\_\_\_\_

6. AUTOMATIC INVESTMENT PROGRAM

Yes, I would like to automatically add to my IRA account by transferring money from my bank to my William Blair Fund on a regular basis.  
Amount \$ \_\_\_\_\_ Start Date (Month) \_\_\_\_\_  
Type of Account: (Please attach a voided check or deposit slip):  Savings Account  Checking Account  
Name of Bank \_\_\_\_\_ Bank Account Number \_\_\_\_\_  
Please post investments on the:  5th or  20th day of the month

7. ADOPTION AND ACKNOWLEDGEMENT

This Application is made part of the Education Individual Retirement Account. I acknowledge receipt of the Coverdell Education IRA Custodial Agreement establishing this Education IRA, the Disclosure Statement, and a copy of this Application. I certify that, to the best of my knowledge, the information provided on this form is true and correct and it may be relied on by the Trustee/Custodian. I agree to seek the advice of a legal or tax professional, as needed. The Trustee/Custodian has not provided me with any legal or tax advice, and I assume full responsibility for this transaction. I will not hold the Trustee/Custodian liable for any adverse consequences that may result from this transaction. I acknowledge that this contribution is a completed gift to the designated beneficiary and that the Responsible individual shall exercise all future control over this account.

By execution of this application, the investor represents and warrants that (i) he has full right, power and authority to make the investment applied for and (ii) he is a natural person of legal age in his state of residence and that all information on this application is true and correct. The investor certifies that the taxpayer identification number and tax status set forth in the application is correct. The person or persons, if any, signing on behalf of the investor represent and warrant that they are duly authorized to sign this application and purchase or redeem shares of the Fund on behalf of the investor. The person named in the registration must sign below.

By signing this form, I certify that: I have received the current Fund prospectus and agree to be bound by its terms. I have full authority and legal capacity to purchase Fund shares, and establish and use regular privileges. I hereby adopt the William Blair Funds Coverdell Education Custodial Agreement that is incorporated herein by reference and acknowledge having received and read it. I further acknowledge having received and read the William Blair Disclosure Statement and the prospectus for each William Blair Fund elected under this Agreement.

If I am a U.S. citizen or resident alien, I certify under penalties of perjury that the number shown in Section 1 is my correct taxpayer identification number, that the number shown in Section 2 is the correct taxpayer identification number of the designated beneficiary and that I am a U.S. citizen or other U.S. person (this includes a U.S. resident alien).

If I am a nonresident alien, I understand that I am required to complete the appropriate Form W 8 to certify my foreign status. I understand that, if I am a nonresident alien, I am not under penalties of perjury for certifying to the above information.

Signature of Grantor/Depositor Authorized Signature of Trustee/Custodian  
Date (Month, Day, Year) Date (Month, Day, Year)

# Coverdell Education Savings Custodial Account

(Under section 530 of the Internal Revenue Code)

Do not file  
 with the Internal  
 Revenue Service

Name of depositor		Depositor's identification number		Check if amendment <input type="checkbox"/>
Name of designated beneficiary		Designated beneficiary's identification number		
Address of designated beneficiary		Date of birth of designated beneficiary		
Name of responsible individual (generally the parent or guardian of the designated beneficiary)				
Address of responsible individual				
Name of custodian		Address or principal place of business of custodian		

The depositor named above is establishing a Coverdell education savings account under section 530 for the benefit of the designated beneficiary exclusively to pay for the qualified elementary, secondary, and higher education expenses, within the meaning of section 530(b)(2), of such designated beneficiary.

The depositor assigned the custodial account \_\_\_\_\_ dollars (\$ \_\_\_\_\_) in cash.

The depositor and the custodian make the following agreement:

### Article I

The custodian may accept additional cash contributions provided the designated beneficiary has not attained the age of 18 as of the date such contributions are made. Contributions by an individual contributor may be made for the tax year of the designated beneficiary by the due date of the beneficiary's tax return for that year (excluding extensions). Total contributions that are not rollover contributions described in section 530(d)(5) are limited to \$2,000 for the tax year. In the case of an individual contributor, the \$2,000 limitation for any year is phased out between modified adjusted gross income (AGI) of \$95,000 and \$110,000. For married individuals filing jointly, the phase-out occurs between modified AGI of \$190,000 and \$220,000. Modified AGI is defined in section 530(c)(2).

### Article II

No part of the custodial account funds may be invested in life insurance contracts, nor may the assets of the custodial account be commingled with other property except in a common trust fund or a common investment fund (within the meaning of section 530(b)(1)(D)).

### Article III

1. Any balance to the credit of the designated beneficiary on the date on which he or she attains age 30 shall be distributed to him or her within 30 days of such date.
2. Any balance to the credit of the designated beneficiary shall be distributed within 30 days of his or her death **unless** the designated death beneficiary is a family member of the designated beneficiary and is under the age of 30 on the date of death. In such case, that family member shall become the designated beneficiary as of the date of death.

### Article IV

The depositor shall have the power to direct the custodian regarding the investment of the above-listed amount assigned to the custodial account (including earnings thereon) in the investment choices offered by the custodian. The responsible individual, however, shall have the power to redirect the custodian regarding the investment of such amounts, as well as the power to direct the custodian regarding the investment of all additional contributions (including earnings thereon) to the custodial account. In the event that the responsible individual does not direct the custodian regarding the investment of additional contributions (including earnings thereon), the initial investment direction of the depositor also will govern all additional contributions made to the custodial account until such time as the responsible individual otherwise directs the custodian. Unless otherwise provided in this agreement, the responsible individual also shall have the power to direct the custodian regarding the administration, management, and distribution of the account.

### Article V

The "responsible individual" named by the depositor shall be a parent or guardian of the designated beneficiary. The custodial account shall have only one responsible individual at any time. If the responsible individual becomes incapacitated or dies while the designated beneficiary is a minor under state law, the successor responsible individual shall be the person named to succeed in that capacity by the preceding responsible individual in a witnessed writing or, if no successor is so named, the successor responsible individual shall be the designated beneficiary's other parent or successor guardian. Unless otherwise directed by checking the option below, at the time that the designated beneficiary attains the age of majority under state law, the designated beneficiary becomes the responsible individual. If a family member under the age of majority under state law becomes the designated beneficiary by reason of being a named death beneficiary, the responsible individual shall be such designated beneficiary's parent or guardian.

**Option** (*This provision is effective only if checked*): The responsible individual shall continue to serve as the responsible individual for the custodial account after the designated beneficiary attains the age of majority under state law and until such time as all assets have been distributed from the custodial account and the custodial account terminates. If the responsible individual becomes incapacitated or dies after the designated beneficiary reaches the age of majority under state law, the responsible individual shall be the designated beneficiary.

Article VI

The responsible individual  may or  may not change the beneficiary designated under this agreement to another member of the designated beneficiary's family described in section 529(e)(2) in accordance with the custodian's procedures.

Article VII

- 1. The depositor agrees to provide the custodian with all information necessary to prepare any reports required by section 530(h).
2. The custodian agrees to submit to the Internal Revenue Service (IRS) and responsible individual the reports prescribed by the IRS.

Article VIII

Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through III will be controlling. Any additional articles inconsistent with section 530 and the related regulations will be invalid.

Article IX

This agreement will be amended as necessary to comply with the provisions of the Code and the related regulations. Other amendments may be made with the consent of the depositor and the custodian whose signatures appear below.

Article X

Article X may be used for any additional provisions. If no other provisions will be added, draw a line through this space. If provisions are added, they must comply with applicable requirements of state law and the Internal Revenue Code.

Signature lines for Depositor's signature, Custodian's signature, and Witness' signature, each followed by a Date line. Includes a note: (Use only if signature of the depositor or the custodian is required to be witnessed.)

General Instructions

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

What's New

Military death gratuity. Families of soldiers who receive military death benefits may contribute, subject to certain limitations, up to 100 percent of such benefits into an educational savings account.

Purpose of Form

Form 5305-EA is a model custodial account agreement that meets the requirements of section 530(b)(1) and has been pre-approved by the IRS. A Coverdell education savings account (ESA) is established after the form is fully executed by both the depositor and the custodian.

If the model account is a trust account, see Form 5305-E, Coverdell Education Savings Trust Account.

Do not file Form 5305-EA with the IRS. Instead, the depositor must keep the completed form in its records.

Definitions

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

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

Designated beneficiary. The designated beneficiary is the individual on whose behalf the custodial account has been established.

Family member. Family members of the designated beneficiary include his or her spouse, child, grandchild, sibling, parent, niece or nephew, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law, and the spouse of any such individual.

Responsible individual. The responsible individual, generally, is a parent or guardian of the designated beneficiary. However, under certain circumstances, the responsible individual may be the designated beneficiary.

Identification Numbers

The depositor's and designated beneficiary's social security numbers will serve as their identification numbers. If the depositor is a nonresident alien and does not have an identification number, write "Foreign" in the

block where the number is requested. The designated beneficiary's social security number is the identification number of his or her Coverdell ESA. An employer identification number (EIN) is required only for a Coverdell ESA for which a return is filed to report unrelated business income.

Specific Instructions

Note: The age limitation restricting contributions, distributions, rollover contributions, and change of beneficiary are waived for a designated beneficiary with special needs.

Article X. Article X and any that follow may incorporate additional provisions that are agreed to by the depositor and custodian to complete the agreement. They may include, for example, provisions relating to: definitions, investment powers, voting rights, exculpatory provisions, amendment and termination, removal of the custodian, custodian's fees, state law requirements, treatment of excess contributions, and prohibited transactions with the depositor, designated beneficiary, or responsible individual.

Optional provisions in Article V and Article VI. Form 5305-EA may be reproduced in a manner that provides only those optional provisions offered by the custodian.

## EDUCATION IRA/COVERDELL EDUCATION ACCOUNT CUSTODIAL ACCOUNT DISCLOSURE STATEMENT

**SPECIAL NOTE:** This Disclosure Statement reflects changes to the tax law rules governing Education IRAs/Coverdell Education Savings Accounts made by the Economic Growth and Tax Relief Reconciliation Act of 2001, which are effective as of January 1, 2002, and have been extended through the end of 2012 by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. The status of such provisions for years after 2012 will depend on the passage of further legislation.

Beginning January 1, 2002, taxpayers may deposit up to \$2,000 per year into Coverdell Education Account (more commonly referred to as an "Education IRA") for a child under age 18 or a special needs beneficiary. Parents, grandparents, other family members, friends, and a child him/herself may contribute to the child's Education IRA, provided that the total contributions for the child during the taxable year do not exceed the \$2,000 limit. Amounts deposited in the account grow tax-free until distributed, and the child will not owe tax on any withdrawal from the account if the child's qualified elementary, secondary and higher education expenses at an eligible educational institution for the year equal or exceed the amount of the withdrawal. If the child does not need the money for post-secondary education, the account balance can be rolled over to the Education IRA of certain family members who can use it for their qualified elementary, secondary and higher education. Amounts withdrawn from an Education IRA that exceed the child's qualified elementary, secondary and higher education expenses in a taxable year are generally subject to income tax and to an additional tax of 10 percent. The Hope Scholarship Credit and Lifetime Learning Credit may not be claimed for a student's expenses in a taxable year in which the student takes a tax-free withdrawal from an Education IRA.

### **Q1. What is an Education IRA/Coverdell Education Account?**

A1. An Education IRA is a trust or custodial account that is created or organized in the United States exclusively for the purpose of paying the qualified elementary, secondary and higher education expenses of the designated beneficiary of the account. The account must be designated as an Education IRA/Coverdell Education Account when it is created in order to be treated as an Education IRA for tax purposes.

### **Q2. For whom may an Education IRA/Coverdell Education Account be established?**

A2. An Education IRA may be established for the benefit of any child under age 18. Contributions to the Education IRA will not be accepted after the designated beneficiary reaches his/her 18th birthday, unless the designated beneficiary qualifies as a "special needs beneficiary." A special needs beneficiary includes an individual who, as defined by the IRS, requires additional time to complete his education because of a physical, mental, or emotional condition (including a learning disability).

### **Q3. Where may an individual open an Education IRA/Coverdell Education Account?**

A3. An individual may open an Education IRA with any bank, or other entity that has been approved to serve as a non-bank trustee or custodian of an individual retirement account (IRA), and the bank or entity is offering Education IRAs. Other entities that wish to offer Education IRAs but are not approved to serve as IRA trustees or custodians may seek approval by following the same IRS procedures used for approval of other IRA non-bank trustees. See Notice 97-60, 1997-2 C.B. 310.

### **Q4. When may a taxpayer start contributing to an Education IRA/Coverdell Education Account for a child?**

A4. A taxpayer may start making contributions on January 1, 1998, or at any time thereafter.

### **Q5. How much may be contributed to a child's Education IRA/Coverdell Education Account?**

A5. Up to \$2,000 per year in aggregate contributions may be made for the benefit of any child. The contributions may be placed in a single Education IRA or in multiple Education IRAs.

### **Q6. What happens if more than \$2,000 is contributed to an Education IRA/Coverdell Education Account on behalf of a child in a calendar year?**

A6. Aggregate contributions for the benefit of a particular child in excess of \$2,000 for a calendar year are treated as excess contributions. If the excess contributions (and any earnings attributable to them) are not withdrawn from the child's account (or accounts) before the tax return for the year is due, the excess contributions are subject to a 6 percent excise tax for each year the excess amount remains in the account.

### **Q7. May contributions other than cash be made to a child's Education IRA/Coverdell Education Account?**

A7. No. Education IRAs are permitted to accept contributions made in cash only.

### **Q8. May contributors take a deduction for contributions made to an Education IRA/Coverdell Education Account?**

A8. No.

### **Q9. Are there any restrictions on who can contribute to an Education IRA/Coverdell Education Account?**

A9. Any individual may contribute up to \$2,000 to a child's Education IRA if the individual's modified adjusted gross income for the taxable year is no more than \$95,000 (\$190,000 for married taxpayers filing jointly). The \$2,000 maximum contribution per child is gradually reduced for individuals with modified adjusted gross income between \$95,000 and \$110,000 (between \$190,000 and \$220,000 for married taxpayers filing jointly).

### **Q10. May a child contribute to his/her own Education IRA/Coverdell Education Account?**

A10. Yes.

### **Q11. Does a taxpayer have to be related to the designated beneficiary in order to contribute to the designated beneficiary's Education IRA/Coverdell Education Account?**

A11. No.

### **Q12. How many Education IRA/Coverdell Education Accounts may a child have?**

A12. There is no limit on the number of Education IRAs that may be established designating a particular child as beneficiary. However, in any given taxable year the total aggregate contributions to all the accounts designating a particular child as beneficiary may not exceed \$2,000. Also, keep in mind that the more Education IRAs that are established, the more fees an individual is likely to pay. Consider, instead, making annual contributions to the same Education IRA.

### **Q13. May a designated beneficiary take a tax-free withdrawal from an Education IRA/Coverdell Education Account to pay qualified education expenses if the designated beneficiary is enrolled less than full-time at an eligible educational institution?**

A13. Yes. Whether the designated beneficiary is enrolled full-time, half-time, or less than half-time, he/she may take a tax-free withdrawal to pay qualified elementary, secondary and higher education expenses.

### **Q14. Can distribution also be used for elementary and secondary school expenses?**

A14. Yes, for 2002 and later years, earnings are tax-free when utilized for qualified elementary and secondary school education expenses.

### **Q15. What happens when a designated beneficiary withdraws assets from an Education IRA/Coverdell Education IRA/Coverdell Education Account to pay for education expenses?**

A15. Generally, the withdrawal is tax-free to the designated beneficiary to the extent the amount of the withdrawal does not exceed the designated beneficiary's qualified elementary, secondary and higher education expenses.

### **Q16. What are the "qualified education expenses"?**

A16. The definition of qualified education expenses includes "qualified higher education expenses" and "qualified elementary and secondary education expenses." "Qualified higher education expenses" means expenses for tuition, fees, books, supplies, and equipment required for enrollment or attendance at an eligible educational institution and expenses for special needs services in the case of a special needs beneficiary that are incurred in connection with such enrollment or attendance. For students attending an eligible educational institution at least half time, qualified higher education expenses also include room and board.

"Qualified elementary and secondary education expenses" include expenses for tuition, fees, academic tutoring, special needs services in the case of a special needs beneficiary, books, supplies, and other equipment that are incurred in connection with the enrollment or attendance of the designated beneficiary as an elementary or secondary school student at a public, private or religious school. Qualified elementary and secondary education expenses also include expenses for room and board, uniforms, transportation, and supplementary items and services (including extended day programs) that are required or provided by a public, private, or religious school in connection with such enrollment or attendance. The purchase of any computer technology, equipment or Internet access and related services are also considered qualified expenses if such technology, equipment or services are to be used by the designated beneficiary and the designated beneficiary's family during any of the years the designated beneficiary is in school. Computer software designed for sports, games, or hobbies is not considered a qualified expense unless the software is predominantly educational in nature.

Qualified education expenses are reduced for certain scholarships and the limits are coordinated with other tax favored education programs.

This information is intended to be general in nature. The determination of qualified education expenses is complex, so please consult with your tax advisor to determine the amount of the designated beneficiary's qualified education expenses.

# EDUCATION IRA/COVERDELL EDUCATION ACCOUNT CUSTODIAL ACCOUNT DISCLOSURE STATEMENT

(continued)

## **Q17. What is an eligible education institution?**

A17. An eligible education institution is any college, university, vocational school, or other post-secondary educational institution that is described in section 48 of the Higher Education Act of 1965 (20 U.S.C. 1088) and, therefore, eligible to participate in the student aid programs administered by the Department of Education. This category includes virtually all accredited public, nonprofit, and proprietary post-secondary institutions.

## **Q18. What happens if a designated beneficiary withdraws an amount from an Education IRA/Coverdell Education Account but does not have any qualified elementary, secondary and higher education expenses to pay in the taxable year he/she makes the withdrawal?**

A18. Generally, if a designated beneficiary withdraws an amount from an Education IRA and does not have any qualified education expenses during the taxable year, a portion of the distribution is taxable. The taxable portion is the portion that represents earnings that have accumulated tax-free in the account. The taxable portion of the distribution is also subject to a 10 percent additional tax unless an exception applies.

## **Q19. Is a distribution from an Education IRA/Coverdell Education Account taxable if the distribution is contributed to another Education IRA?**

A19. Any amount distributed from an Education IRA and rolled over to another Education IRA for the benefit of the same designated beneficiary or certain member of the designated beneficiary's family is not taxable. An amount is rolled over if it is paid to another Education IRA on a date within 60 days after the date of distribution. Members of the designated beneficiary's family include the designated beneficiary's children and their descendants, stepchildren and their descendants, siblings and their children, parents and grandparents, stepparents, and spouses of all the foregoing. The \$2,000 annual contribution limit to Education IRAs does not apply to these rollover contributions. For example, an older brother who has \$2,000 left in his Education IRA after he graduates from college can roll over the full \$2,000 balance to an Education IRA for his younger sister who is still in high school without paying any tax on transfer.

## **Q20. What happens to the assets remaining in an Education IRA/Coverdell Education Account after the designated beneficiary finishes his/her post-secondary education?**

A20. There are two options. The amount remaining in the account may be withdrawn for the designated beneficiary. The designated beneficiary will be subject to both income tax and the additional 10 percent tax on the portion of the amount withdrawn that represents earnings if the designated beneficiary does not have any qualified higher education expenses in the same taxable year he/she makes the withdrawal. Alternatively, if the amount in the designated beneficiary's Education IRA is withdrawn and rolled over (as described in Q&A 18) to another Education IRA for the benefit of a member of the designated beneficiary's family, the amount rolled over will not be taxable.

## **Q21. Rather than rolling over money from one Education IRA/Coverdell Education Account to another, may the designated beneficiary of the account be changed from one child to another without triggering a tax?**

A21. Yes, provided: (1) the terms of the particular trust or custodial account permit a change in designated beneficiaries (each trustee or custodian will control whether options like this one are available in the accounts they offer), and (2) the new designated beneficiary is a member of the previous designated beneficiary's family. (See Q&A 18).

## **Q22. May a student or the student's parents claim the Hope Scholarship Credit or Lifetime Learning Credit for the student's expenses in a taxable year in which the student receives money from an Education IRA/Coverdell Education Account on a tax-free basis?**

A22. Effective as of January 1, 2002, education expenses may be claimed as the basis for a Hope Scholarship Credit or Lifetime Learning Credit in the same year a student receives a tax-free distribution from an Education IRA, as long as the distribution is not used for the same educational expenses for which a credit is claimed.

## **Q23. May contributions be made to both a qualified tuition program and an Education IRA/Coverdell Education Account on behalf of the same designated beneficiary in the same taxable year?**

A23. Yes. Contributions can be made to a qualified tuition program and an Education IRA in the same taxable year for the same designated beneficiary.